

SCHOOL DISTRICT OF PEWAUKEE
Pewaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2017

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SCHOOL DISTRICT OF PEWAUKEE

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SCHOOL DISTRICT OF PEWAUKEE

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Pewaukee, Wisconsin, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the School District of Pewaukee'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 School District of Pewaukee'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.

To the Board of Education
School District of Pewaukee

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Pewaukee, Wisconsin, as of June 30, 2017 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the School District of Pewaukee adopted the provisions of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2016. 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 required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. These reporting standards limit the disclosure of condensed financial statements and other information in the management's discussion and analysis. Management has elected to include more information in the management's discussion and analysis than is required by these standards. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the schedule of investment returns - OPEB 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 opinions on the basic financial statements are not affected by this missing information.

To the Board of Education
School District of Pewaukee

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Pewaukee's basic financial statements. The supplementary information as listed in the table of contents, which includes the schedules of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Guidelines*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 28, 2017 on our consideration of the School District of Pewaukee'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 School District of Pewaukee's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 28, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

The following discussion and analysis of the Pewaukee School District's financial performance provides an overall review of financial activities for the fiscal year and focuses on School District financial performance as a whole.

FINANCIAL HIGHLIGHTS

Review of Funds:

The General Fund (Fund 10) balance increased by \$413.16K from \$6.280M to \$6.693M. The fund balance is approximately 24.22% of General Fund expenditures. The original budget for 2016-17 was adopted with an expected surplus of approximately \$100,000. The budget surplus beyond this plan was primarily driven as a result of reducing the cost of personnel in the district and reductions in the cost of providing special education programming. Personnel costs account for nearly seventy-five percent of the overall operating budget. The District has taken a deliberate approach to increasing their reserves over the past several years.

Pewaukee School District served as the fiscal agent in the operations of the Waukesha Area Health Insurance Purchasing Cooperative. This group formed to create buying power for the smaller groups within individual districts generating premium savings for all members of the cooperative. Seven (7) districts participated in the initial offering. The members of the cooperative began their insurance coverage through United Health Care in September 2007 with their first renewal date on July 1, 2008. As of September 1, 2014 the membership in the Cooperative had grown to ten school districts. The cooperative has implemented a robust wellness operating plan for all member districts. Improving the health of the group through the participation in the wellness activities offered will be monitored to measure the effectiveness of the plan in lowering the overall cost of health insurance.

Financial activity resulted in an increase in fund balance in the Food Service Fund (Fund 50) of \$48,338. Revenues of \$1,002,531 exceeded expenditures of \$954,193, resulting in a total fund balance of \$247,260 as of June 30, 2017. Several operational efficiencies implemented during the fiscal year coupled with improved participation resulted in the surplus. Reinvestment in additional resources to be used in the program to enhance participation will be the target for these reserves.

Capital assets have been reported at \$67,134,532 and accumulated depreciation of \$24,441,686 for a net capital asset book value of \$42,692,846. The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$5,000. Independent physical inventories are conducted in Spring on a biannual cycle with the most recent completed in the Spring of 2016. Capital assets were assigned to an expense function and annual and accumulated depreciation for each expense function has been incorporated into the financial statements.

The District has planned for the future costs associated with the upkeep and maintenance of the facilities. Preventative maintenance and life cycle replacement of equipment are addressed in the Long Range Capital Improvement Plan. This plan is revisited annually and presented to the Board of Education. Major improvements to the facilities in the District are assessed in ten year increments through the Facility Master Planning process. During the 2016-17 school year our Board of Education began this review process by analyzing enrollment projections and community development projections. These projections along with the needs analysis for the facility instructional needs of the resident student population are the basis of the Facility Master Planning Process.

The resident student full-time equivalent (FTE) count, which is a major variable in the district's revenue limit calculation, increased by 71 students or 2.63% from September 2015 to September 2016. Pewaukee has experienced growth in our resident population through new developments in the community and residential turnover. The count increased from 2,699 full-time equivalent resident students to 2,740, full-time equivalent resident students. We anticipate the rate of growth will slow in the near future as many of the developments are reaching the full build out stage.

Total revenues from Governmental Funds were \$36,553,189. This amount includes \$27,665,021 of local revenues, \$6,131,303 of state revenues, and \$2,756,865 from other sources. Local revenues represent 75.68% of all revenue. State revenues represent 16.77% of all revenue. Due to the position of the Pewaukee School District in the state aid distribution formula we experienced an increase in Equalization Aid in the 2016-17 fiscal year of 19.10% or \$699,317.

The District's overall financial status, as reflected in total net assets of \$28,462,523, reflecting the decrease in long-term liabilities as construction debt payments were made, offset by increases to the total asset base.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four parts:

1. Management's Discussion and Analysis.
2. Basic Financial Statements (District-wide and Fund Statements.)
3. Notes to the Financial Statements.
4. Required and Additional Supplementary Information.

The basic financial statements consist of district-wide Financial Statements and Fund Financial Statements that present different views of the district's financial activities.

District-wide Financial Statements

The *Statement of Net Position* and *Statement of Activities* provide information on a District-wide basis. These statements present an aggregate view of the District's finances. These statements contain useful long-term information as well as information for the 2016-17 fiscal year.

The *Statement of Net Position* compares assets and deferred outflows of resources to liabilities and deferred inflows of resources to give an overall view of the financial health of the District.

The *Statement of Activities* defines the District's expenses by function and illustrates the total that offset by corresponding revenues (charges for services and/or operating grants and contributions). General revenue and any extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue and recognizing the change in net assets for the District from the previous year.

Fund Financial Statements

The remaining statements: *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements and support the *Statement of Net Position*.

The *Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* is required supplementary information, which further explains and supports the financial statements by including a comparison of the District's budget data for the year.

The *Notes to the Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

Supplementary Information provides information specific to non-major governmental funds.

The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in Table 1.

Table 1 – Major Features of District-wide and Fund Financial Statements

	District-wide Statements	Governmental Fund Statements	Proprietary Fund Statements	Fiduciary Fund Statements
Scope	Entire District (except fiduciary funds)	The activity of the District that is not proprietary or fiduciary, such as instructional, support services and community services.	An activity the District operates similar to private businesses. <u>The District does not report any program for this designation.</u>	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses and changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Changes in Fiduciary Net Position
Basis of Accounting and Measurement Focus	Accrual accounting Economic resources focus	Modified accrual accounting Current financial resources focus	Accrual accounting Economic resources focus	Accrual accounting Economic resources focus
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both financial and capital, short-term and long-term. <u>The District's fiduciary funds do not currently contain capital assets.</u>
Type of Inflow and Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year. Expenditures when goods or services have been received and the related liabilities are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

Table 2 – Condensed Statement of Net Assets

	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>
<u>Assets</u>					
Current Assets	\$12,313,772	\$13,747,860	\$16,038,463	\$14,040,194	\$14,702,959
Non Current Assets	47,408,136	44,283,717	46,528,216	44,149,786	42,692,846
Total Assets	\$59,721,908	\$58,031,577	\$62,566,679	\$58,189,980	\$57,395,805
<u>Deferred Outflows of Resources</u>					
	\$0	\$0	\$2,622,345	\$9,639,668	\$6,653,237
<u>Liabilities</u>					
Current Liabilities	\$9,634,983	\$9,382,473	\$9,624,483	\$8,917,529	\$8,716,585
Non-Current Liabilities	29,278,154	27,732,537	27,359,221	26,122,574	23,956,893
Total Liabilities	\$38,913,137	\$37,115,010	\$36,983,704	\$35,040,103	\$32,673,478
<u>Deferred Inflows of Resources</u>					
	\$0	\$0	\$49,107	\$3,745,158	\$2,913,041
<u>Net Position</u>					
Net Investment in Capital Assets	\$18,372,341	\$17,215,768	\$18,394,094	\$19,885,525	\$20,867,921
Restricted	495,398	482,767	5,296,784	462,492	420,446
Unrestricted	1,941,032	3,642,457	4,465,335	8,696,370	7,174,156
Total Net Position	\$20,808,771	\$21,340,992	\$28,156,213	\$29,044,387	\$28,462,523

Statement of Net Position: (Table 2)

As of June 30, 2017, the District reported total assets of \$57.40M, total deferred outflows of resources of \$6.65M, total liabilities of \$32.67M and total deferred inflows of resources of \$2.91M. Net position amounts to \$28.46M. Fiscal Year 2016-17 is the fifteenth year the District has reported capital assets on the balance sheet. Capital asset reporting includes historical cost of sites, site improvements, buildings, building improvements, furniture and equipment (all net of accumulated depreciation).

Table 3
Statement of Activities

Revenues:		2013-14	2014-15	2015-16	2016-17
Program:	Charges for Services	2,688,351	2,679,556	2,662,525	2,755,347
	Operating Grants & Cont.	2,028,073	2,032,148	2,156,907	2,128,288
General:	Property & Other Taxes	27,304,663	25,941,868	26,504,690	26,444,250
	General State Aid	1,642,623	3,829,875	4,150,971	5,119,159
	Other	84,713	78,205	107,701	106,145
Total Revenue		\$33,748,423	\$34,561,652	\$35,582,794	\$36,553,189
Expenses:					
Instruction:	Regular	12,152,845	12,652,672	13,826,790	14,334,601
	Vocational	1,052,902	948,639	1,083,161	1,344,717
	Special Education	2,653,779	2,816,273	3,100,895	3,263,711
	Other Instruction	1,236,304	1,215,106	1,373,863	1,407,419
Support:	Pupil Services	1,048,615	1,089,816	1,131,898	1,232,675
	Instructional Support	1,862,722	1,937,087	2,058,112	2,037,277
	Administration	2,507,791	2,669,331	2,992,479	3,057,801
	Buildings & Grounds	4,176,909	2,851,418	2,969,093	3,213,578
	Pupil Transportation	1,192,277	1,282,030	1,235,990	1,306,295
	Other Support Services	2,202,503	2,256,745	2,071,205	2,087,536
	Interest and Fees	1,340,866	1,043,638	1,022,044	956,291
	Food Service	912,473	926,374	968,260	941,777
	Depreciation Unallocated	876,216	812,618	860,830	666,208
Total Expense		\$33,216,202	\$32,501,747	\$34,694,620	\$35,849,886
Change in Net Position		\$532,221	\$2,059,905	\$888,174	\$703,303

Revenues

- The District received \$36.55M in revenue for the 2016-17 fiscal year. Approximately seventy-two percent (72.34%) of the District's total revenue came from local school property tax and prior year tax charge backs. Fourteen percent (14.00%) of the total came from general state aid. The District receives thirteen point sixty-six percent (13.66%) in the form of specific use State Grants, Federal Aid, and direct fees for services and other revenues. The overall make-up of the sources of revenue did not vary significantly from the previous fiscal year.
- Individuals who directly participated or benefited from a program contributed \$2.76M of the cost. Book and activity fees, admissions to athletic events, lunch fees, open enrollment tuition, and building rental fees are included as charges for services.
- Federal and State governments subsidized certain programs with grants and contributions of \$2.13M. Special Education Aid and Transportation Aid are examples of operating grants and contributions.
- General Revenues in the form of property taxes accounted for \$26.44M and general state aid for \$5.12M. Charges for services and operating grants and contributions total \$4.88M.

Expenses

- The District's total expenditures were \$35.85M for fiscal year 2016-17. Sixty five percent (65.88%) of expenses were for direct instruction and instructional support services. Costs for teacher salaries/benefits, textbooks, and instructional supplies are examples of direct instruction and instructional services expenditures. Support services account for \$12.23M or thirty-four percent (34.11%) of total expenditures. These costs include administration, facility maintenance, pupil transportation, food service, central administration and risk management.
- The total cost of all governmental activities was \$35.85M.
- The net cost of governmental activities was \$30.97M. The net cost is the total cost less the program revenues. Refer to the Statement of Activities for the detailed adjustments made for the net cost.

Table #4 – Net Cost of Governmental Activities

	2014-15		2015-16		2016-17	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>
Regular Instruction	\$12,652,672	\$10,755,838	\$13,826,790	\$12,040,667	\$14,334,601	\$12,450,827
Vocational Instruction	948,639	944,377	1,083,161	1,079,783	1,344,717	1,318,110
Special Education	2,816,273	1,567,069	3,100,895	1,720,966	3,263,711	1,946,520
Other Instruction	1,215,106	1,062,401	1,373,863	1,196,941	1,407,419	1,254,487
Pupil Services	1,089,816	1,070,999	1,131,898	1,119,645	1,232,675	1,227,427
Instructional Support	1,937,087	1,674,170	2,058,112	1,764,318	2,037,277	1,765,828
Administration	2,669,331	2,652,289	2,992,479	2,981,855	3,057,801	3,053,945
Buildings and Grounds	2,851,418	2,801,659	2,969,093	2,892,965	3,213,578	3,154,882
Pupil Transportation	1,282,030	1,182,093	1,235,990	1,129,963	1,306,295	1,201,407
Other Support Services	2,256,745	2,242,044	2,071,205	2,067,100	2,087,536	2,030,707
Interest and Fees	1,043,638	1,043,638	1,022,044	1,022,044	956,291	956,291
Food Service	926,374	-19,152	968,260	-1,889	941,777	-60,388
Depreciation Unallocated	812,618	812,618	860,830	860,830	666,208	666,208
Total	\$32,501,747	\$27,790,043	\$34,694,620	\$29,875,188	\$35,849,886	\$30,966,251

General Fund Budgetary Comparison:

The District adopts a preliminary budget in May for the subsequent fiscal year. Consistent with current state statutes and regulations, the preliminary budget is amended in October to reflect the actual revenue cap and state aid certification. Thereinafter the budget is referred to as the Original Budget.

- General Fund (Fund 10) was originally approved with an expected surplus of \$100,000. The final fiscal year operations resulted in a General Fund surplus of \$413,161. This surplus was the result of reduced expenditures in both the General Fund and the Special Education Fund related primarily to personnel costs in the amount of \$307,151 and revenues that came in under budget in the General Fund budget by \$6,010 in addition to the planned \$100,000 surplus.

Fund Balances:

- The District shows a total for all fund balances of \$8,771,884 as of June 30, 2017. (See Note III-H. in the financial statements for the detail of total governmental fund balances.)
- \$6.69M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations. The interest earned on investment of these funds provides additional spending capacity. The Fund 10 balance is approximately 24.22% of General Fund operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating, and allows the District to respond to non-recurring economic needs.
- \$652K is in the Debt Service Fund (Fund 30), which is reserved to make the September 2017 interest payment on long-term debt.
- \$247K is in the Food Service Fund (Fund 50), which is used to fund capital equipment needs.
- \$123K is in the Gift Fund (Fund 21), which represents donations to the District to be spent for a specific purpose.
- \$1.06M is in the Capital Projects Fund and will be used to complete projects which have been identified in the Long Range Capital Improvement Plan.

Governmental Activities:

The District's current financial position can be credited to effective and conservative fiscal management.

- It has been the goal of the Board of Education to implement ongoing capital improvement projects in all the buildings of the District. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to ensure that the physical plants in the District are kept in excellent condition and that costly major repairs may be averted through timely facility preventative maintenance. In the 2013-14 school year the Board of Education acted to combine their Five Year Capital Improvement plan and the Ten Year Campus Improvement Plan into a single Long Range Capital Improvement Plan. The Board also took action to create a long-term Capital Improvement Fund (Fund 46) to address future funding needs.
- Each year, detailed attention is paid to staffing levels. Class size levels are monitored closely to ensure high quality instruction despite the constraints of the state-imposed revenue limit.

Staffing Table

	2012-13	2013-14	2014-15	2015-16	2016-17	Change
Teachers	164.25	170.46	177.05	182.90	186.42	3.52
Administrators	12.00	12.00	12.00	13.00	13.50	0.50
Aides	23.43	27.41	28.63	29.64	31.76	2.12
Custodians	18.94	18.13	18.84	18.60	18.85	0.25
Secretaries	12.08	11.56	11.69	12.38	14.26	1.88
Technology Staff	5.00	5.00	5.00	5.38	5.38	0.00
Psych/Social Emotional Support	2.0	2.0	2.0	2.0	3.50	1.50
District Assistants/Support	10.60	10.60	15.44	17.18	16.68	-0.50

- The District keeps a close watch on enrollment projections and plans personnel decisions accordingly. Projections are outsourced every four years using the Applied Population Laboratory from the University of Wisconsin – Madison. The district has experienced growth in the resident student population since the mid 1980's in all but two years. Resident enrollment is anticipated to exceed 2,800 by the Fall of 2017. December 2016 projections call for the resident population to exceed 3,000 by the 2021-22 school year. Turnover (sales) of existing homes within the District continues to be strong and is a source of continuing growth in the resident student population.

Open Enrollment is utilized by the district to provide additional revenue for investment into the educational programs of the district while offsetting the fixed cost of operations. The Pewaukee School District experienced a net revenue (difference between incoming and outgoing students) of \$948K in the General Fund.

Chart 6.1- Enrollment History 1995 - 2016

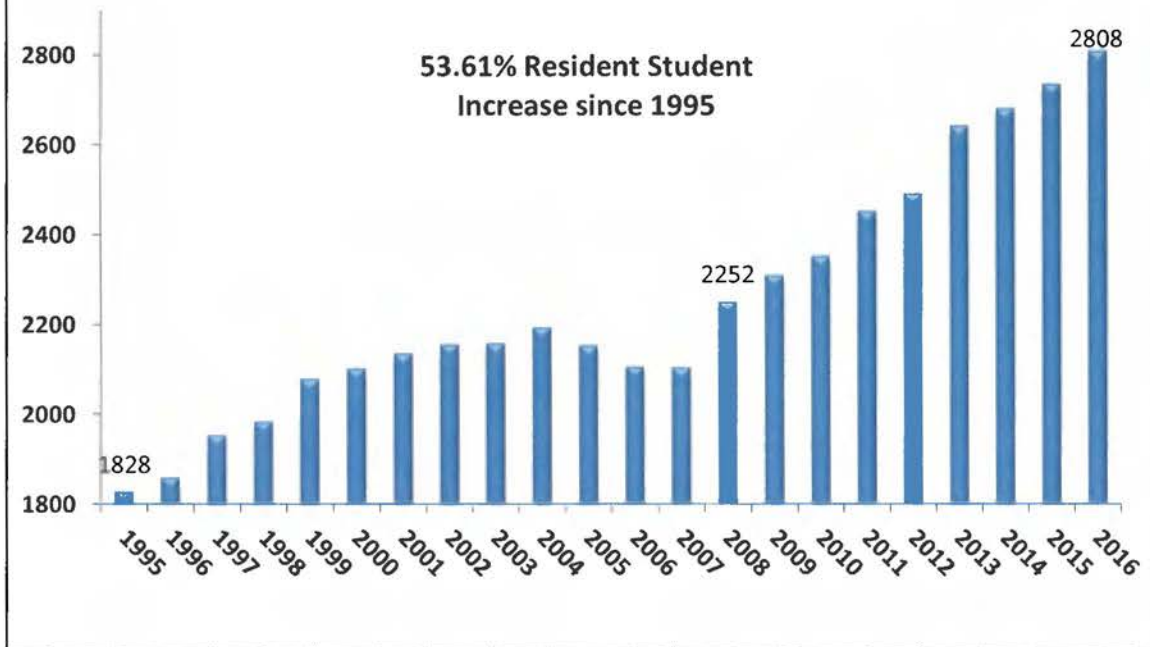
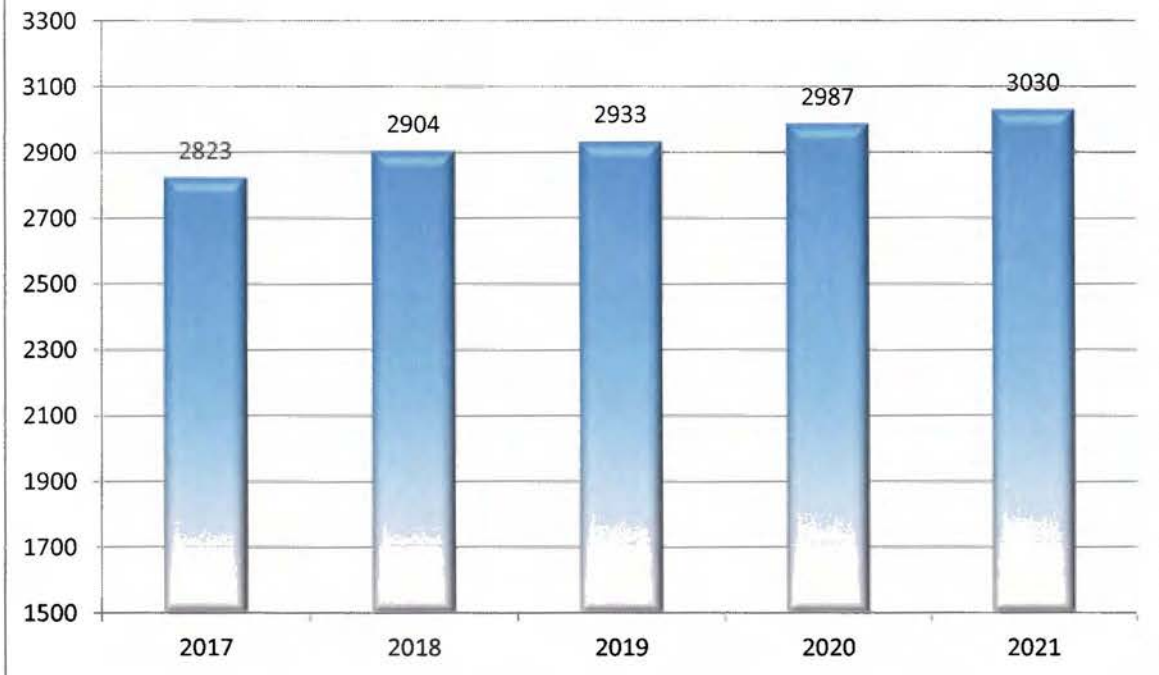


Chart 6.2 - Enrollment Projection: Years 2017 to 2021



Capital Asset and Debt Administration

Capital Assets

- In order to comply with GASB 34, the District retains an independent appraisal firm to perform a comprehensive physical inventory every other year (and a book review in each off-year) of all capital assets over \$5,000 and calculates both annual and accumulated depreciation on all applicable capital assets. (Note III-C in the Financial Statements details the capital assets).

Long Term Debt

- As of June 30, 2017 the District had \$21.4M in long-term obligations, which includes promissory notes, general obligation bonds, and accrued compensated absences (Note III-F in the Financial Statements details the long-term obligations).

General Obligation Debt of the District is secured by an irrevocable tax levy adopted by the Board of Education at the time of issuance. Wisconsin State Statutes require that the first property tax receipts be segregated for use for annual debt service payment. The Pewaukee School District complies with all these statutory requirements.

Decisions that Will Impact the Future of the District

- One of the most important variables in the District's financial future is controlling the cost of health insurance for its employees. If these rates increase, the cost of health benefits will have a detrimental impact on the instructional services of the District. District administration has been implementing various employee cost-sharing and cost-saving measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge. Through the continuous improvement efforts of the District, there has been a robust wellness program developed and implemented within the District. Working in collaboration with the members of the Waukesha County Area Schools Cooperative (WCASC) we are able to implement long term solutions to control the cost of health insurance for our District.
- It is important the District continues to be able to complete capital improvement projects. The unique campus setting of the Pewaukee School District is an important asset which helps attract and retain students and staff. It is one of the Board of Education's strategic goals and an annual budget priority to continue to upgrade and maintain the physical plants of the District. Space for the growing resident population will be monitored closely. Planning for meeting the facility needs of the future is reviewed in ten year increments to ensure that the educational environment is appropriate to meet the needs of the next generation of learners. Conducting a thorough review of the Facility Master Plan with a focus on the viability of maintaining a single campus to meet the needs of a diverse resident student population is currently underway in the District.
- The District enjoys a positive impact from the Public School Open Enrollment Program, with approximately 90 students leaving the District and 230 students entering the District. This produces a revenue gain of approximately \$948K per year. Leveraging this source of revenue to augment the sources of funds available to provide an enhanced learning experience for all students.
- Pewaukee School District continues to benefit from very strong growth in the local tax base and increases in residential construction. These trends should have a beneficial effect upon District finances for the next 2-3 years. The commercial tax base will also increase due to the addition of retail developments in the Village of Pewaukee.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, please contact:

John Gahan, Assistant Superintendent
Pewaukee School District
404 Lake Street
Pewaukee, WI 53072
Phone: (262) 695-5038
gahajoh@pewaukeeschools.org

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BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF NET POSITION

As of June 30, 2017

ASSETS

CURRENT ASSETS

Cash and investments	\$ 7,295,350
Taxes receivable	6,786,644
Due from other governments	274,039
Due from employee benefit trust fund	5,501
Accounts receivable	11,808
Prepaid items	<u>329,617</u>
Total Current Assets	<u>14,702,959</u>

NONCURRENT ASSETS

Capital Assets	
Land	1,449,282
Other capital assets	65,685,250
Less: Accumulated depreciation	<u>(24,441,686)</u>
Net Capital Assets	<u>42,692,846</u>
Total Noncurrent Assets	<u>42,692,846</u>
Total Assets	<u>57,395,805</u>

DEFERRED OUTFLOW OF RESOURCES

Unamortized loss on refunding	220,701
Deferred outflows related to pensions	<u>6,432,536</u>
Total Deferred Outflows of Resources	<u>6,653,237</u>

LIABILITIES

CURRENT LIABILITIES

Short-term debt	5,400,000
Accounts payable and accrued expenses	763,057
Current portion of long-term obligations	<u>2,553,528</u>
Total Current Liabilities	8,716,585

NONCURRENT LIABILITIES

Noncurrent portion of long-term obligations	<u>23,956,893</u>
Total Liabilities	<u>32,673,478</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflows related to pensions	<u>2,913,041</u>
--------------------------------------	------------------

NET POSITION

Net investment in capital assets	20,867,921
Restricted for debt service	420,446
Unrestricted	<u>7,174,156</u>
Total Net Position	<u>\$ 28,462,523</u>

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes In Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 14,334,601	\$ 1,772,696	\$ 111,078	\$ (12,450,827)
Special education	3,263,711	-	1,317,191	(1,946,520)
Vocational	1,344,717	13,000	13,607	(1,318,110)
Other	1,407,419	150,328	2,604	(1,254,487)
Total Instruction	<u>20,350,448</u>	<u>1,936,024</u>	<u>1,444,480</u>	<u>(16,969,944)</u>
Support Services				
Pupil services	1,232,675	-	5,248	(1,227,427)
Instructional support services	2,037,277	-	271,449	(1,765,828)
Administration	3,057,801	-	3,856	(3,053,945)
Buildings and grounds	3,213,578	55,446	3,250	(3,154,882)
Pupil transportation	1,306,295	-	104,888	(1,201,407)
Other support services	2,087,536	19,675	37,154	(2,030,707)
Interest and fees	956,291	-	-	(956,291)
Food service	941,777	744,202	257,963	60,388
Total Support Services	<u>14,833,230</u>	<u>819,323</u>	<u>683,808</u>	<u>(13,330,099)</u>
Depreciation - unallocated *	<u>666,208</u>	<u>-</u>	<u>-</u>	<u>(666,208)</u>
Total Activities	<u>\$ 35,849,886</u>	<u>\$ 2,755,347</u>	<u>\$ 2,128,288</u>	<u>(30,966,251)</u>
General Revenues				
Taxes				
Property taxes:				
General purposes				23,216,269
Debt service				3,227,981
State and federal aids not restricted to specific functions				
General				5,036,218
Other				82,941
Investment Income				31,709
Miscellaneous				74,436
Total General Revenues				<u>31,669,554</u>
Change in Net Position				703,303
NET POSITION - BEGINNING OF YEAR (as restated)				<u>27,759,220</u>
NET POSITION - END OF YEAR				<u>\$ 28,462,523</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

SCHOOL DISTRICT OF PEWAUKEE

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2017

	General Fund	Special Education Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and investments	\$ 5,193,240	\$ 3,580	\$ 652,428	\$ 1,056,192	\$ 389,910	\$ 7,295,350
Taxes receivable	6,786,644	-	-	-	-	6,786,644
Due from other funds	5,501	-	-	-	-	5,501
Due from other governments	193,187	74,923	-	-	5,929	274,039
Accounts receivable	11,808	-	-	-	-	11,808
Prepaid items	329,354	-	-	-	263	329,617
TOTAL ASSETS	\$ 12,519,734	\$ 78,503	\$ 652,428	\$ 1,056,192	\$ 396,102	\$ 14,702,959
LIABILITIES AND FUND BALANCES						
Liabilities						
Short-term notes payable	\$ 5,400,000	\$ -	\$ -	\$ -	\$ -	\$ 5,400,000
Accounts payable	29,924	28,542	-	-	23,655	82,121
Accrued payroll and related liabilities	354,508	49,961	-	-	1,993	406,462
Accrued interest payable	42,492	-	-	-	-	42,492
Total Liabilities	5,826,924	78,503	-	-	25,648	5,931,075
Fund Balances						
Nonspendable	329,354	-	-	-	263	329,617
Restricted	-	-	652,428	-	-	652,428
Committed	-	-	-	1,056,192	370,191	1,426,383
Unassigned	6,363,456	-	-	-	-	6,363,456
Total Fund Balances	6,692,810	-	652,428	1,056,192	370,454	8,771,884
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,519,734	\$ 78,503	\$ 652,428	\$ 1,056,192	\$ 396,102	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. See Note III.C.	42,692,846
Unamortized losses on refundings are deferred outflows of resources and therefore are not reported in the funds.	220,701
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	6,432,536
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(2,913,041)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(231,982)
Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds. See Note III.F.	(26,510,421)
NET POSITION	\$ 28,462,523

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Special Education Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local	\$ 23,128,572	\$ -	\$ 3,228,795	\$ 551,474	\$ 756,180	\$ 27,665,021
Interdistrict	1,559,096	45,352	-	-	1,854	1,606,302
Intermediate	4,336	-	-	-	-	4,336
State	5,331,959	789,570	-	-	9,774	6,131,303
Federal	220,584	577,923	-	-	248,189	1,046,696
Other	93,057	-	-	-	6,474	99,531
Total Revenues	<u>30,337,604</u>	<u>1,412,845</u>	<u>3,228,795</u>	<u>551,474</u>	<u>1,022,471</u>	<u>36,553,189</u>
EXPENDITURES						
Instruction						
Regular	12,317,944	-	-	-	3,588	12,321,532
Special education	183,593	2,558,569	-	-	-	2,742,162
Vocational	1,268,735	606	-	-	11,575	1,280,916
Other	1,272,573	-	-	-	-	1,272,573
Total instruction	<u>15,042,845</u>	<u>2,559,175</u>	<u>-</u>	<u>-</u>	<u>15,163</u>	<u>17,617,183</u>
Support Services						
Pupil services	835,583	352,292	-	-	-	1,187,875
Instructional support services	1,678,413	280,536	-	-	-	1,958,949
Administration	2,806,252	4,677	-	-	-	2,810,929
Buildings and grounds	3,077,541	3,250	-	192,287	24,998	3,298,076
Pupil transportation	1,041,158	265,137	-	-	-	1,306,295
Other support services	2,003,458	352	-	-	2,060	2,005,870
Debt service						
Principal retirement	371,870	-	8,861,000	-	-	9,232,870
Interest and fiscal charges	63,515	-	1,043,333	-	-	1,106,848
Food service	-	-	-	-	929,195	929,195
Total support services	<u>11,877,790</u>	<u>906,244</u>	<u>9,904,333</u>	<u>192,287</u>	<u>956,253</u>	<u>23,836,907</u>
Non Program	<u>708,985</u>	<u>380,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,089,434</u>
Total Expenditures	<u>27,629,620</u>	<u>3,845,868</u>	<u>9,904,333</u>	<u>192,287</u>	<u>971,416</u>	<u>42,543,524</u>
Excess (deficiency) of revenues over expenditures	2,707,984	(2,433,023)	(6,675,538)	359,187	51,055	(5,990,335)
OTHER FINANCING SOURCES (USES)						
Refunding debt issued	-	-	6,305,000	-	-	6,305,000
Debt premium	-	-	142,040	-	-	142,040
Capital lease issued	238,406	-	-	-	-	238,406
Transfers in	-	2,433,023	100,000	-	206	2,533,229
Transfers out	<u>(2,533,229)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,533,229)</u>
Net Change in Fund Balances	413,161	-	(128,498)	359,187	51,261	695,111
FUND BALANCES - BEGINNING OF YEAR	<u>6,279,649</u>	<u>-</u>	<u>780,926</u>	<u>697,005</u>	<u>319,193</u>	<u>8,076,773</u>
FUND BALANCES - END OF YEAR	\$ <u>6,692,810</u>	\$ <u>-</u>	\$ <u>652,428</u>	\$ <u>1,056,192</u>	\$ <u>370,454</u>	\$ <u>8,771,884</u>

SCHOOL DISTRICT OF PEWAUKEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	695,111
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the district-wide financial statements	435,494	
Depreciation expense reported in the statement of activities	(1,892,204)	
Net book value of assets retired	(230)	(1,456,940)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Debt paid		9,232,870
Debt issued		(6,543,406)
<p>Governmental funds report debt premiums and discounts as other financing sources (uses). However, in the statement of net position, these are deferred and reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.</p>		
Premium on debt issued		(142,040)
Amortization of debt premium		132,013
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences		(10,019)
Accrued interest on debt		86,452
Amortization of loss on refunding		(67,907)
Change in Net OPEB liability		(31,370)
Change in net pension liability - stipend plan		36,024
Change in net pension liability - WRS		858,921
Deferred outflows of resources related to pensions		(2,918,523)
Deferred inflows of resources related to pensions		832,117
CHANGE IN NET POSITION	\$	703,303

SCHOOL DISTRICT OF PEWAUKEE

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2017**

	Employee Benefit Trust Fund	
	Post-Retirement Health Benefits	Agency Fund
ASSETS		
Cash and investments	\$ 457,775	\$ 286,191
LIABILITIES		
Due to other funds	5,501	\$ -
Due to student groups	-	286,191
Total liabilities	5,501	\$ 286,191
NET POSITION - Held in trust for employee benefits	\$ 452,274	

SCHOOL DISTRICT OF PEWAUKEE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2017**

	<u>Employee Benefit Trust Fund</u>	<u>Post-Retirement Health Benefits</u>
ADDITIONS		
District contributions	\$ 327,119	
Member contributions	12,310	
Interest	<u>2,168</u>	
Total additions		341,597
DEDUCTIONS		
Benefits paid		<u>295,621</u>
Change in Net Position		45,976
NET POSITION - BEGINNING OF YEAR		<u>406,298</u>
NET POSITION - END OF YEAR		<u>\$ 452,274</u>

SCHOOL DISTRICT OF PEWAUKEE

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SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District of Pewaukee, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2015, the GASB issued Statement No 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This standard was implemented July 1, 2016.

In June 2015, the GASB issued Statement No 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This standard was implemented July 1, 2016.

In June 2015, the GASB issued statement No 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This standard was implemented July 1, 2016.

District-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

District-Wide Financial Statements (cont.)

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

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

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

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

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

The District reports the following major governmental funds:

- General Fund - accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Special Education Fund - Special Revenue Fund - used to account for and report grants and local revenues used to provide special education services to district students.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The district reports the following major governmental funds: (cont.)

Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the ** program.

The District reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Food Service Fund
Trust Fund
Package Cooperative Program Fund

In addition, the District reports the following fund types:

Pension (and Other Employee Benefit) Trust Funds - used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Post Retirement Health Benefits Fund

Agency Funds - used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Pupil Activity Fund

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and revenue.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as student fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special education services are not reduced by anticipated state special education aid entitlement.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

All Financial Statements

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The District has adopted an investment policy. That policy follows the state statute for allowable investments.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

No policy exists for the following risks:

Credit risk
Custodial credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of district accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

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 is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. 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, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

2. Receivables

General accounts receivable have been adjusted for all known uncollectable accounts. No allowance is necessary at year end.

Property taxes are levied in December on the assessed value as of the prior January 1.

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

Property tax calendar - 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

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

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

4. Capital Assets

District-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the district as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 Years
Land Improvements	5-50 Years
Furniture, Equipment and Vehicles	5-20 Years

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. Capital Assets (cont.)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the district-wide financial statements.

6. Compensated Absences

The District's policy allows certain non-teacher employees to earn varying amounts of vacation pay each year depending on the total number of years employed. Employees normally use their entire vacation during the fiscal year. In some instances, employees are not able to use their entire vacation during the fiscal year and the District allows them to accumulate vacation time which is vested and payable upon retirement or termination.

The District does allow certain non-teacher employees hired before July 1, 2011, upon retirement, 33-1/3% of sick leave will be credited to the account of the retiring employee will be paid to the employee with a minimum of ten years of service.

The payout of compensated absences for sick and vacation is recorded as an expenditure in the fiscal year that the payment is made for the governmental funds statements. Vested accumulated benefits for sick and vacation are recorded as an expense and liability when earned in the district-wide statements.

The District also allows early retirement elections. Under this program health and dental insurance benefits are paid in future fiscal years. These benefits, though related to services currently received, are recorded as expenditures of the governmental funds in the period in which they are paid rather than the period in which the early retirement occurs.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, net pension liabilities and net OPEB liabilities.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. Equity Classifications

District-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District's Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District's Board of Education that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Assistant Superintendent to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. H. for further information.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fiduciary fund equity is classified as held in trust for employee benefits on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the district believes it is in compliance with all significant restrictions.

10. Pension

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.

11. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District OPEB Plan and additions to/deductions from District OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by District OPEB Plan. For this purpose, District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LIMITATIONS ON THE DISTRICT REVENUES

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

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

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District's deposits and investments at year-end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 2,539,703	\$ 2,735,549	Custodial credit risk
LGIP	5,497,693	5,497,693	Credit risk
Athletic cash box funds	1,400	-	N/A
Petty cash	520	-	N/A
 Total Deposits and Investments	 \$ 8,039,316	 \$ 8,233,242	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 7,295,350		
Per statement of net position - fiduciary funds			
Employee Benefit Trust Fund	457,775		
Agency Fund	286,191		
 Total Deposits and Investments	 \$ 8,039,316		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The District maintains collateral agreements with its banks. At June 30, 2017, the banks had pledged various government securities in the amount of \$2,508,349 to secure the District's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

The District does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District had investments in the external Wisconsin Local Government Investment Pool which is not rated.

See Note I.D.1 for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,449,282	\$ -	\$ -	\$ 1,449,282
Total Capital Assets Not Being Depreciated	<u>1,449,282</u>	<u>-</u>	<u>-</u>	<u>1,449,282</u>

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Capital assets being depreciated				
Buildings	59,700,412	203,790	-	59,904,202
Land improvements	4,398,306	-	-	4,398,306
Furniture, equipment & vehicles	1,182,538	231,704	31,500	1,382,742
Total Capital Assets Being Depreciated	65,281,256	435,494	31,500	65,685,250
Total Capital Assets	66,730,538	435,494	31,500	67,134,532
Less: Accumulated depreciation for				
Buildings	(19,551,126)	(1,635,253)	-	(21,186,379)
Land improvements	(2,163,362)	(185,094)	-	(2,348,456)
Furniture, equipment & vehicles	(866,264)	(71,857)	31,270	(906,851)
Total Accumulated Depreciation	(22,580,752)	(1,892,204)	31,270	(24,441,686)
Net Capital Assets Being Depreciated	42,700,504	(1,456,710)	230	41,243,564
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 44,149,786	\$(1,456,710)	\$ 230	\$ 42,692,846

Depreciation expense was charged to functions as follows:

Instruction		
Regular instruction		\$ 760,177
Vocational		5,904
Other		83,759
Support Services		
Building and grounds		88,903
Food service		3,944
Other support services		21,120
Unallocated		928,397
Total Governmental Activities Depreciation Expense		\$ 1,892,204

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Student Activity Fund	\$ <u>5,501</u>
Total - Fund Financial Statements		\$ <u>5,501</u>

All amounts are due within one year.

The principal purpose of these interfunds is to temporarily finance expenditures until all revenue sources are received. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Special Education Fund	General Fund	\$ 2,433,023	Operating subsidy
Package Cooperative Program Fund	General Fund	206	Expenses for consulting/legal for health insurance consortium
Debt Service	General Fund	<u>100,000</u>	Fund debt service payments
Total - Fund Financial Statements		\$ <u>2,533,229</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The above transfer to the special education fund uses unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. SHORT-TERM DEBT ACTIVITY

The District issues short-term debt for cash flow purposes in advance of property tax collections. The fiscal year begins July 1, but tax collections from the municipalities are received beginning the following January.

Short-term debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Note	\$ 5,500,000	\$ 5,400,000	\$ 5,500,000	\$ 5,400,000
Totals	<u>\$ 5,500,000</u>	<u>\$ 5,400,000</u>	<u>\$ 5,500,000</u>	<u>\$ 5,400,000</u>

The current tax and revenue anticipation note is due September 27, 2017 and has an interest rate of 1.00%. Total short-term interest expended during the year was \$47,157.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2017, was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable					
General obligation debt	\$ 23,949,000	\$ 6,305,000	\$ 8,861,000	\$ 21,393,000	\$ 2,256,000
(Discounts)/Premiums	642,599	142,040	132,013	652,626	-
Sub-totals	<u>24,591,599</u>	<u>6,447,040</u>	<u>8,993,013</u>	<u>22,045,626</u>	<u>2,256,000</u>
Other Liabilities					
Vested compensated absences	94,668	10,019	-	104,687	32,093
Capital leases	598,983	238,406	371,870	465,519	265,435
Net OPEB obligation	2,773,772	314,324	282,954	2,805,142	-
Net pension liability- single employer	222,801	26,309	62,333	186,777	-
Net pension liability - WRS	1,761,591	2,361,317	3,220,238	902,670	-
Total Other Liabilities	<u>5,451,815</u>	<u>2,950,375</u>	<u>3,937,395</u>	<u>4,464,795</u>	<u>297,528</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 30,043,414</u>	<u>\$ 9,397,415</u>	<u>\$ 12,930,408</u>	<u>\$ 26,510,421</u>	<u>\$ 2,553,528</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2017, was \$258,447,178. Total general obligation debt outstanding at year end was \$21,393,000.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the District. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

Governmental Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance June 30, 2017</u>
General Obligation QSCP Notes	11/16/09	9/15/19	0%	\$ 500,000	\$ 168,000
General Obligation Promissory Notes	4/8/10	3/1/19	2-3.75%	1,515,000	315,000
General Obligation Refunding Bonds	7/6/11	3/1/31	4%	10,000,000	10,000,000
General Obligation Refunding Bonds	11/14/11	3/1/24	3%	2,425,000	2,425,000
General Obligation Promissory Notes	3/5/12	3/1/2	1.5-2%	4,025,000	865,000
General Obligation Promissory Notes	4/15/15	3/1/24	2.1%	2,200,000	1,315,000
General Obligation Refunding Bonds	2/27/17	3/1/21	2.0-3.0%	6,305,000	<u>6,305,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 21,393,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,256,000	\$ 684,428
2019	1,891,000	620,500
2020	1,991,000	569,285
2021	1,965,000	530,350
2022	1,300,000	490,815
2023-2027	6,330,000	1,845,465
2028-2031	<u>5,660,000</u>	<u>579,000</u>
Totals	<u>\$ 21,393,000</u>	<u>\$ 5,319,843</u>

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Capital Leases

Refer to Note III. G.

Other Debt Information

Estimated payments of other long-term liabilities are not included in the debt service requirement schedules. The other liabilities future payments are attributable to governmental activities and will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The District believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Current Refunding

On February 27, 2017, the District issued \$6,305,000 in general obligation bonds with an average coupon rate of 2.50% to refund \$6,435,000 of outstanding bonds with an average coupon rate of 5.00%. The net proceeds along with existing funds of the District were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$7,272,625 from 2018 through 2021. The cash flow requirements on the refunding bonds are \$6,664,349 from 2018 through 2021. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$497,360.

G. LEASE DISCLOSURES

Lessee - Capital Leases

In August 2014, September 2015 and August 2016 the district acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$618,470, which are not included in capital assets in the governmental activities because the assets acquired are below the District's capitalization threshold. The future minimum lease obligations and the net present value on these minimum lease payments as of June 30, 2017, are as follows:

Years	Governmental Activities		
	Principal	Interest	Totals
2018	\$ 265,435	\$ 12,918	\$ 278,353
2019	139,728	5,712	145,440
2020	60,356	1,839	62,195
Totals	<u>\$ 465,519</u>	<u>\$ 20,469</u>	<u>\$ 485,988</u>

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES

Net position reported on the district-wide statement of net position at June 30, 2017, includes the following:

Governmental Activities

Net Investment in Capital Assets		
Land	\$	1,449,282
Other capital assets, net of accumulated depreciation		41,243,564
Less: Long-term debt outstanding		(22,045,626)
Plus: Unamortized loss on refunding		<u>220,701</u>
Total Net Investment in Capital Assets		<u>20,867,921</u>
Restricted		
Debt Service Fund		<u>420,446</u>
Total Restricted		<u>420,446</u>
Unrestricted		<u>7,174,156</u>
Total Governmental Activities Net Position		<u>\$ 28,462,523</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2017, include the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Prepaid items	\$ 329,354	\$ -	\$ -	\$ 263	\$ 329,617
Restricted for:					
Debt Service	-	652,428	-	-	652,428
Committed to:					
Capital Projects	-	-	1,056,192	-	1,056,192
Food Service	-	-	-	246,997	246,997
Track and field improvements	-	-	-	123,194	123,194
Unassigned:	<u>6,363,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,363,456</u>
Total Fund Balances	<u>\$ 6,692,810</u>	<u>\$ 652,428</u>	<u>\$ 1,056,192</u>	<u>\$ 370,454</u>	<u>\$ 8,771,884</u>

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The details of this restatement are as follows:

Net Position - June 30, 2016 (as reported)	\$ 29,044,386
Add: Net pension liability per GASB 27	436,470
Add: Net OPEB liability per GASB 45	1,274,937
Deduct: Net pension liability per GASB Statement No. 73	(222,801)
Deduct: Net OPEB liability per GASB Statement No. 75	<u>(2,773,772)</u>
Net Position - June 30, 2016 (as restated)	<u>\$ 27,759,220</u>

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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.

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:

Year	Core Fund Adjustment	Variable Fund Adjustment
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
2015	2.9	2
2016	0.5	(5)

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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 \$1,061,135 in contributions from the District.

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At June 30, 2017, the District reported a liability of \$902,670 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.10951564%, which was an increase of 0.00110877% from its proportion measured as of December 31, 2015.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended June 30, 2017 , the District recognized pension expense of \$2,361,317.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 344,189	\$ 2,838,820
Changes in assumptions	943,777	-
Net differences between projected and actual earnings on pension plan investments	4,493,207	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	74,221
Employer contributions subsequent to the measurement date	651,363	-
Total	\$ 6,432,536	\$ 2,913,041

\$651,363 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2018	\$ 2,103,343	\$ 931,694
2019	2,103,343	931,694
2020	1,722,967	924,821
2021	(150,049)	124,667
2022	1,569	165
Thereafter	-	-

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
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% - 5.6%
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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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 3.78%. 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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 11,875,207	\$ 902,670	\$(7,546,680)

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://elf.wi.gov/publications/cafr.htm>.

At June 30, 2017, the district reported a payable to the pension plan of \$376,104, which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expenses when the related liabilities are incurred.

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- > Statement No. 81, *Irrevocable Split-Interest Agreements*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*

When they become effective, application of these standards may restate portions of these financial statements.

E. SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan description. The District reports a single-employer defined benefit pension plan (the "Stipend Plan"). Management of the Stipend Plan is vested in the Board of Education. No assets have been accumulated in a trust for payment of these benefits.

Benefits provided. The plan is administered by the District and provides active employees eligible to receive an OPEB and retiring prior to July 1, 2018 with a cash benefit of \$4,000 per year in lieu of medical coverage upon retirement. Benefit provisions are established through employment policies approved by the Board of Education.

Plan membership. At June 30, 2017, the District plan's membership consisted of:

Retirees and beneficiaries	16
Inactive, non-retired members	-
Active members	<u>149</u>
Total	<u><u>165</u></u>

The District paid \$62,333 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

E. SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

Changes in total pension liability. The District's change in total pension liability for the fiscal year ended June 30, 2017 was as follows:

	Total Pension Liability
Beginning of Year Balance	\$ 222,801
Service cost	19,265
Interest on total pension liability	7,044
Benefit payments	(62,333)
End of Year Balance	\$ 186,777

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

Measurement Date:	June 30, 2017
Actuarial Valuation Date:	June 30, 2016
Inflation:	2.5%
Salary Changes:	3.2% to 8.8% including merit and seniority increase plus inflation
Discount Rate:	3.5%
Source of Discount Rate:	Bond Buyer GO 20-Year AA Bond Index
Source of Mortality Assumptions:	2014 Annual Wisconsin Retirement (WRS) System Report
Dates of Experience Studies	Experience study conducted in 2012 using WRS experience from 2009-2011

Sensitivity of the total pension liability to changes in the discount rate. The following is a sensitivity analysis of the total pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the current discount rate of 3.5% as well as what the total pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 190,858	\$ 186,777	\$ 183,000

Pension expense, deferred outflows of resources and deferred inflows of resources related to pensions. For the year ended June 30, 2017, the District recognized pension expense of \$(36,024). The District does not report any deferred outflows of resources or deferred inflows of resources related to pensions as of June 30, 2017.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

F. OTHER POST-EMPLOYMENT BENEFIT PLAN

GENERAL INFORMATION ABOUT THE OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

Plan administration. The District administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The Plan provides health care benefits to eligible retirees and their spouses. Management of the OPEB Plan is vested in the Board of Education.

Benefits provided. Benefit provisions are established through employment policies approved by the Board of Education.

For Administrators at least age 55 with a minimum of 12 years of service that retire prior to July 1, 2018, the OPEB Plan will contribute to the full (100%) amount towards eligible retiree's medical premiums for a period of 5 years but not to exceed Medicare-eligibility. For Administrators at least age 55 with a minimum of 12 years of service that retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years but not to exceed Medicare-eligibility.

For Teachers at least age 55 with a minimum of 15 years of service or at least age 60 with a minimum of 20 years of service if hired after July 1, 2006 that retire prior to July 1, 2018, the OPEB Plan will make the same contribution towards eligible retiree's medical premiums as is made for active employees for a period of 5 years but not to exceed Medicare-eligibility. For Teachers at least age 55 with a minimum of 15 years of service or at least age 60 with a minimum of 20 years of service if hired after July 1, 2006 that retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years (3 years if retiring with less than a Master's degree) but not to exceed Medicare-eligibility.

For Confidential Support employees at least age 55 with a minimum of 15 years of service that retire prior to July 1, 2018, the OPEB Plan will contribute to the full (100%) amount towards eligible retiree's medical premiums for a period of 5 years but not to exceed Medicare-eligibility. For Confidential Support employees at least age 55 with a minimum of 15 years of service that retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years but not to exceed Medicare-eligibility.

For Custodial employees that were hired prior to July 1, 2014 and retire prior to July 1, 2018, the OPEB Plan will make the same contribution towards eligible retiree's medical premiums as is made for active employees for a period of 3 years but not to exceed Medicare-eligibility. For Custodial employees that were hired prior to July 1, 2014 and retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 3 years but not to exceed Medicare-eligibility. Custodial employees hired after July 1, 2014 are not eligible for this benefit.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

F. OTHER POST-EMPLOYMENT BENEFIT PLAN (cont.)

Plan membership. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	12
Inactive plan members entitled to but not yet receiving benefit payments	52
Active members	<u>149</u>
Total	<u>258</u>

Contributions. Contribution requirements are established through employment policies approved by the Board of Education. The required contribution is based on a pay-as-you-go basis, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2017, the District contributed \$327,119

INVESTMENTS

Investment policy. The Trustee of the Plan is authorized to invest funds of the Plan only in investments which the District is permitted to make under Section 66.06039(m) of the Wisconsin state statutes. See Note I.D.1. for further information.

Concentrations. All OPEB plan assets have been invested in the Wisconsin Local Government Investment Pool.

Rate of return. The annual money-weighted rate of return on investments, net of investment expense, has not been determined. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

F. OTHER POST-EMPLOYMENT BENEFIT PLAN (cont.)

NET OPEB LIABILITY OF THE DISTRICT

The components and changes of the net OPEB liability of the District for the year ended June 30, 2017, are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2016	\$ 3,180,070	\$ 406,298	\$ 2,773,772
Changes for the year:			
Service cost	203,606	-	203,606
Interest	110,718	-	110,708
Contributions-employer	-	327,119	(327,119)
Net investment income	-	2,168	(2,168)
Benefit payments	(236,978)	(236,978)	-
Cash in lieu adjustments	-	(46,333)	46,333
Administrative expense	-	-	-
Net changes	77,346	45,976	31,370
Balances at 6/30/2017	\$ 3,257,416	\$ 452,274	\$ 2,805,142
Plan fiduciary net position as a percentage of the total OPEB liability			13.88 %

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

Actuarial assumptions. The total OPEB liability measured as of June 30, 2017 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	June 30, 2017
Actuarial Valuation Date:	June 30, 2016
Inflation	2.5%
Salary increases	3.2% to 8.8% including merit and seniority increase plus inflation
Investment rate of return	3.5%
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0% and level thereafter

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

F. OTHER POST-EMPLOYMENT BENEFIT PLAN (cont.)

Mortality rates were based on the Wisconsin 2012 Mortality Table, projected to 2017 with scale BB to allow for future improvements (margin) in mortality.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined by using the discount rate which is based upon the 20-year AA municipal bond rate. The District's assets are solely held in deposit accounts earning minimal interest.

Discount rate. The discount rate used to measure the total OPEB liability was 3.5 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position will not be available to make all projected future benefit payments of current plan members. Therefore, a blended rate was used based on the long-term expected rate of return on OPEB plan investments and/or Bond Buyer 20-Bond Go Index was used to determine the total OPEB liability.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2017

NOTE IV - OTHER INFORMATION (cont.)

F. OTHER POST-EMPLOYMENT BENEFIT PLAN (cont.)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

	1% Decrease (2.5%)	Current Discount (3.5%)	1% Increase (4.5%)
Net OPEB liability	\$ 2,976,636	\$ 2,805,142	\$ 2,638,699

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 2,682,133	\$ 2,805,142	\$ 2,950,418

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is included within the basic financial statements.

OPEB EXPENSE, DEFERRED OUTFLOWS OR RESOURCES AND DEFERRED INFLOWS OF RESOURCES

For the year ended June 30, 2017, the District recognized an OPEB expense of \$31,370. The District does not report any deferred outflows of resources or deferred inflows of resources related to OPEBs as of June 30, 2017.

PAYABLE TO THE OPEB PLAN

At June 30, 2017, the District does not report a payable for any outstanding amount of contributions to the OPEB Plan required for the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF PEWAUKEE

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

For the Year Ended June 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance with Final Budget
REVENUES				
Local	\$ 23,052,043	\$ 23,109,083	\$ 23,128,572	\$ 19,489
Interdistrict	1,547,552	1,559,095	1,559,096	1
Intermediate	7,800	7,800	4,336	(3,464)
State	5,297,449	5,325,906	5,331,959	6,053
Federal	227,000	259,762	220,584	(39,178)
Other	79,750	69,948	93,057	23,109
Total Revenues	<u>30,211,594</u>	<u>30,331,594</u>	<u>30,337,604</u>	<u>6,010</u>
EXPENDITURES				
Instruction				
Regular	12,536,858	12,416,358	12,317,944	98,414
Special education	188,199	186,432	183,593	2,839
Vocational	1,274,030	1,275,201	1,268,735	6,466
Other	1,268,797	1,267,509	1,272,573	(5,064)
Total Instruction	<u>15,267,884</u>	<u>15,145,500</u>	<u>15,042,845</u>	<u>102,655</u>
Support Services				
Pupil services	858,920	861,345	835,583	25,762
Instructional support services	1,648,819	1,695,500	1,678,413	17,087
Administration	2,816,218	2,847,093	2,806,252	40,841
Buildings and grounds	2,928,838	3,082,155	3,077,541	4,614
Pupil transportation	1,095,800	1,056,540	1,041,158	15,382
Other support services	1,910,428	2,067,514	2,003,458	64,056
Debt service				
Principal retirement	371,870	388,268	371,870	16,398
Interest and fiscal charges	63,556	47,158	63,515	(16,357)
Total Support Services	<u>11,694,449</u>	<u>12,045,573</u>	<u>11,877,790</u>	<u>167,783</u>
Non-Program				
General tuition payments	713,285	704,735	691,216	13,519
Other non-program	10,000	17,770	17,769	1
Total Non-Program	<u>723,285</u>	<u>722,505</u>	<u>708,985</u>	<u>13,520</u>
Total Expenditures	<u>27,685,618</u>	<u>27,913,578</u>	<u>27,629,620</u>	<u>283,958</u>
Excess of revenues over expenditures	2,525,976	2,418,016	2,707,984	289,968
OTHER FINANCING SOURCES (USES)				
Capital lease issued	238,406	238,406	238,406	-
Transfers out	(2,664,382)	(2,556,422)	(2,533,229)	23,193
Net Change in Fund Balances	<u>\$ 100,000</u>	<u>\$ 100,000</u>	413,161	<u>\$ 313,161</u>
FUND BALANCES - BEGINNING OF YEAR			<u>6,279,649</u>	
FUND BALANCES - END OF YEAR			<u>\$ 6,692,810</u>	

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL SPECIAL EDUCATION FUND

For the Year Ended June 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual	Variance with Final Budget
REVENUES				
Interdistrict	\$ 45,000	\$ 35,000	\$ 45,352	\$ 10,352
State	800,000	786,960	789,570	2,610
Federal	665,158	690,158	577,923	(112,235)
Total Revenues	1,510,158	1,512,118	1,412,845	(99,273)
EXPENDITURES				
Instruction				
Special education	2,532,532	2,594,032	2,558,569	35,463
Vocational	2,000	2,000	606	1,394
Total Instruction	2,534,532	2,596,032	2,559,175	36,857
Support Services				
Pupil services	413,231	393,231	352,292	40,939
Instructional support services	293,771	313,271	280,536	32,735
Administration	4,300	4,300	4,677	(377)
Buildings and grounds	3,250	3,250	3,250	-
Pupil transportation	296,000	271,000	265,137	5,863
Other support services	500	500	352	148
Total Support Services	1,011,052	985,552	906,244	79,308
Non-Program				
General tuition payments	528,750	386,750	380,449	6,301
Total Expenditures	4,074,334	3,968,334	3,845,868	122,466
Excess (deficiency) of revenues over expenditures	(2,564,176)	(2,456,216)	(2,433,023)	23,193
OTHER FINANCING SOURCES				
Transfer from General Fund	2,564,176	2,456,216	2,433,023	(23,193)
Net Change in Fund Balances	\$ -	\$ -	-	\$ -
FUND BALANCES - BEGINNING OF YEAR			-	
FUND BALANCES - END OF YEAR			\$ -	

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
For the Year Ended June 30, 2017

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/14	0.10662550%	\$ (2,619,014)	\$ 14,983,365	17.48%	102.74%
12/31/15	0.10840687%	1,761,591	15,658,307	11.25%	98.20%
12/31/16	0.10951564%	902,670	16,077,797	5.61%	99.12%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended June 30, 2017

<u>District Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/15	\$ 1,049,432	\$ 1,049,432	\$ -	\$ 15,307,386	6.86%
6/30/16	1,091,800	1,091,800	-	16,069,090	6.80%
6/30/17	1,105,882	1,105,882	-	16,275,489	6.79%

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN For the Year Ended June 30, 2017

	2017
Total Pension Liability	
Service Cost	\$ 19,265
Interest	7,044
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(62,333)
Net change in total OPEB liability	(36,024)
Total OPEB Liability - beginning	222,801
Total OPEB liability - ending	\$ 186,777

SCHEDULE OF THE TOTAL PENSION LIABILITY AND COVERED-EMPLOYEE PAYROLL SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN For the Year Ended June 30, 2017

	2017
Total Pension Liability	\$ 186,777
Covered-employee payroll	\$ 10,087,435
Net OPEB liability as a percentage of covered-employee payroll	1.85%

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS OPEB PLAN For the Year Ended June 30, 2017

	2017
Total OPEB Liability	
Service Cost	\$ 203,606
Interest	110,718
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments	(236,978)
Net change in total OPEB liability	77,346
Total OPEB Liability - beginning	3,180,070
Total OPEB liability - ending	\$ 3,257,416
 Plan fiduciary net position	
Contributions - employer	\$ 327,119
Net investment income	2,168
Cash in lieu of adjustment	(46,333)
Benefit payments	(236,978)
Net change in total OPEB liability	45,976
Total OPEB Liability - beginning	406,298
Total OPEB liability - ending	\$ 452,274
 Net OPEB liability - ending	 \$ 2,805,142
 Plan fiduciary net position as a percentage of the total OPEB liability	 13.88%
 Covered-employee payroll	 \$11,311,687
 Net OPEB liability as a percentage of covered-employee payroll	 24.80%

SCHOOL DISTRICT OF PEWAUKEE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB PLAN**

For the Year Ended June 30, 2017

	<u>2017</u>
Actuarially determined contribution	\$ 361,546
Contributions in relation to the actuarially determined contribution	<u>327,119</u>
Contribution deficiency (excess)	<u>\$ 34,427</u>
Covered-employee payroll	\$ 11,311,687
Contributions as a percentage of covered-employee payroll	2.89%

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended June 30, 2017

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. A budget has been adopted for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes.

Reported budget amounts are as amended by Board of Education resolution. Budgets are adopted at the two digit sub function level in the general fund and at the function level for all other funds. Appropriations lapse at year end unless specifically carried over.

SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN

The District is required to present the last ten fiscal years data; however the standards allow the District to present as many years as are available until ten fiscal years are presented.

Accumulation of assets. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

Changes of benefit terms. There were no changes of benefit terms.

Changes in size or composition of the population covered by the benefit terms. There were no changes to the size or composition of the population covered by the benefit terms.

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

WISCONSIN RETIREMENT SYSTEM

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

The District is required to present the last ten fiscal years data; however the standards allow the District to present as many years as are available until ten fiscal years are presented.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in Wisconsin Retirement System.

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

OPEB PLAN

The District is required to present the last ten fiscal years data; however the standards allow the District to present as many years as are available until ten fiscal years are presented.

Significant methods and assumptions used in calculating the actuarially determined contribution:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Amortization method	30 year level %
Discount rate	3.50%
Inflation	2.50%

See independent auditors' report.

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF PEWAUKEE

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

As of June 30, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Package Cooperative Program Fund	
ASSETS				
Cash and investments	\$ 266,716	\$ 123,194	\$ -	\$ 389,910
Due from other governments	5,929	-	-	5,929
Prepaid items	263	-	-	263
TOTAL ASSETS	\$ 272,908	\$ 123,194	\$ -	\$ 396,102
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 23,655	\$ -	\$ -	\$ 23,655
Accrued payroll and related liabilities	1,993	-	-	1,993
Total Liabilities	25,648	-	-	25,648
Fund Balances				
Nonspendable	263	-	-	263
Committed	246,997	123,194	-	370,191
Total Fund Balances	247,260	123,194	-	370,454
TOTAL LIABILITIES AND FUND BALANCES	\$ 272,908	\$ 123,194	\$ -	\$ 396,102

SCHOOL DISTRICT OF PEWAUKEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Package Cooperative Program Fund	
REVENUES				
Local	\$ 738,180	\$ 18,000	\$ -	\$ 756,180
Interdistrict	-	-	1,854	1,854
State	9,774	-	-	9,774
Federal	248,189	-	-	248,189
Other	6,388	86	-	6,474
Total Revenues	1,002,531	18,086	1,854	1,022,471
EXPENDITURES				
Instruction				
Regular	-	3,588	-	3,588
Vocational	-	11,575	-	11,575
Total instruction	-	15,163	-	15,163
Support Services				
Other support services	-	-	2,060	2,060
Buildings and grounds	24,998	-	-	24,998
Food service	929,195	-	-	929,195
Total support services	954,193	-	2,060	956,253
Total Expenditures	954,193	15,163	2,060	971,416
Excess (deficiency) of Revenues Over Expenditures	48,338	2,923	(206)	51,055
OTHER FINANCING SOURCES				
Transfers in	-	-	206	206
Total Other Financing Sources	-	-	206	206
Net Change in Fund Balances	48,338	2,923	-	51,261
FUND BALANCES - BEGINNING OF YEAR	198,922	120,271	-	319,193
FUND BALANCES - END OF YEAR	\$ 247,260	\$ 123,194	\$ -	\$ 370,454

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
PUPIL ACTIVITY AGENCY FUND
For the Year Ended June 30, 2017

	Balance 6/30/16	Additions	Deductions	Balance 6/30/2017
ASSETS				
Cash and investments	\$ 342,452	\$ 1,251,231	\$ 1,307,492	\$ 286,191
 LIABILITIES				
Due to other funds	\$ 3,701	-	3,701	\$ -
Due to student organizations				
High School	248,613	901,486	926,352	223,747
Middle School	32,508	126,515	128,196	30,827
Horizon Elementary School	32,696	82,912	94,102	21,506
Lake Elementary School	24,934	140,318	155,141	10,111
TOTAL LIABILITIES	\$ 342,452	\$ 1,251,231	\$ 1,307,492	\$ 286,191

SINGLE AUDIT

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Pass Through Agency	Pass Through Agency ID	Program or Award Amount	Accrued Receivable 7/1/2016	Expenditures		Receipts		Accrued Receivable 6/30/2017
						Grantor	Local	Grantor Reimbursements	Local Share	
U.S. DEPARTMENT OF EDUCATION										
<u>ESEA Title I-A Basic Grant</u>										
July 1, 2015 - June 30, 2016	84.010	WI DPI	17-674312-Title I-141	\$ 138,462	\$ 18,316	\$ -	\$ -	\$ 18,316	\$ -	\$ -
July 1, 2016 - June 30, 2017		WI DPI		151,991	-	135,362	-	114,143	-	21,219
					<u>18,316</u>	<u>135,362</u>	<u>-</u>	<u>132,459</u>	<u>-</u>	<u>21,219</u>
Special Education Cluster										
<u>Special Education - Grants to States</u>										
July 1, 2015 - June 30, 2016	84.027	WI DPI	2017-674312-IDEA-341	681,170	66,869	-	-	66,869	-	-
July 1, 2016 - June 30, 2017		WI DPI		715,887	-	474,032	-	412,316	-	61,716
					<u>66,869</u>	<u>474,032</u>	<u>-</u>	<u>479,185</u>	<u>-</u>	<u>61,716</u>
<u>Special Education - Preschool Grants</u>										
July 1, 2015 - June 30, 2016	84.173	WI DPI	17-674312-Pre-S-347	17,757	2,300	-	-	2,300	-	-
July 1, 2016 - June 30, 2017		WI DPI		22,108	-	19,236	-	14,823	-	4,413
					<u>2,300</u>	<u>19,236</u>	<u>-</u>	<u>17,123</u>	<u>-</u>	<u>4,413</u>
Total Special Education Cluster					<u>69,169</u>	<u>493,268</u>	<u>-</u>	<u>496,308</u>	<u>-</u>	<u>66,129</u>
<u>ESEA Title II-A Teacher/Principal</u>										
July 1, 2015 - June 30, 2016	84.367	WI DPI	17-674312-Title II-365	30,409	5,385	-	-	5,385	-	-
July 1, 2016 - June 30, 2017		WI DPI		31,424	-	24,920	-	17,652	-	7,268
					<u>5,385</u>	<u>24,920</u>	<u>-</u>	<u>23,037</u>	<u>-</u>	<u>7,268</u>
Total U.S. Department of Education					<u>92,870</u>	<u>653,550</u>	<u>-</u>	<u>651,804</u>	<u>-</u>	<u>94,616</u>

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2017

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Pass Through Agency	Pass Through Agency ID	Program or Award Amount	Accrued Receivable 7/1/2016	Expenditures		Receipts		Accrued Receivable 6/30/2017
						Grantor	Local	Grantor Reimbursements	Local Share	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Medicaid Cluster										
<u>Medical Assistance</u>	93.778		44239300							
July 1, 2016 - June 30, 2017		WI DHS		\$ 141,101	\$ 14,934	\$ 141,101	\$ -	\$ 147,329	\$ -	\$ 8,706
Total Medicaid Cluster					14,934	141,101	-	147,329	-	8,706
Total U.S. Department of Health and Human Services					14,934	141,101	-	147,329	-	8,706
U.S. DEPARTMENT OF AGRICULTURE										
Child Nutrition Cluster										
<u>Donated Food Program</u>	10.555		674312							
July 1, 2016 - June 30, 2017		WI DPI		77,491	-	77,491	-	77,491	-	-
<u>National School Lunch</u>	10.555		2017-674312-NSL-547							
July 1, 2016 - June 30, 2017		WI DPI		170,698	-	170,698	706,004	164,769	706,004	5,929
Total Child Nutrition Cluster					-	248,189	706,004	242,260	706,004	5,929
Total U.S. Department of Agriculture					-	248,189	706,004	242,260	706,004	5,929
U.S. DEPARTMENT OF COMMERCE										
<u>Malcolm Baldrige National Quality Award</u>	11.013		N/A							
July 1, 2016 - June 30, 2017		N/A		3,856	-	3,856	-	3,856	-	-
Total U.S. Department of Commerce					-	3,856	-	3,856	-	-
Total Federal Awards					\$ 107,804	\$ 1,046,696	\$ 706,004	\$ 1,045,249	\$ 706,004	\$ 109,251

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2017

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	State ID Number	Expenditures
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION		
<u>Entitlement Programs</u>		
Special Education & School Age Parents	255.101	\$ 789,570
State School Lunch Aid	255.102	9,774
Common School Fund Library Aid	255.103	95,836
Pupil Transportation Aid	255.107	83,199
Equalization Aid (receivable of \$74,391)	255.201	4,360,468
Educator Effective Evaluation Systems	255.940	17,040
Per Pupil Aid	255.945	675,750
Career and Technical Education Incentive	255.950	8,971
Assessments of Reading Readiness	255.956	5,083
Robotics League Participation Grant	255.959	2,671
 Total State Awards		\$ 6,048,362

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

As of and for the year ended June 30, 2017

NOTE 1 – REPORTING ENTITY

This Report on Federal and State Awards includes the federal and state awards of the School District of Pewaukee. The reporting entity for the District is based upon criteria established by the Governmental Accounting Standards Board.

The schedules include only those programs required to be included in accordance with the *State Single Audit Guidelines*.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "schedules") include the federal and state award activity of the School District of Pewaukee under programs of the federal and state government for the year ended June 30, 2017. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the School District of Pewaukee, they are not intended to and does not present the financial position, changes in net position of the School District of Pewaukee.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

NOTE 4 – ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$3,158,661 for the year ended June 30, 2017.

NOTE 5 – STATUS OF PRIOR YEAR FINDINGS

The District was required to have an audit conducted in accordance with the Uniform Guidance in the prior year and had finding 2016-001. This finding was resolved in the current year.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS As of and for the year ended June 30, 2017

NOTE 6 – PASS-THROUGH AGENCIES

The District received federal awards from the following pass-through agencies:

WI DPI	Wisconsin Department of Public Instruction
WI DHS	Wisconsin Department of Health Services

NOTE 7 – INDIRECT COST RATE

The School District of Pewaukee has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Pewaukee
Pewaukee, WI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Pewaukee, Wisconsin as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee's basic financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District of Pewaukee'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of Pewaukee's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of Pewaukee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

To the Board of Education
School District of Pewaukee

Compliance and Other Matters

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

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.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 28, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT GUIDELINES

INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Pewaukee
Pewaukee, WI

Report on Compliance for Each Major Federal and Major State Program

We have audited the School District of Pewaukee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the School District of Pewaukee's major federal and major state programs for the year ended June 30, 2017. The School District of Pewaukee's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of Pewaukee's major federal and major 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or a major state program occurred. An audit includes examining, on a test basis, evidence about the School District of Pewaukee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Education
School District of Pewaukee

Auditors' Responsibility (continued)

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

Opinion on Each Major Federal and Major State Program

In our opinion, the School District of Pewaukee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the School District of Pewaukee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District of Pewaukee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major 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 or major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance 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 School District of Pewaukee'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Vorchaw Krause, LLP

Milwaukee, Wisconsin
November 28, 2017

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal and State Awards

Internal control over major programs:

 Federal Programs

 State Programs

Material weakness(es) identified?

_____ yes X no _____ yes X no

Significant deficiencies identified that were not considered to be material weakness(es)?

_____ yes X none reported _____ yes X none reported

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

Unmodified

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

_____ yes X no _____ yes X no

Auditee qualified as low-risk auditee?

 X yes _____ no X yes _____ no

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

\$250,000

Identification of major federal programs:

CFDA NUMBER (S)

Name of Federal Program or Cluster

84.027
84.173

Special Education Cluster
Special Education - Grants to States
Special Education - Preschool Grants

Identification of major state programs:

State Identification Number

Name of State Program or Cluster

255.201
255.945

Equalization Aid
Per Pupil Aid

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

**Section II: Financial Statement Findings Required to be Reported in Accordance with Government
*Auditing Standards***

There are no findings that are required to be reported.

Section III: Federal and State Award Findings and Questioned Costs

There are no findings that are required to be reported.

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section IV: Other Issues

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes X no
2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
Department of Public Instruction yes X no
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes no

Name and signature of partner

John A. Knepel

John A. Knepel, CPA, Partner

Date of report

November 28, 2017