

SCHOOL DISTRICT OF WAUPACA

Annual Financial Report

June 30, 2017

SCHOOL DISTRICT OF WAUPACA

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INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Board of Education
School District of Waupaca
Waupaca, 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 School District of Waupaca (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

To the Board of Education
School District of Waupaca

Changes in Accounting Principles

As discussed in Note 1, the District adopted the provisions of Governmental Accounting Standards Board 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* as of and for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – other post-employment benefits and defined benefit plan – stipend, proportionate share of net pension liability (asset) and employer contributions – Wisconsin Retirement System, and revenues, expenditures and changes in fund balance – budget and actual – general fund on pages 39 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise School District of Waupaca's basic financial statements. The combining non-major fund financial statements and the combining schedules of internal general and special education funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying schedules of changes in assets and liabilities – pupil activity fund and state financial assistance are presented for purposes of additional analysis as required by *Wisconsin State Single Audit Guidelines* and the Wisconsin Public School District Audit Manual, issued by the Wisconsin Department of Public Instruction and are not a required part of the basic financial statements.

The combining non-major fund financial statements, schedule of changes in assets and liabilities – pupil activity funds, combining schedules of internal general and special education funds, schedule of state financial assistance and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Education
School District of Waupaca

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2018, on our consideration of the School District of Waupaca's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Waupaca's internal control over financial reporting and compliance.



KerberRose SC
Certified Public Accountants
January 3, 2018

FINANCIAL STATEMENTS

SCHOOL DISTRICT OF WAUPACA
District-Wide Statement of Net Position
As of June 30, 2017

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 7,855,335
Taxes Receivable	4,926,263
Accounts Receivable	4,617
Due from Federal Government	168,445
Due from State Government	190,020
Inventory	2,081
Total Current Assets	13,146,761
Noncurrent Assets	
Land	583,095
Buildings and Building Improvements	45,666,100
Machinery and Equipment	6,978,691
Less: Accumulated Depreciation	(26,617,193)
Total Noncurrent Assets	26,610,693
TOTAL ASSETS	39,757,454
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	6,839,231
LIABILITIES	
Current Liabilities	
Accounts Payable	120,315
Accrued Liabilities:	
Payroll, Payroll Taxes, Insurance	2,869,959
Interest	26,586
Unearned Revenue	16,867
Current Portion of Long-Term Obligations	3,110,836
Total Current Liabilities	6,144,563
Noncurrent Liabilities	
Noncurrent Portion of Long-Term Obligations	6,063,845
TOTAL LIABILITIES	12,208,408
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	3,374,424
NET POSITION	
Net Investment in Capital Assets	20,543,508
Restricted	3,070,443
Unrestricted	7,399,902
TOTAL NET POSITION	\$ 31,013,853

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA

District-Wide Statement of Activities

For the Year Ended June 30, 2017

		<u>Program Revenues</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges For</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Position</u>
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular Instruction	\$ 9,913,191	\$ 907,468	\$ 1,300,998	\$ (7,704,725)
Vocational Instruction	1,343,013	-	18,213	(1,324,800)
Physical Instruction	698,960	11,273	-	(687,687)
Special Instruction	2,883,489	108,827	1,323,632	(1,451,030)
Other Instruction	696,333	39,390	128,405	(528,538)
Total Instruction	<u>15,534,986</u>	<u>1,066,958</u>	<u>2,771,248</u>	<u>(11,696,780)</u>
Support Services				
Pupil Services	1,263,010	-	-	(1,263,010)
Instructional Staff Services	1,125,283	-	81,642	(1,043,641)
General Administration Services	1,673,022	-	-	(1,673,022)
Building Administration Services	1,478,861	-	-	(1,478,861)
Business Services	191,554	-	-	(191,554)
Operations and Maintenance of Plant	2,909,644	-	-	(2,909,644)
Pupil Transportation Services	1,018,518	-	79,393	(939,125)
Food Service	1,073,840	489,053	607,752	22,965
Central Services	807,007	-	-	(807,007)
Insurance	298,505	-	-	(298,505)
Other Support Services	219,601	-	-	(219,601)
Interest on Debt	98,410	-	-	(98,410)
Total Support Services	<u>12,157,255</u>	<u>489,053</u>	<u>768,787</u>	<u>(10,899,415)</u>
Non-Program Transactions				
Open Enrollment	775,054	-	-	(775,054)
Non-Open Enrollment	175,116	-	-	(175,116)
Total Non-Program Transactions	<u>950,170</u>	<u>-</u>	<u>-</u>	<u>(950,170)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 28,642,411</u>	<u>\$ 1,556,011</u>	<u>\$ 3,540,035</u>	<u>(23,546,365)</u>
GENERAL REVENUES				
Property Taxes:				
General Purposes				13,249,307
Debt Services				3,154,718
State and Federal Aids not Restricted to				
Specific Functions:				
Equalization Aid, Exempt Computer Aid				8,535,151
Interest and Investment Earnings				29,061
Miscellaneous				151,009
Total General Revenues				<u>25,119,246</u>
CHANGE IN NET POSITION				1,572,881
NET POSITION - BEGINNING OF YEAR - RESTATED				<u>29,440,972</u>
NET POSITION - END OF YEAR				<u>\$ 31,013,853</u>

See Accompanying Notes

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SCHOOL DISTRICT OF WAUPACA

Balance Sheet

Governmental Funds

As of June 30, 2017

	General	Debt Service
ASSETS		
Cash and Investments	\$ 7,255,418	\$ 156,678
Taxes Receivable	4,926,263	-
Accounts Receivable	2,454	-
Due from Federal Government	146,686	-
Due from State Government	190,020	-
Inventory	2,081	-
TOTAL ASSETS	\$ 12,522,922	\$ 156,678
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 116,567	\$ -
Accrued Liabilities:		
Payroll, Payroll Taxes, Insurance	2,858,305	-
Unearned Revenue	-	-
Total Liabilities	2,974,872	-
Fund Balances		
Nonspendable:		
Inventory	2,081	-
Restricted:		
Debt Service	-	156,678
Special Revenue Fund	-	-
Food Service	-	-
Capital Expansions	-	-
Assigned:		
Other Post-Employment Benefits	1,095,436	-
Unassigned	8,450,533	-
Total Fund Balances	9,548,050	156,678
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,522,922	\$ 156,678

See Accompanying Notes

Other Governmental Funds	Total Governmental Funds
\$ 443,239	\$ 7,855,335
-	4,926,263
2,164	4,618
21,759	168,445
-	190,020
-	2,081
<u>\$ 467,162</u>	<u>\$ 13,146,762</u>

\$ 3,748	\$ 120,315
11,654	2,869,959
16,867	16,867
<u>32,269</u>	<u>3,007,141</u>

-	2,081
-	156,678
97,996	97,996
93,954	93,954
242,943	242,943
-	1,095,436
-	8,450,533
<u>434,893</u>	<u>10,139,621</u>
<u>\$ 467,162</u>	<u>\$ 13,146,762</u>

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA
 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
 As of June 30, 2017

Total Fund Balances - Governmental Funds \$ 10,139,621

Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balances because:

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Capital Assets	53,227,886	
Accumulated Depreciation	<u>(26,617,193)</u>	26,610,693

The District's proportionate share of the Wisconsin Retirement System is not an available financial resource; therefore, it is not reported in the fund financial statements.

Deferred Outflows Related to Pension	6,839,231	
Deferred Inflows Related to Pension	<u>(3,374,424)</u>	3,464,807

Certain liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Liabilities reported in the statement of net position that are not reported in the funds balance sheet:

Bonds	(6,045,000)	
Bond Premium	(22,184)	
Accrued Interest	(26,586)	
Net Pension Liability	(814,993)	
Supplemental Pension Benefits	(1,457,153)	
Post-Employment Benefits	(373,840)	
Compensated Absences	<u>(461,512)</u>	<u>(9,201,268)</u>

Total Net Position - Governmental Activities \$ 31,013,853

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SCHOOL DISTRICT OF WAUPACA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>Debt Service</u>
REVENUES		
Property Taxes	\$ 12,718,057	\$ 3,154,718
Other Local Sources	136,794	-
Interdistrict Sources	966,560	-
Intermediate Sources	43,654	-
State Sources	10,617,267	-
Federal Sources	1,217,652	-
Other Sources	56,411	-
Total Revenues	<u>25,756,395</u>	<u>3,154,718</u>
EXPENDITURES		
Instruction:		
Regular Instruction	9,150,446	-
Vocational Instruction	1,247,872	-
Physical Instruction	660,827	-
Special Instruction	2,729,870	-
Other Instruction	664,920	-
Total Instruction	<u>14,453,935</u>	<u>-</u>
Support Services:		
Pupil Services	1,191,608	-
Instructional Staff Services	1,070,783	-
General Administration Services	675,953	-
Building Administration Services	1,271,665	-
Business Services	277,320	-
Operations and Maintenance	2,949,265	-
Pupil Transportation Services	1,065,023	-
Food Service Operations	-	-
Central Services	787,327	-
Insurance	298,505	-
Other Support Services	172,163	-
Principal and Interest	-	3,181,005
Total Support Services	<u>9,759,612</u>	<u>3,181,005</u>
Non-Program Transactions:		
Open Enrollment	775,054	-
Non-Open Enrollment	175,116	-
Total Non-Program Transactions	<u>950,170</u>	<u>-</u>
Total Expenditures	<u>25,163,717</u>	<u>3,181,005</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	592,678	(26,287)
OTHER FINANCING SOURCE		
Proceeds from Sale of Capital Assets	20,556	-
NET CHANGES IN FUND BALANCES	613,234	(26,287)
FUND BALANCES - BEGINNING OF YEAR	<u>8,934,816</u>	<u>182,965</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,548,050</u>	<u>\$ 156,678</u>

See Accompanying Notes

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 15,872,775
618,574	755,368
-	966,560
-	43,654
21,122	10,638,389
586,630	1,804,282
57,297	113,708
<u>1,283,623</u>	<u>30,194,736</u>
54,748	9,205,194
29,128	1,277,000
1,360	662,187
-	2,729,870
2,399	667,319
<u>87,635</u>	<u>14,541,570</u>
6,964	1,198,572
633	1,071,416
-	675,953
30,299	1,301,964
-	277,320
14	2,949,279
-	1,065,023
1,070,884	1,070,884
-	787,327
-	298,505
-	172,163
-	3,181,005
<u>1,108,794</u>	<u>14,049,411</u>
-	775,054
-	175,116
-	950,170
<u>1,196,429</u>	<u>29,541,151</u>
87,194	653,585
-	20,556
<u>87,194</u>	<u>674,141</u>
347,699	9,465,480
<u>\$ 434,893</u>	<u>\$ 10,139,621</u>

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds		\$ 674,141
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital outlay reported in governmental fund statements	406,466	
Depreciation expense reported in the statement of activities	<u>(1,382,730)</u>	
Amount by which capital outlays are less than depreciation in the current period.		(976,264)
Amounts related to the pension that are not current financial resources; and are not reported in the fund financial statements		(1,124,585)
Amounts related to the supplemental pension that are not current financial resources; and are not reported in the fund financial statements		37,694
Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
Compensated absences paid in current year	66,264	
Compensated absences earned in current year	<u>(139,842)</u>	
Amounts paid is less than amounts earned by		(73,578)
Decrease in supplemental pension liability		13,920
Post-employment benefits paid in current year	72,209	
Post-employment benefits earned in current year	<u>(133,251)</u>	
Amounts paid are less than amounts earned by		(61,042)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
The amount of long-term debt principal payments in the current year is		3,030,000
In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.		
The amount of interest paid during the current period	151,005	
The amount of interest accrued during the current period	<u>(133,905)</u>	
Interest paid is more than interest accrued by		17,100
The District reports debt premium on the statement of net position. These are allocated over the period the debt is outstanding and are reported as amortization expense in the statement of activities. Current year premium issued net of current year amortization.		
		<u>35,495</u>
Change in Net Position - Governmental Activities		<u><u>\$ 1,572,881</u></u>

SCHOOL DISTRICT OF WAUPACA

Statement of Net Position

Fiduciary Funds

As of June 30, 2017

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>	<u>Total</u>
ASSETS			
Cash and Investments	\$ 11,295	\$ 191,635	\$ 202,930
LIABILITIES			
Due to Student Groups	-	191,635	191,635
NET POSITION			
Restricted for Scholarships	<u>\$ 11,295</u>	<u>\$ -</u>	<u>\$ 11,295</u>

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2017

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Contributions	\$ 300
DEDUCTIONS	
Scholarships Awarded	<u> 3,500</u>
CHANGE IN NET POSITION	(3,200)
NET POSITION - BEGINNING	<u> 14,495</u>
NET POSITION - ENDING	<u><u> \$ 11,295</u></u>

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of School District of Waupaca (District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for the integrity and objectivity of the financial statements. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). These accounting policies conform to GAAP and have been consistently applied in the preparation of the financial statements, except for the adoption of a new accounting standard described later in this note.

Nature of Operations

The School District of Waupaca is organized as a unified school district. The District, governed by a seven-member elected school board, operates grades preschool through 12 and is comprised of eleven taxing districts.

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

The financial reporting entity consists of (a) organizations for which the stand alone government is financially accountable and (b) the stand alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand alone government.

District-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipients for goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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.

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

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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

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

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.

Governmental Funds

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

General Fund

The general fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

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

Debt Service Funds

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

Capital Project Funds

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital expenditures.

Fiduciary Funds

Agency Funds (Not included in district-wide statements)

Agency funds are used to account for assets held by the District as an agent for various student organizations.

Private-Purpose Trust

This fund reports a trust arrangement under which principal and income benefit a scholarship program.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Major Funds

The District reports the following major governmental funds:

General Fund - The general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

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

Non-Major Funds

The District reports the following non-major funds:

Special Revenue Trust Fund - This fund accounts for resources and payments made for gifts given to the District for specific projects.

Capital Expansion Fund - This fund accounts for resources and payments made for capital expenditures related to buildings or sites.

Food Service Fund - This fund accounts for the activities associated with the District's breakfast and lunch programs.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The district-wide and private purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Cash

The District's cash is considered to be cash on hand, and demand deposits. Cash balances for individual funds are pooled unless maintained in segregated accounts.

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

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

Accounts Receivable

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

Property Taxes

The aggregate District tax levy is apportioned and certified by November 6th of the current fiscal year for collection by comprising municipalities based on the immediate past October 1st full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two or more installments with the first installment payable by the subsequent January 31th and a final payment no later than the following July 31th. On or before January 15th, and by the twentieth of each subsequent month thereafter, the District may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20th, the county treasurer makes full settlement to the District for any remaining balance. The county assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2016 tax levy is used to finance operations of the District's fiscal year ended June 30, 2017. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

Inventory

Inventory is recorded at cost, which approximates market, using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventory of governmental fund types in the fund financial statements is classified as nonspendable fund balance to indicate they do not represent spendable available financial resources.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Interfund Activity

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Capital Assets

In the district-wide statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at actual or estimated historical cost if actual cost is unavailable, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at acquisition value at the date of donation.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: buildings and equipment are capitalized using a capitalization threshold of \$1,000. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for buildings and building improvements of 20-50 years and machinery and equipment of 5-20 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Compensated Absences and Post-Employment Benefits

The District's policy allows non-certified employees to earn varying amounts of vacation pay. Upon termination of employment, the employee is entitled to a cash payment of unused vacation pay. Any vacation not taken by December 31 is forfeited. Administrators and teachers are allowed to earn varying amounts of sick pay accumulating to a maximum vested amount. Upon retirement, the employee is entitled to a credit for the amount of unused sick pay, to be used to pay the retiree's group health insurance until the vested amount is exhausted.

Early retirement benefits are available to teachers and non-teachers meeting certain requirements. An actuarially determined value of future benefits to current and future retirees is recognized as a long-term liability in the statement of net position.

In the fund statements, benefits that require payment in the future fiscal years though related to currently received services are recorded as an expenditure in the period or periods in which they are paid or normally payable rather than the period in which they are incurred. The value of vested benefits payable in future fiscal periods are recorded in the district-wide statements.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Principal payments decrease the long-term debt liability on the statement of net position and do not affect the statement of activities. Interest is reported as an expense in the statement of activities on the accrual basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal and interest payments are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The district-wide financial statements have six items that qualify for reporting in this category. Accordingly, the five items related to the pension, differences between expected and actual experiences, changes in assumptions, net differences between projected and actual earnings on pension plan investments, changes in proportion and differences between employer contributions, proportionate share of contributions and employer contributions after measurement date, the one item related to the supplemental pension, employer contributions after measurement date are reported in the statement of net position.

In addition to liabilities, the balance sheet and/or statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The District has three types of deferred inflows of resources, which arise under the full accrual basis of accounting. Accordingly, differences between expected and actual experiences, net differences between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions related to pension are reported in the statement of net position.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the statement of net position. There were no significant claims or judgments at year-end.

Fund Equity Classifications

District-Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity Classifications (Continued)

- b. Restricted component of net position – Consist of resources with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted component of net position – Net amount that does not meet the definition of “restricted” or “net investment in capital assets”.

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

Fund Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year end; however, the amount can be determined in the subsequent period. The Board of Education is the decision making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance in the general fund represents amounts constrained by the Board of Education for a specific intended purpose. The District has not delegated that authority to others. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

The District, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The District has not adopted a minimum fund balance policy.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from these estimates.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Implementation of New Accounting Standard

The District implemented Governmental Accounting Standards Board (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* as of and for the year ended June 30, 2017. Statement No. 73 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

Note 2 – Cash and Investments

The debt service and capital expansion funds account for their transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, the trust and agency funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

The District is required to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- 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, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics.
- Bonds or securities guaranteed by the federal government.
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Additional restrictions could arise from local charters, ordinances, resolutions and grant resolutions of the District.

At June 30, 2017 the bank balance of cash was \$4,787,515. The District maintains its cash accounts at several financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial risk.

Deposits in each bank are insured by the FDIC in the amount of \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts); and up to \$250,000 for the combined amount of all interest and non-interest bearing demand deposit accounts.

Deposits in credit unions are insured by the National Credit Union Share Insurance Fund (NSUSIF). NCUA's standard maximum share insurance amount is \$250,000.

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

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

The following represents a summary of deposits as of June 30, 2017:

Fully Insured Deposits	\$	781,377
Collateralized		3,330,713
Uninsured		<u>675,425</u>
	<u>\$</u>	<u>4,787,515</u>

For all deposits shown, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and the carrying value is due to outstanding checks and/or deposits in transit.

Investments are measured at fair value on a recurring basis. Recurring fair value measurement are those that Governmental Accounting Standards Board (GASB) Statements require at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. No investments are reported at amortized costs. Adjustments necessary to record investments at fair value are recorded as increases or decreases in investment income.

- Level 1 – Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources from market transactions involving identical assets.
- Level 2 – Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- Level 3 – Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

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.

Investments in the local government investment pool are not insured against losses arising from principal defaults on securities acquired by the pool. The balance in the local government investment pool at June 30, 2017 was \$3,916,041, all of which is considered a Level 2 input.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 3 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being				
Depreciated:				
Sites (Land)	\$ 583,095	\$ -	\$ -	\$ 583,095
Capital Assets being				
Depreciated:				
Buildings and Building				
Improvements	45,666,100	-	-	45,666,100
Machinery and Equipment	6,847,447	406,466	275,222	6,978,691
Total Capital Assets Being				
Depreciated	<u>52,513,547</u>	<u>406,466</u>	<u>275,222</u>	<u>52,644,791</u>
Less Accumulated				
Depreciation for:				
Buildings and Building				
Improvements	(20,455,275)	(973,724)	-	(21,428,999)
Machinery and Equipment	<u>(5,054,410)</u>	<u>(409,006)</u>	<u>(275,222)</u>	<u>(5,188,194)</u>
Total Accumulated				
Depreciation	<u>(25,509,685)</u>	<u>(1,382,730)</u>	<u>(275,222)</u>	<u>(26,617,193)</u>
Total Capital Assets Being				
Depreciated, Net of				
Accumulated Depreciation	<u>27,003,862</u>	<u>(976,264)</u>	<u>-</u>	<u>26,027,598</u>
Governmental Activities Capital				
Assets, Net of Accumulated				
Depreciation	<u>\$ 27,586,957</u>	<u>\$ (976,264)</u>	<u>\$ -</u>	<u>\$ 26,610,693</u>

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 3 - Capital Assets (Continued)

Depreciation expense for fiscal year ended June 30, 2017 amounted to \$1,382,730 and was charged to the following functions:

Instruction:		
Regular	\$	148,332
Support Services:		
General Administration		978,176
Operations and Maintenance		56,543
Pupil Transportation		125,078
Food Service		2,954
Support and Administration		71,647
Total Depreciation Expense	<u>\$</u>	<u>1,382,730</u>

Note 4 - Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities					
General Obligation Debt					
Refunding Bonds	\$ 9,075,000	\$ -	\$ 3,030,000	\$ 6,045,000	\$ 3,075,000
Debt Premium	57,679	-	35,495	22,184	-
Compensated Absences	300,261	139,842	66,264	373,839	35,836
Defined Benefit Plan - Stipend	1,471,073	-	13,920	1,457,153	-
Net Pension Liability	1,622,821	1,293,786	2,101,614	814,993	-
Post-Employment Benefits	400,470	133,251	72,209	461,512	-
Total Long-Term Liabilities	<u>\$ 12,927,304</u>	<u>\$ 1,566,879</u>	<u>\$ 5,319,502</u>	<u>\$ 9,174,681</u>	<u>\$ 3,110,836</u>

Total interest paid for the year ended June 30, 2017, was \$151,005 for general obligation debt as reflected in the fund financial statements.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2017, is comprised of the following individual issues:

	Date of Issuance	Final Maturity	Interest Rate	Original Indebtedness	Balance 6/30/17
Long-Term Obligations:					
2013 General Refunding Bonds	04/02/13	04/01/19	0.40- 1.65%	\$ 8,525,000	\$ 3,525,000
2016 General Refunding Bonds	02/16/16	04/01/18	2.00%	3,165,000	2,520,000
Sub-Total Long-Term Obligations					<u>\$ 6,045,000</u>

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,507,884,601. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 4 - Long-Term Obligations (Continued)

Legal Margin for Debt

Debt Limit (10% of \$1,507,884,601)		\$ 150,788,460
Deduct long-term debt applicable to debt margin	\$ 6,045,000	
Less: Amounts available for financing general obligation debt	156,678	5,888,322
Margin of Indebtedness		<u>\$ 144,900,138</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2017, follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 3,075,000	\$ 106,343	\$ 3,181,343
2019	2,970,000	49,005	3,019,005
Total	<u>\$ 6,045,000</u>	<u>\$ 155,348</u>	<u>\$ 6,200,348</u>

Compensated absences and post-employment retirement benefits are excluded from the above cash flow requirements because repayment schedules have not been determined or are not required.

Note 5 - Net Position

District-Wide Statements

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

Net Investment in Capital Assets	
Net Capital Assets	\$ 26,610,693
Less: Related Long-Term Debt Outstanding	6,067,185
Net Investment in Capital Assets	<u>20,543,508</u>
Restricted	
Debt Retirement	156,678
Special Revenue Trust	97,996
Food Service	93,954
Capital Expansion	242,943
Pension	2,478,872
Total Restricted	<u>3,070,443</u>
Unrestricted	<u>7,399,902</u>
Total Net Position	<u>\$ 31,013,853</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 6 – Deferred Inflows and Outflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions:		
Defined Benefit Pension Plan	\$ 6,668,289	\$ 3,374,424
Supplemental Pension Plan	170,942	-
	\$ 6,839,231	\$ 3,374,424

Note 7 - Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer prior to July 1, 2011, and expected to work at least 600 hours (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

The WRS also provides death and disability benefits for employees.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 - Defined Benefit Pension Plan (Continued)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

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

During the reporting period, the WRS recognized \$949,034 in contributions from the District.

Contribution rates as of June 30, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%

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 \$814,993 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, 2016, the District's proportion was .09887827%, which was a decrease of .00098885% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,101,614.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 - Defined Benefit Pension Plan (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 310,757	\$ 2,563,083
Changes in assumptions	852,107	-
Net differences between projected and actual earnings on pension plan investments	4,860,339	803,562
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,419	7,779
Employer contributions subsequent to the measurement date	616,667	-
Total	<u>\$ 6,668,289</u>	<u>\$ 3,374,424</u>

Deferred outflows of \$616,667 related to the pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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:

<u>Year Ending June 30</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 2,106,955	\$ 1,021,692
2019	2,106,955	1,021,692
2020	1,763,524	1,021,649
2021	72,434	309,391
2022	1,754	-

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 - Defined Benefit Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2016, 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:	3.2%
Inflation	0.2% - 5.6%
Seniority/Merit	Wisconsin 2012 Mortality Table
Mortality:	2.1%
Post-retirement Adjustments*	

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension on December 31, 2016 is based upon a roll-forward of the asset calculated from the December 31, 2015 actuarial valuation.

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
U.S. Equities	27.0%	23.0%	7.6%	4.7%
International Equities	24.5	22.0	8.5	5.6
Fixed Income	27.5	37.0	4.4	1.6
Inflation Sensitive Assets	10.0	20.0	4.2	1.4
Real Estate	7.0	7.0	6.5	3.6
Private Equity/Debt	7.0	7.0	9.4	6.5
Multi-Asset	4.0	4.0	6.7	3.8
Total Core Fund	107.0%	120.0%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70.0%	70.0%	7.6%	4.7%
International Equities	30.0	30.0	8.5	5.6
Total Variable Fund	100.0%	100.0%	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

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 7 - Defined Benefit Pension Plan (Continued)

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 10,721,756	\$ 814,993	\$ (6,813,663)

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

Payables to the Pension Plan

The District is required to remit the monthly required contribution for both the employee and District portions by the last day of the following month. The amount due to WRS as of June 30, 2017 is \$401,413 for June payrolls.

Note 8 - Defined Benefit Plan – Stipend

In addition to the pension benefits described in Note 7 the District has early retirement provisions for certain early retirement employees.

Plan Description. The School District of Waupaca provides a single employer defined benefit plan to eligible teachers and administrators. There are 192 active and 38 retired employees in the plan. Eligibility is established and amended through collective bargaining with the recognized bargaining agent for teachers. Currently, teachers can retire and receive benefits after the attainment of age 55 and the completion of 10 years of service. Administrators can retire and receive benefits after attainment of age 55 and 10 years of service.

Teachers. Eligible retirees will receive monthly cash payments of \$400. These payments will be made for a total of 48 months. Amounts are pro-rated for part-time teachers.

Administrators. The District will make monthly contributions of \$977.50 into a tax sheltered annuity (TSA) on behalf of the eligible retiree. These contributions will be made for a total of 30 months.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 8 - Defined Benefit Plan – Stipend (Continued)

Funding Policy. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all stipend/retirement benefits. The employer makes all contributions.

Benefit Payments. For the year ended June 30, 2016, the District paid \$133,245 for the supplemental pension as benefits came due.

Total Pension Liability. The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the Plan administrator, and Plan members.

No assets are accumulated in a trust that meets all of the above criteria because the District's contributions are not irrevocable. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total pension liability.

The District's total pension liability was determined by an actuarial valuation as of June 30, 2016 (the measurement date). Changes in the District's total pension liability were as follows:

Total Pension Liability - Beginning of Year	\$ 1,471,073
Changes for the year:	
Service Cost	76,051
Interest	43,274
Changes of Assumptions or Other Input Benefit Payments	<u>(133,245)</u>
Net Increase in Total Pension Liability	<u>(13,920)</u>
Total Pension Liability - End of Year	<u>\$ 1,457,153</u>

Actuarial Assumptions. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2016
Measurement Date of Net Pension Liability:	June 30, 2016
Reporting Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal - Level % of Salary
Discount Rate	
Valuing Liabilities	3.0%, 2.5% Assumed Rate of Inflation
Municipal Bond Rate	3.0%, 2.5% Assumed Rate of Inflation
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.2%-5.8% Including Inflation
Average or Expected Remaining Service Lives:	12 Years

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 8 - Defined Benefit Plan – Stipend (Continued)

Factors Affecting Trends for Amounts Related to the Net Pension Liability. There were no changes in actuarial methods or assumptions reflected in the calculation of the total pension liability as of the June 30, 2016 measurement date.

Discount Rate. A discount rate of 3.0% was used in calculating the District's Pension liabilities (based upon all projected payments discounted at a municipal bond rate of 3.0%). The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement period.

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 3.00 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 (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

	<u>1% Decrease 2.00%</u>	<u>Current Discount Rate 3.00%</u>	<u>1% Increase 4.00%</u>
Total Pension Liability	\$ 1,517,722	\$ 1,457,153	\$ 1,397,573

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 \$119,325. At June 30, 2017, the District reported deferred inflows of resources of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Employer contributions subsequent to the measurement date	<u>\$ 170,942</u>

Note 9 - Post-Employment Benefits Other Than Pension Benefits

Plan Description. The School District of Waupaca operates a single-employer retiree benefit plan that provides post-employment health benefits to eligible employees and their spouses. There are 123 active and 15 retired members in the plan. Benefits and eligibility for teachers and food service workers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include post-employment health coverage. Benefits and eligibility for administrators, secretaries and general support staff are established and amended by the governing body.

Certified Teaching Staff. The District also provides post-employment health and dental care benefits to teachers who have reached the age of 55 and served at the District for at least 10 years. Teachers are allowed to continue health insurance coverage until Medicare age. Teachers are required to self-pay the full (100%) of the required medical premiums. The District credits \$40 for each day to a maximum of ninety unused sick days, provided the teacher has accumulated over forty-five unused sick days, towards the teacher's health insurance premiums.

Administrative Staff. The District also provides post-employment health and dental care benefits to any degree-holding administrator who has reached the age of 55 and served at the District for at least 10 years. Administrators are allowed to continue health insurance coverage until Medicare age. Administrators are required to self-pay the full (100%) of the required medical premiums. The District credits \$100 for each day to a maximum of hundred fifty unused sick days, provided the retiree has accumulated over sixty unused sick days, towards the retiree's health insurance premiums.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 9 - Post-Employment Benefits Other Than Pension Benefits (Continued)

Funding Policy. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The employer makes all contributions.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASBS. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

	Government Activities	
Annual required contributions	\$	141,669
Interest on net OPEB		12,014
Adjustment		<u>(20,432)</u>
Annual OPEB Cost (Expense)		133,251
Contributions made		<u>(72,209)</u>
Change in net OPEB obligation		61,042
OPEB obligation at beginning of year		400,470
OPEB obligation at end of year	\$	<u><u>461,512</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the prior two years is:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 123,156	78.9	\$ 375,109
6/30/2016	122,693	79.3	400,470
6/30/2017	133,251	54.1	461,512

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the District's unfunded actuarial accrued liability (UAAL) was \$1,175,516. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2016 - 2017 fiscal year was \$15,215,676 for a ratio of the UAAL to covered payroll of 7.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the District maintains no plan assets; information relative to plan asset required disclosures is not applicable.

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

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 9 - Post-Employment Benefits Other Than Pension Benefits (Continued)

The following simplifying assumptions were made in the valuation of the above described plan:

Retirement age for active employees.

Early Retirement		
Age	Male	Female
55	12.0%	11.0%
56	12.0%	11.0%
57	12.0%	11.0%
58	12.0%	11.0%
59	12.0%	11.0%
60	12.0%	15.0%
61	12.0%	15.0%
62	20.0%	20.0%
63	20.0%	20.0%
64	20.0%	20.0%

Regular Retirement (30 or more years)		
Age	Male	Female
57	40.0%	27.0%
58	35.0%	27.0%
59	25.0%	27.0%
60	28.0%	27.0%
61	25.0%	27.0%
62	36.0%	34.0%
63	32.0%	27.0%
64	24.0%	23.0%

Turnover. The District's historical data on turnover by age were used as the basis for assigning active plan members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid. The selected rates are shown below:

Age	Service	Male	Female
25	10 + yrs	1.8%	2.2%
30	10 + yrs	1.4%	1.9%
35	10 + yrs	1.2%	1.4%
40	10 + yrs	1.1%	1.1%
45	10 + yrs	1.0%	0.9%
50	10 + yrs	1.0%	0.9%
55	10 + yrs	1.0%	0.9%
60	10 + yrs	1.0%	0.9%

Payroll growth rate. The expected long-term payroll growth rate is to be equal to 3%.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 9 - Post-Employment Benefits Other Than Pension Benefits (Continued)

Healthcare Cost Trend Rates

<u>Year</u>	<u>Medical</u>
1	7.5%
2	7.0%
3	6.5%
4	6.4%
5	6.3%
6	6.2%
7	6.1%
8	6.0%
9	5.9%
10	5.8%
11	5.7%
12	5.6%
13	5.5%
14	5.4%
15	5.3%
16	5.2%
17	5.1%
18 & Over	5.0%

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a rate of 4.00% to discount expected liabilities to the valuation date, which is based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Mortality, disability and retirement rates are from the Private Health Insurance published by the Office of the Actuary at the Centers for Medicare and Medicare Services for public schools. The UAAL is being amortized as a level dollar of projected payrolls over 30 years.

Note 10 - Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount has been approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

Note 11 - Contingencies and Subsequent Events

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

From time to time the District is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of District management, these issues, and any other proceedings known to exist at June 30, 2017, are not likely to have a material adverse impact on the District's financial position.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2017

Note 11 - Contingencies and Subsequent Events (Continued)

The District approved a trust fund loan from the State of Wisconsin in the amount of \$1,000,000 with an interest rate of 3.00% on July 14, 2017 to finance the high school athletic complex. The loan is payable in annual installments with the first payment on March 15, 2018 and the final payment due March 15, 2022.

The District underwent a capital expansion project at the high school for a new athletic complex which was completed in August 2017, with an approximate total cost of \$2.2 million.

Note 12 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and natural disasters. The District insures through commercial insurance companies for all other risks of loss. Settled claims from these risks have not exceeded insurance coverage in the past three fiscal years.

The District established a self-funded dental plan for its employees. The Plan administrator, Delta Dental, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ended June 30. Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. The Plan is accounted for in the general fund of the District.

At June 30, 2017, the District has reported a liability of \$264,174 which represents reported and unreported claims which were incurred on or before June 30, 2017, but were not paid by the District as of that date. The amounts not reported to the District were estimated using data provided by the plan administrator. Changes in the program's claim liability amount for the year ended June 30, 2017 with comparative totals for the prior two years follow:

	<u>Liability July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability June 30</u>
2015	\$ 180,165	\$ 299,958	\$ 280,723	\$ 199,400
2016	199,400	300,880	282,978	217,302
2017	217,302	318,942	272,070	264,174

The District must also comply with restrictions on the accumulation of excess assets. The Wisconsin Department of Public Instruction requires that any "excess net assets" which arise at the end of the contract date must be used to reduce the premium equivalency charges for the new contract period. "Excess net assets" are defined as the amount which exceeds the lesser of 25% of the estimated annual costs for the succeeding contract year or the estimated incurred but not reported (IBNR) claims unless an IBNR claim liability greater than 25% of the estimated annual costs for the succeeding contract year has been established by audit.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 13 - Upcoming Accounting Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

GASB Statement No. 75, establishes requirements for governments that provide their employees with OPEB through a trust and replaces GASB Statement No. 45 for those government employers. The most significant change is that governments will now be required to recognize their net OPEB liability, which is the difference between the total OPEB liability (the portion of the present value of projected benefit payments that is attributed to past periods) and the value of OPEB assets available to pay pension benefits. Additional note disclosure and the first two RSI schedules from GASB 74 will be required. This requirement also applies to cost sharing, multiple-employer plans and plans that are not administered through a trust. Unlike pension plans, which most governments have been funding for quite a while, many OPEB plans are severely underfunded, and the liability to be recorded will be significant. The statement mirrors the pension requirements of GASB 68. Most changes in the net OPEB liability will be included in current period expense. Other components, such as changes in economic assumptions, will be recognized over a closed period equal to the expected remaining service lives of all employees that are provided benefits. Differences between expected and actual investment rate of return will be recognized in expense over a closed five-year period. The pronouncement will be effective for the year ending June 30, 2018.

GASB Statement No. 83, Certain Asset Retirement Obligations

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. Measurement of an ARO is required to be based on the best estimate of the current value of outlays expected to be incurred and deferred outflows of resources associated with an ARO is required to be measured at the amount of the corresponding liability upon initial measurement. The current value of an ARO must be adjusted for the effects of general inflation or deflation at least annually and all relevant factors should be evaluated at least annually to determine whether effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. An ARO should be remeasured only when the result of the evaluation indicates there is a significant change in estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources in a systematic and rational manner over the estimated useful life of the tangible capital asset. The pronouncement will be effective for the year ending June 30, 2018.

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. If an activity meets the criteria, it should be reported in a fiduciary fund in the basic financial statements and a statement of fiduciary net position and a statement of changes in fiduciary net position should be presented. Four fiduciary funds that should be reported, if applicable, include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. If an event occurs that compels a government to disburse fiduciary resources, a liability must be recognized to the beneficiaries. The pronouncement will be effective for the year ending June 30, 2019.

GASB Statement No. 87, Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The pronouncement will be effective for year the ending June 30, 2020.

The District is evaluating the impact these standards will have on the financial statements when adopted.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2017

Note 14 - Tax Abatements

For the fiscal year ended June 30, 2017, the District had no tax abatements.

Note 15 - Restatement of Beginning Net Position

The restatement of net position in the district-wide financial statements was the result of implementing Governmental Accounting Standards Board Statement No. 73 which relates to pensions not within the scope of Governmental Accounting Standards Board Statement No. 68. The implementation of this statement will improve financial reporting by establishing a single framework for the presentation of information about pensions.

Net Position - As of June 30, 2016	\$ 30,716,245
Supplemental Pension Liability	(1,408,518)
Deferred Outflows - Contributions Subsequent to the Measurement Date	<u>133,245</u>
Net Position - As Restated June 30, 2016	<u><u>\$ 29,440,972</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF WAUPACA
Schedules of Funding Progress
Other Post-Employment Benefits and Defined Benefit Plan - Stipend
As of June 30, 2017

OTHER POST-EMPLOYMENT BENEFITS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	\$ -	\$ 2,024,631	\$ 2,024,631	0.0%	\$ 11,007,787	18.4%
7/1/2012	-	1,087,468	1,087,468	0.0%	13,826,614	7.9%
7/1/2014	-	1,120,588	1,120,588	0.0%	13,897,304	8.1%
7/1/2016	-	1,175,516	1,175,516	0.0%	15,215,676	7.7%

DEFINED BENEFIT PLAN - STIPEND

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2012	\$ -	\$ 1,793,278	\$ 1,793,278	0.0%	\$13,826,614	13.0%
7/1/2014	-	1,475,119	1,475,119	0.0%	13,897,304	10.6%
7/1/2016	-	1,457,153	1,457,153	0.0%	15,215,676	9.6%

SCHOOL DISTRICT OF WAUPACA
Schedules of Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions
Wisconsin Retirement System
Last 10 Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability (Asset)

	December 31,		
	2016	2015	2014
District's proportion of the net pension liability (asset)	0.09887827%	0.09986712%	0.09981556%
District's proportionate share of the net pension liability (asset)	\$ 814,993	\$ 1,622,821	\$ (2,451,743)
District's covered-employee payroll	14,379,246	14,059,321	\$ 13,747,134
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.67%	11.54%	-17.83%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	98.20%	102.74%

Schedule of Employer Contributions

	December 31,		
	2016	2015	2014
Contractually required contributions	\$ 949,034	\$ 956,039	\$ 962,299
Contributions in relation to the contractually required contributions	(949,034)	(956,039)	(962,299)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 14,379,246	\$ 14,059,321	\$ 13,747,134
Contributions as a percentage of covered-employee payroll	6.60%	6.80%	7.00%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Ten years of data will be accumulated beginning with 2014.

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SCHOOL DISTRICT OF WAUPACA

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>
	<u>Original & Final</u>
REVENUES	
Property Taxes	\$ 12,722,345
Other Local Sources	109,200
Interdistrict Sources	645,000
Intermediate Sources	4,000
State Sources	9,821,708
Federal Sources	639,231
Other Sources	59,000
Total Revenues	<u>24,000,484</u>
EXPENDITURES	
Instruction	
Regular Instruction	9,101,169
Vocational Instruction	1,237,776
Physical Instruction	693,422
Other Instruction	719,507
Total Instruction	<u>11,751,874</u>
Support Services	
Pupil Services	709,734
Instructional Staff Services	975,190
General Administration Services	584,896
Building Administration Services	1,237,184
Business Services	272,967
Operations and Maintenance	2,737,549
Pupil Transportation	1,049,723
Central Services	1,294,666
Insurance	257,219
Other Support Services	172,101
Total Support Services	<u>9,291,229</u>
Non-Program Transactions	
Open Enrollment	595,000
Non-Open Enrollment	113,000
Total Non-Program Transactions	<u>708,000</u>
Total Expenditures	<u>21,751,103</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,249,381</u>
OTHER FINANCING SOURCE (USE)	
Transfer to Special Education Fund	(2,246,057)
Proceeds from Sale of Capital Assets	-
Total Other Financing Source (Use)	<u>(2,246,057)</u>
NET CHANGE IN FUND BALANCE	3,324
FUND BALANCE - BEGINNING OF YEAR	<u>8,934,816</u>
FUND BALANCE - END OF YEAR	<u>\$ 8,938,140</u>

See Accompanying Notes to Required Supplementary Information

Actual Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
\$ 12,718,057	\$ (4,288)
136,794	27,594
857,733	212,733
16,627	12,627
9,889,661	67,953
648,653	9,422
56,411	(2,589)
<u>24,323,936</u>	<u>323,452</u>
9,150,446	(49,277)
1,247,872	(10,096)
660,827	32,595
664,920	54,587
<u>11,724,065</u>	<u>27,809</u>
719,073	(9,339)
866,464	108,726
675,953	(91,057)
1,271,665	(34,481)
277,320	(4,353)
2,949,265	(211,716)
997,249	52,474
787,327	507,339
298,505	(41,286)
172,163	(62)
<u>9,014,984</u>	<u>276,245</u>
774,508	(179,508)
82,951	30,049
<u>857,459</u>	<u>(149,459)</u>
<u>21,596,508</u>	<u>154,595</u>
<u>2,727,428</u>	<u>478,047</u>
(2,134,750)	111,307
20,556	20,556
<u>(2,114,194)</u>	<u>131,863</u>
613,234	609,910
8,934,816	-
<u>\$ 9,548,050</u>	<u>\$ 609,910</u>

See Accompanying Notes to Required Supplementary Information

SCHOOL DISTRICT OF WAUPACA
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Budgets and Budgetary Accounting

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

The District follows these procedures in establishing the budgetary data:

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

Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the financial statements.

There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes the special education fund was budgeted separate from the general fund, but for GAAP the two are combined. There is a reconciliation to the statement of revenues, expenditures and changes in fund balances provided as part of the notes to the required supplementary information.

Excess of Actual Expenditures Over Budget in Individual Funds

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2017:

<u>Individual Fund</u>	<u>Excess Expenditures</u>
General Fund	
Regular Instruction	\$ 49,277
Vocational Instruction	10,096
Pupil Services	9,339
General Administration Services	91,057
Building Administration Services	34,481
Business Services	4,353
Operations and Maintenance	211,716
Insurance	41,286
Other Support Services	62
Open Enrollment	179,508

SCHOOL DISTRICT OF WAUPACA
Notes to Required Supplementary Information - Continued
For the Year Ended June 30, 2017

Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	General Fund
Sources/Inflows of Resources	
Actual Amounts (Budgetary Basis) "Total Revenues and Other Financing Sources" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 24,344,492
Differences - Budget to GAAP	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	1,432,459
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds	\$ 25,776,951
Uses/Outflows of Resources	
Actual Amounts (Budgetary Basis) "Total Expenditures and Other Financing Uses" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 23,731,258
Differences - Budget to GAAP	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	3,567,209
The Transfer to the Special Education Fund is Eliminated because it is Considered to be Part of the General Fund	(2,134,750)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 25,163,717

Defined Benefit Pension Plan

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

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

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SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF WAUPACA

Combining Balance Sheet
 Non-Major Governmental Funds
 As of June 30, 2017

	<u>Special Revenue Trust</u>	<u>Capital Expansion</u>	<u>Food Service</u>	<u>Total</u>
ASSETS				
Cash and Investments	\$ 97,996	\$ 242,943	\$ 102,300	\$ 443,239
Accounts Receivable	-	-	2,164	2,164
Due from Federal Government	-	-	21,759	21,759
Total Assets	<u>\$ 97,996</u>	<u>\$ 242,943</u>	<u>\$ 126,223</u>	<u>\$ 467,162</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 3,748	\$ 3,748
Accrued Liabilities	-	-	11,654	11,654
Unearned Revenue	-	-	16,867	16,867
Total Liabilities	<u>-</u>	<u>-</u>	<u>32,269</u>	<u>32,269</u>
Fund Balances				
Restricted	97,996	242,943	93,954	434,893
Total Fund Balances	<u>97,996</u>	<u>242,943</u>	<u>93,954</u>	<u>434,893</u>
Total Liabilities and Fund Balances	<u>\$ 97,996</u>	<u>\$ 242,943</u>	<u>\$ 126,223</u>	<u>\$ 467,162</u>

SCHOOL DISTRICT OF WAUPACA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds

For the Year Ended June 30, 2017

	<u>Special Revenue Trust</u>	<u>Capital Expansion</u>	<u>Food Service</u>	<u>Total</u>
REVENUES				
Local Sources	\$ 128,405	\$ 1,116	\$ 489,053	\$ 618,574
State Sources	-	-	21,122	21,122
Federal Sources	-	-	586,630	586,630
Other Sources	-	56,352	945	57,297
Total Revenues	<u>128,405</u>	<u>57,468</u>	<u>1,097,750</u>	<u>1,283,623</u>
EXPENDITURES				
Instruction:				54,748
Regular Instruction	54,748	-	-	29,128
Vocational Instruction	28,284	844	-	1,360
Physical Instruction	1,360	-	-	2,399
Other Instruction	2,399	-	-	87,635
Total Instruction	<u>86,791</u>	<u>844</u>	<u>-</u>	
Support Services:				6,964
Pupil Services	6,964	-	-	633
Instructional Staff Services	633	-	-	30,299
Building Administration Services	30,299	-	-	14
Operations and Maintenance	-	14	-	1,070,884
Food Service	-	-	1,070,884	1,108,794
Total Support Services	<u>37,896</u>	<u>14</u>	<u>1,070,884</u>	
Total Expenditures	<u>124,687</u>	<u>858</u>	<u>1,070,884</u>	<u>1,196,429</u>
NET CHANGE IN FUND BALANCES	3,718	56,610	26,866	87,194
FUND BALANCES - BEGINNING OF YEAR	<u>94,278</u>	<u>186,333</u>	<u>67,088</u>	<u>347,699</u>
FUND BALANCES - END OF YEAR	<u>\$ 97,996</u>	<u>\$ 242,943</u>	<u>\$ 93,954</u>	<u>\$ 434,893</u>

SCHOOL DISTRICT OF WAUPACA
 Schedule of Changes in Assets and Liabilities
 Pupil Activity Fund
 For the Year Ended June 30, 2017

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2017</u>
ASSETS				
Cash	\$ 170,824	\$ 348,303	\$ 327,492	\$ 191,635
LIABILITIES				
Due to Student Organizations:				
Elementary School	\$ 5,587	\$ 6,017	\$ 8,945	\$ 2,659
Middle School	3,515	41,835	25,457	19,893
High School	161,722	300,451	293,090	169,083
TOTAL LIABILITIES	<u>\$ 170,824</u>	<u>\$ 348,303</u>	<u>\$ 327,492</u>	<u>\$ 191,635</u>

SCHOOL DISTRICT OF WAUPACA

Combining Schedule of Internal General and Special Education Funds

Balance Sheet

As of June 30, 2017

	<u>General</u>	<u>Special Education</u>	<u>Total General Fund</u>
ASSETS			
Cash and Investments	\$ 6,905,797	\$ 349,621	\$ 7,255,418
Taxes Receivable	4,926,263	-	4,926,263
Accounts Receivable	2,454	-	2,454
Due from Federal Government	135,230	11,456	146,686
Due from State Government	190,020	-	190,020
Inventory	2,081	-	2,081
TOTAL ASSETS	<u>\$ 12,161,845</u>	<u>\$ 361,077</u>	<u>\$ 12,522,922</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 115,312	\$ 1,255	\$ 116,567
Accrued Liabilities:			
Payroll, Payroll Taxes, Insurance	2,498,483	359,822	2,858,305
Total Liabilities	<u>2,613,795</u>	<u>361,077</u>	<u>2,974,872</u>
Fund Balances			
Nonspendable:			
Inventory	2,081	-	2,081
Assigned:			
Other Post-Employment Benefits	1,095,436	-	1,095,436
Unassigned	8,450,533	-	8,450,533
Total Fund Balances	<u>9,548,050</u>	<u>-</u>	<u>9,548,050</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,161,845</u>	<u>\$ 361,077</u>	<u>\$ 12,522,922</u>

SCHOOL DISTRICT OF WAUPACA

Combining Schedule of Internal General and Special Education Funds
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	<u>General</u>	<u>Special Education</u>	<u>Total General Fund</u>
REVENUES			
Property Taxes	\$ 12,718,057	\$ -	\$ 12,718,057
Other Local Sources	136,794	-	136,794
Interdistrict Sources	857,733	108,827	966,560
Intermediate Sources	16,627	27,027	43,654
State Sources	9,889,661	727,606	10,617,267
Federal Sources	648,653	568,999	1,217,652
Other Sources	56,411	-	56,411
Total Revenues	<u>24,323,936</u>	<u>1,432,459</u>	<u>25,756,395</u>
EXPENDITURES			
Instruction:			
Regular Instruction	9,150,446	-	9,150,446
Vocational Instruction	1,247,872	-	1,247,872
Physical Instruction	660,827	-	660,827
Special Instruction	-	2,729,870	2,729,870
Other Instruction	664,920	-	664,920
Total Instruction	<u>11,724,065</u>	<u>2,729,870</u>	<u>14,453,935</u>
Support Services:			
Pupil Services	719,073	472,535	1,191,608
Instructional Staff Services	866,464	204,319	1,070,783
General Administration Services	675,953	-	675,953
Building Administration Services	1,271,665	-	1,271,665
Business Services	277,320	-	277,320
Operations and Maintenance	2,949,265	-	2,949,265
Pupil Transportation Services	997,249	67,774	1,065,023
Central Services	787,327	-	787,327
Insurance	298,505	-	298,505
Other Support Services	172,163	-	172,163
Total Support Services	<u>9,014,984</u>	<u>744,628</u>	<u>9,759,612</u>
Non-Program Transactions:			
Open Enrollment	774,508	546	775,054
Non-Open Enrollment	82,951	92,165	175,116
Total Non-Program Transactions	<u>857,459</u>	<u>92,711</u>	<u>950,170</u>
Total Expenditures	<u>21,596,508</u>	<u>3,567,209</u>	<u>25,163,717</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,727,428</u>	<u>(2,134,750)</u>	<u>592,678</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	20,556	-	20,556
Transfer to Special Education Fund	(2,134,750)	-	(2,134,750)
Transfer from General Fund	-	2,134,750	2,134,750
Total Other Financing Sources (Uses)	<u>(2,114,194)</u>	<u>2,134,750</u>	<u>20,556</u>
NET CHANGES IN FUND BALANCES	613,234	-	613,234
FUND BALANCES - BEGINNING OF YEAR	<u>8,934,816</u>	<u>-</u>	<u>8,934,816</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,548,050</u>	<u>\$ -</u>	<u>\$ 9,548,050</u>

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ADDITIONAL REPORTS

Independent Auditors' Report on Internal Control Over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of School District of Waupaca (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A significant deficiency* is a deficiency, or a combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged by governance. *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. We did identify internal control deficiencies described in the accompanying schedule of findings that we consider to be a material weakness.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying *schedule of findings* as #2017-01, #2017-002 and #2017-003 to be material weaknesses.

To the Board of Education
School District of Waupaca

Compliance and Other Matters

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

School District of Waupaca Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying *schedule of findings* and *corrective action plan*. The District's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

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 result 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



KerberRose SC
Certified Public Accountants
January 3, 2018

Independent Auditors' Report on Compliance with Requirements for Each Major Federal and State Program and on Internal Control over Compliance Required by Uniform Guidance, State Single Audit Guidelines, and Wisconsin Department of Public Instruction

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

Report on Compliance for Each Major Federal and State Program

We have audited School District of Waupaca's (District) compliance with the types of compliance requirements described in the *Uniform Guidance Compliance Supplement*, the *State Single Audit Guidelines*, and the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of School District of Waupaca's major federal and state programs for the year ended June 30, 2017. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying *schedule of findings*.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and *Wisconsin State Single Audit Guideline*; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards, Uniform Guidance and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

To the Board of Education
School District of Waupaca

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, and the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on requirements of *Uniform Guidance*, and the *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.



KerberRose SC
Certified Public Accountants
January 3, 2018

FEDERAL AND STATE AWARDS SECTION

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SCHOOL DISTRICT OF WAUPACA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Awarding Agency/ Award Description/ Pass-Through Agency	Federal Catalog Number	Pass-Through Number	Program or Award Amount
U.S. DEPARTMENT OF AGRICULTURE			
<i>CHILD NUTRITION CLUSTER</i>			
Wisconsin Department of Public Instruction			
Non-Cash Assistance (Commodities)			
National School Lunch Program			
July 1, 2016-June 30, 2017	10.555	A547-686195	\$ N/A
Cash Assistance			
School Breakfast Program			
July 1, 2015-June 30, 2016	10.553	A546-686195	N/A
July 1, 2016-June 30, 2017			
National School Lunch Program			
July 1, 2015-June 30, 2016	10.555	A547-686195	N/A
July 1, 2016-June 30, 2017			
Summer Food Service Program			
July 1, 2015-June 30, 2016	10.559	A586-686195	N/A
July 1, 2016-June 30, 2017			
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
U.S. DEPARTMENT OF EDUCATION			
<i>SPECIAL EDUCATION CLUSTER</i>			
IDEA Flow Through			
Wisconsin Department of Public Instruction			
July 1, 2016-June 30, 2017	84.027	A341-686195	
IDEA Flow Through			
CESA #5			
July 1, 2016-June 30, 2017	84.027	A341-686195	7,451
IDEA High Cost Special Education			
Wisconsin Department of Public Instruction			
July 1, 2016-June 30, 2017	84.027	A341-686195	5,437
Preschool Entitlement			
Wisconsin Department of Public Instruction			
July 1, 2016-June 30, 2017	84.173	A347-686195	57,731
July 1, 2010-June 30, 2011			
Total Special Education Cluster			
<i>TITLE I, PART A</i>			
Title I-A Basic Grant			
Wisconsin Department of Public Instruction			
July 1, 2015-June 30, 2016	84.010	A141-686195	394,350
July 1, 2016-June 30, 2017			417,139
Title I Neglected			
Wisconsin Department of Public Instruction			
July 1, 2015-June 30, 2016	84.010	A149-686195	36,052
July 1, 2016-June 30, 2017			49,650
<i>CARL PERKINS VOCATIONAL EDUCATION ACT</i>			
Wisconsin Department of Public Instruction			
July 1, 2016-June 30, 2017	84.048	A400-686195	18,213
TOTAL U.S. DEPARTMENT OF EDUCATION			
U.S. DEPARTMENT OF HEALTH AND FAMILY SERVICES			
<i>MEDICAID SCHOOL BASED SERVICES</i>			
Passed through Wisconsin Department of Health Services			
July 1, 2015-June 30, 2016	93.778	Unknown	N/A
July 1, 2016-June 30, 2017			
TOTAL WISCONSIN DEPARTMENT OF HEALTH SERVICES			
TOTAL FEDERAL ASSISTANCE			

The accompanying notes are an integral part of this schedule.
(These notes are on page 58.)

Receivable 7/1/16	Grantor Reimbursement	Expenditures	Receivable 6/30/17
\$ -	\$ 93,809	\$ 93,809	\$ -
781	781	-	-
-	72,210	72,896	686
3,955	3,955	-	-
-	383,875	387,880	4,005
15,691	15,691	-	-
-	14,976	32,044	17,068
<u>20,427</u>	<u>585,297</u>	<u>586,629</u>	<u>21,759</u>
-	403,790	403,790	-
-	7,451	7,451	-
-	5,437	5,437	-
-	24,731	24,731	-
-	-	-	-
<u>-</u>	<u>441,409</u>	<u>441,409</u>	<u>-</u>
117,943	117,943	-	-
-	293,611	414,943	121,332
5,778	5,778	-	-
-	22,493	36,391	13,898
-	18,213	18,213	-
<u>123,721</u>	<u>899,447</u>	<u>910,956</u>	<u>135,230</u>
637	637	-	-
-	302,692	314,148	11,456
<u>637</u>	<u>303,329</u>	<u>314,148</u>	<u>11,456</u>
<u>\$ 144,785</u>	<u>\$ 1,788,073</u>	<u>\$ 1,811,733</u>	<u>\$ 168,445</u>

The accompanying notes are an integral part of this schedule.
(These notes are on page 58.)

SCHOOL DISTRICT OF WAUPACA

Schedule of State Financial Assistance

For the Year Ended June 30, 2017

Awarding Agency/ Awarding Description/ Pass-Through Agency	State I.D. Number	State Pass Through Number	Receivable 7/1/16
ENTITLEMENT PROGRAMS			
<i>MAJOR STATE PROGRAMS</i>			
General Equalization - DPI	255.201	686195-116	\$ 145,191
Per Pupil Aid - DPI	255.945	686195-113	321,600
TOTAL MAJOR PROGRAMS			466,791
<i>NONMAJOR STATE PROGRAMS</i>			
Handicapped Pupils and School Age Parents			
Internal District Program - DPI	255.101	686195-100	-
CESA #5	255.101	686195-100	-
State Lunch - DPI	255.102	686195-107	-
Common School Library Aid - DPI	255.103	686195-104	-
WI Morning Milk Program - DPI	255.109	686195-109	-
Pupil Transportation - DPI	255.107	686195-102	-
High Cost Special Education Aid - DPI	255.210	686195-119	-
Peer Review and Mentoring - CESA	255.301	686195-141	-
School Breakfast Program - DPI	255.344	686195-108	-
Student Achievement - DPI	255.504	686195-160	-
Educator Effectiveness Grant - DPI	255.940	686195-154	-
Career and Technical Education Incentive Grant - DPI	255.950	686195-151	-
Assessments of Reading Readiness	255.956	N/A	-
Youth Apprenticeship Program - CESA 6	N/A	N/A	-
Aids in Lieu of Taxes (WI Dept. of Natural Resources)	N/A	N/A	-
Exempt Computer Aid - WI Dept of Revenue	N/A	N/A	38,654
TOTAL NONMAJOR PROGRAMS			38,654
TOTAL STATE ASSISTANCE			\$ 183,845

The accompanying notes are an integral part of this schedule.
(These notes are on page 58.)

<u>State</u> <u>Reimbursements</u>	<u>Expenditures</u>	<u>Receivable</u> <u>6/30/17</u>
\$ 8,490,322	\$ 8,489,974	\$ 144,843
852,850	531,250	-
<u>9,343,172</u>	<u>9,021,224</u>	<u>144,843</u>
708,683	708,683	-
19,576	19,576	-
11,076	11,076	-
81,642	81,642	-
5,974	5,974	-
79,393	79,393	-
18,923	18,923	-
-	8,333	8,333
4,072	4,072	-
631,113	631,113	-
16,240	16,240	-
6,408	6,408	-
3,522	3,522	-
8,293	8,293	-
13,276	13,276	-
38,654	36,844	36,844
<u>1,646,845</u>	<u>1,653,368</u>	<u>45,177</u>
<u>\$ 10,990,017</u>	<u>\$ 10,674,592</u>	<u>\$ 190,020</u>

The accompanying notes are an integral part of this schedule.
(These notes are on page 58.)

SCHOOL DISTRICT OF WAUPACA

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Waupaca under programs of the federal and state governments for the year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *State Single Audit Guidelines*. Because the schedules present only a select portion of operations of the District, it is not intended to, and does not, present the financial position and change in net position of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedules are reported on the 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.

School District of Waupaca has not elected to use the 10 percent *de minimis* indirect cost rate as allowable under the Uniform Guidance.

Note 3 - Special Education and School Age Parents Program

2016 – 2017 eligible costs under the State Special Education Program are \$2,913,833

Note 4 - Oversight Agencies

The District's federal oversight agency is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

SCHOOL DISTRICT OF WAUPACA
 Schedule of Findings
 For the Year Ended June 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None Reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	No
Identification of major federal programs:	

CFDA Number	Name of Federal Program
Child Nutrition Cluster: 10.555 10.553 10.559 84.010	National School Lunch School Breakfast Program Summer Food Service Program Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as a low-risk auditee?	No

State Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> or the Wisconsin Department of Public Instruction Audit Manual?	No
Identification of major state programs:	

State I.D. Number	Name of State Program
255.201 255.945	General Equalization Per Pupil Adjustment Aid

SCHOOL DISTRICT OF WAUPACA
 Schedule of Findings (Continued)
 For the Year Ended June 30, 2017

Section II - Financial Statement Findings

#2017-001 Financial Reporting

Prior Year Audit Finding	#2016-001
Criteria	Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net position, and disclosures in the financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
Condition	During our audit, we noted that the internal control system does not include a process for preparing the annual audited financial statements and the related disclosures in accordance with GAAP.
Cause	Management requested that KerberRose SC assist in preparing a draft of the audited financial statements, including the related footnote disclosures. The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost.
Effect	Although the auditors are preparing the financial statements and related footnotes, management of the District thoroughly reviews them and accepts responsibility for their completeness and accuracy.
Recommendation	We recommend that management continues to make this decision on a cost/benefit basis.
Management's Response	Due to limited staffing the District will continue to contract with an outside audit firm to complete the statements and related notes to comply with GAAP. Management does review and approve the financial statements and management accepts responsibility for the financial statements.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

SCHOOL DISTRICT OF WAUPACA
Schedule of Findings (Continued)
For the Year Ended June 30, 2017

Section II - Financial Statement Findings (Continued)

#2017-002 - Preparation of Schedule of Federal Expenditures and State Financial Assistance

Prior Year Audit Finding	#2016-002
Criteria	Uniform Guidance, § ____.300, requires that the District "identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity." In addition, the District is required to "prepare appropriate financial statements, including the schedule of expenditures of federal award in accordance with § ____.310." A similar requirement exists for state programs under the <i>State Single Audit Guidelines</i> .
Condition	The District was unable to provide us with a schedule of federal and state expenditures with the appropriate allocation of funds by CFDA number, state identification number and funding source.
Cause	The District felt that they did not have the resources to devote to preparation of this schedule.
Effect	Because the auditors do not have the in-depth knowledge of the District's general ledger detail, it is possible that a federal or state grant award could be missed or reported in error.
Recommendation	We recommend that the District assign an individual internally that is qualified to prepare these schedules.
Management's Response	The District agrees with this finding and will continue to rely on the audit firm to perform these functions because of limited office personnel and time to perform this function.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

SCHOOL DISTRICT OF WAUPACA

Schedule of Findings (Continued)
For the Year Ended June 30, 2017

Section II - Financial Statement Findings (Continued)

#2017-003 Material Account Adjustments

Prior Year Audit Finding	#2016-003
Criteria	Management is responsible for maintaining internal controls and maintaining its accounting records in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
Condition	Throughout the course of performing the audit, certain adjustments were identified and proposed. Management has approved and posted these material adjustments to present fair and accurate financial statements.
Cause	Internal controls did not detect certain adjustments necessary to properly record year-end balances.
Effect	The initial trial balances were misstated.
Recommendation	We recommend that management take steps to ensure that all year-end adjustments are identified and posted for financial reporting purposes.
Management's Response	The District is aware of the reasons for the material account adjustments and has continued to take action to implement procedures for the preparation of year-end adjustments.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

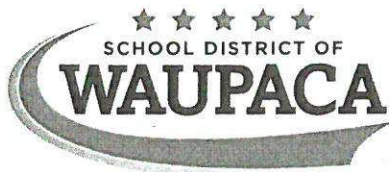
SCHOOL DISTRICT OF WAUPACA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

Financial Statement Findings

#2016-001 - Financial Reporting - See corrective action plan finding #2017-001.

#2016-002 - Preparation of Schedules of Federal Expenditures and State Financial Assistance - See corrective action plan finding #2017-002.

#2016-003 - Material Account Adjustments - See the corrective action plan finding #2017-003 related to material account adjustments.



Respectful, Responsible, Safe & Prepared

Carl A. Hayek
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Corrective Action Plan

Financial Statement Findings

#2017-001 - Financial Reporting - The District is aware that their staff does not have a process to prepare financial statements and related notes in accordance with GAAP. The District will rely on the assistance of the auditors for preparation of the financial statements and related notes.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

#2017-002 - Preparation of Schedules of Federal Expenditures and State Financial Assistance - The District agrees with this finding and will work to alleviate this issue.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

#2017-003 - Material Account Adjustments - The District is aware of the reasons for the material account adjustments and has already taken action to implement procedures for the preparation of year-end adjustments.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.