

School District of the Menomonie Area

Menomonie, Wisconsin

Financial Statements With Supplementary Financial Information

Year Ended June 30, 2016

School District of the Menomonie Area

Financial Statements With Supplementary Financial Information

Year Ended June 30, 2016

Table of Contents

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds	
Balance Sheet	20
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	24
Fiduciary Funds	
Statement of Net Position	26
Statement of Changes in Net Position	27
Notes to Financial Statements.....	28
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	66
Notes to Budgetary Comparison Schedule – General Fund	68
Schedules of Funding Progress and Employer Contributions – OPEB	70
Notes to the Schedules of Funding Progress and Employer Contributions – OPEB	71
Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System	73
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios – District Pension Plan	74
Schedule of Employer Contributions – District Pension Plan.....	75
Schedule of Investment Returns – District Pension Plan.....	76

School District of the Menomonee Area

Financial Statements With Supplementary Financial Information

Year Ended June 30, 2016

Table of Contents (Continued)

Supplementary Financial Information

Fiduciary Fund – Schedule of Changes in Assets and Liabilities (Student Organizations’ Agency Fund).....	77
Schedule of Expenditures of Federal Awards	78
Schedule of State Financial Assistance.....	80
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.....	81

Other Reports

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	82
Independent Auditor’s Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance	84
Schedule of Findings and Questioned Costs	87
Schedule of Prior Year’s Findings and Questioned Costs.....	93



Independent Auditor's Report

Board of Education
School District of the Menomonie Area
Menomonie, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the Menomonie Area, (the "District"), as of and for the year ended June 30, 2016, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the School District of the Menomonie Area, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison schedule – general fund, the schedules of funding progress and employer contributions – OPEB, schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedule of changes in the employer's net pension liability and related ratios – District pension plan, schedule of employer contributions – District pension plan, and schedule of investment returns – District pension plan, on pages 4 through 16 and 66 through 76 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, 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 the District's basic financial statements. The fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements. The fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) and the schedules of expenditures of federal awards and state financial assistance 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. In our opinion, the fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2017, on our consideration of the School District of the Menomonie Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

January 10, 2017
Eau Claire, Wisconsin

Management's Discussion and Analysis

School District of the Menomonie Area

Management's Discussion and Analysis
Year Ended June 30, 2016

This section of the School District of the Menomonie Area's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's overall financial position as reflected in total net position is \$27,405,908.
- Net position increased \$1,498,502 during the year.
- The District increased the principal amount of outstanding general obligation debt by \$680,000.
- In the governmental funds, the District's total fund balance increased \$872,776 during the year. The general fund balance increased by \$934,903.

Overview of the Financial Statements

The basic financial statements are comprised of (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

Government-Wide Financial Statements

- The government-wide financial statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges called *business-type activities*. As of June 30, 2016, the District had no business-type activities.
- The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net position changed during the year. This statement reports the cost of government functions and how those functions were financed for the fiscal year.

Fund Financial Statements

- The District also produces *fund financial statements*. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the government-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.
- There are two fund financial statements, the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balances*. Generally, fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Fund Financial Statements (Continued)

- Because the focus of fund financial statements is narrower than that of the government-wide statements, it is useful to make comparisons between the information presented. By doing so, readers may better understand the long-term implications of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- The District has two kinds of funds: governmental and fiduciary. The District maintains individual governmental funds (general, food service, package cooperative program, donations, and debt service) and individual capital project funds as needed. The District has three fiduciary funds.
- Financial information is presented separately on both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for the general fund since it is considered to be a major fund. Data for the food service, package cooperative program, donations, debt service, and capital project funds is combined into a single, aggregated column.
- The District serves as a trustee, or fiduciary, for student organizations, the District employees, and various scholarship programs. The assets of these organizations and programs do not directly benefit nor are they under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.
- The District adopts an annual budget for all governmental funds. For financial statement reporting purposes, the general fund, special education fund, and community service fund are combined and reported as the general fund. A budgetary comparison schedule for the general fund (not including the special education fund and the community service fund) has been provided as required supplementary information to demonstrate budget compliance.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

The major features of the District's financial statements, including the portion of the activities reported and the type of information contained, are shown in the table below.

	Government-Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of net position. Statement of activities.	Balance sheet. Statement of revenues, expenditures, and changes in fund balance.	Statement of fiduciary net position. Statement of changes in fiduciary net position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions or deductions during the year, regardless of when cash is received or paid.

Financial Analysis

The District as a Whole

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,405,908 at the close of the most recent fiscal year.

By far the largest portion of the District's net position, \$18,202,341, reflects its investment in capital assets (e.g., land, buildings, furniture, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. (See Table 1.)

Table 1		
School District of the Menomonie Area		
Net Position		
As of June 30, 2016 and 2015		
	Governmental Activities	
	2016	2015
Current and other assets	\$ 16,944,460	\$ 19,586,771
Capital assets	58,985,741	57,009,501
Total assets	75,930,201	76,596,272
Deferred outflows of resources	11,775,052	2,958,940
Long-term liabilities	51,298,437	48,987,174
Other liabilities	4,399,288	4,660,632
Total liabilities	55,697,725	53,647,806
Deferred inflows of resources	4,601,620	-
Net position:		
Net investment in capital assets	18,202,341	16,917,616
Restricted	1,142,340	4,258,417
Unrestricted	8,061,227	4,731,373
Total net position	\$ 27,405,908	\$ 25,907,406

The District as a Whole (Continued)

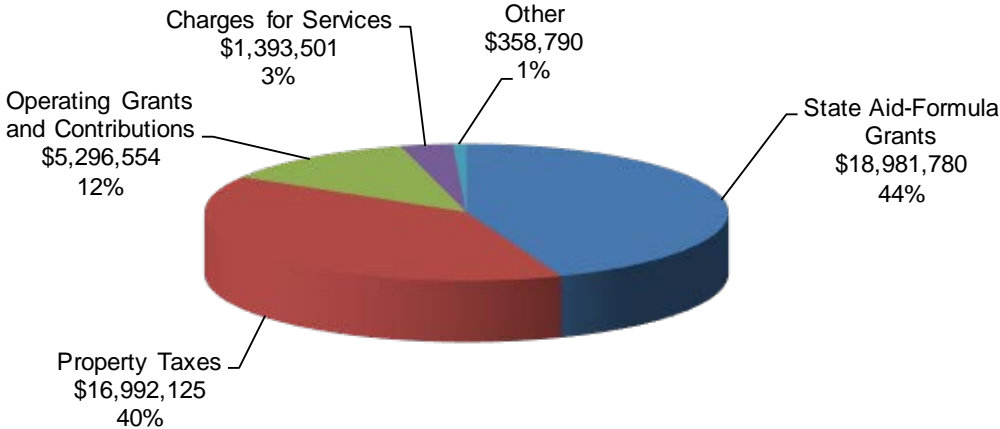
Change in net position. Table 2 shows the changes in net position.

Table 2 School District of the Menomonee Area Change in Net Position As of June 30, 2016 and 2015		
	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 1,393,501	\$ 1,327,599
Operating grants and contributions	5,296,554	5,374,484
General revenues:		
Property taxes	16,992,125	16,985,773
State aid-formula grants	18,981,780	18,835,636
Other	358,790	349,093
Total revenues	43,022,750	42,872,585
Expenses:		
Instruction	22,988,775	22,846,623
Pupil services	1,568,679	1,621,680
Instructional staff services	1,233,062	1,218,953
General administration services	696,931	776,348
Building administration services	1,633,009	1,716,816
Business services	1,558,935	494,311
Operations and maintenance	3,761,116	3,754,571
Pupil transportation services	1,893,296	1,980,246
Food service	1,571,342	1,596,705
Central services	1,099,546	1,061,151
Insurance	362,804	293,140
Community services	216,999	232,152
Interest on debt	1,432,705	1,608,999
Other support services	128,434	57,577
Unallocated deprecitaion, excluding direct	1,378,615	1,184,735
Total expenses	41,524,248	40,444,007
Change in net position	1,498,502	2,428,578
Net position - Beginning of year	25,907,406	23,478,828
Net position - End of year	\$ 27,405,908	\$ 25,907,406

The District as a Whole (Continued)

The District's total revenues were \$43,022,750 for the year ended June 30, 2016. Property taxes and state formula aid accounted for 84 percent of total revenue for the year. (See Figure 1.) The remaining 16 percent came from operating grants and contributions, charges for services, and other general revenues.

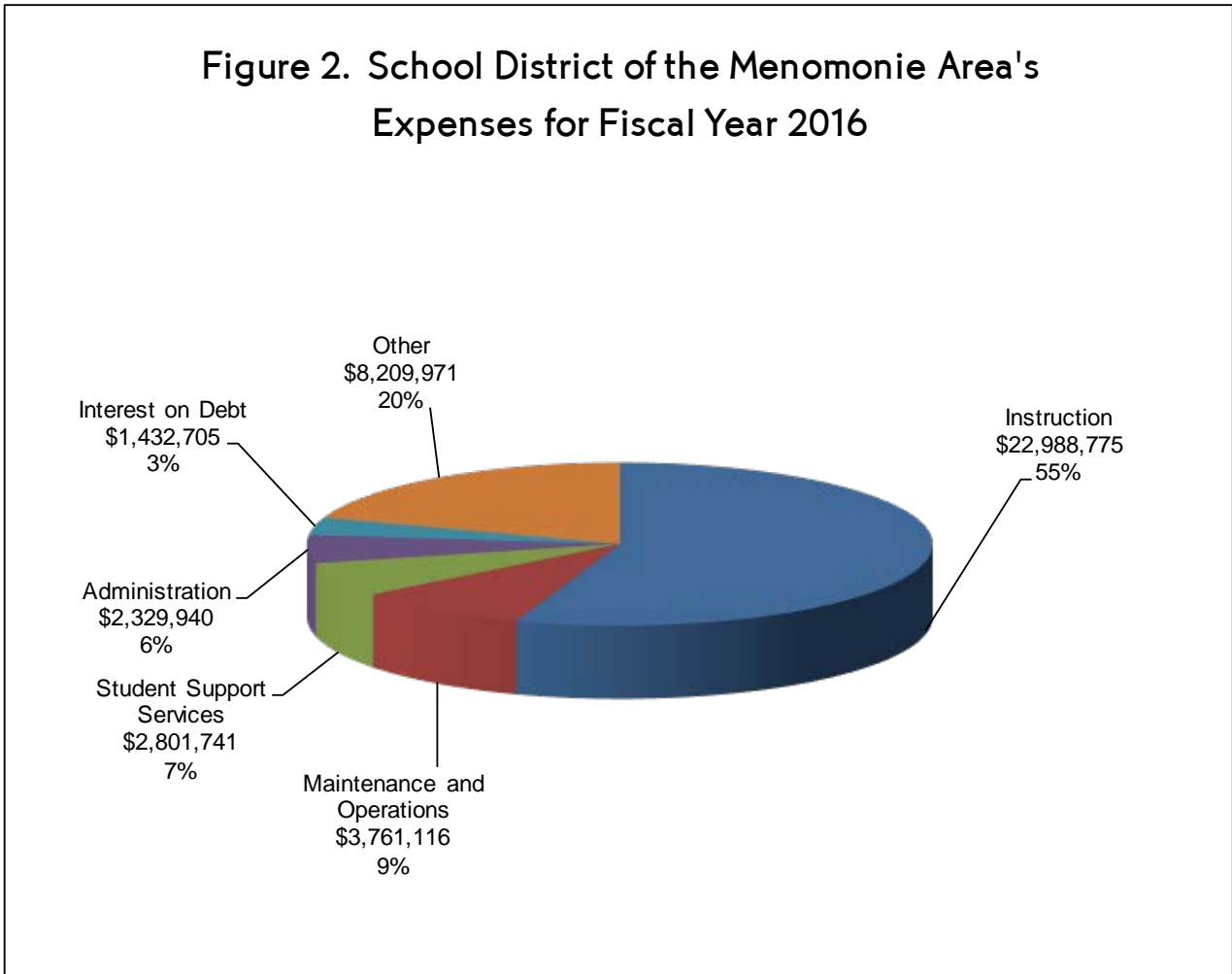
Figure 1. Sources of the School District of the Menomonie Area's Revenues for Fiscal Year 2016



The District as a Whole (Continued)

The total cost of all programs and services was \$41,524,248. The District's expenses are predominantly related to educating and caring for students (62 percent). (See Figure 2.) The purely administrative activities of the District accounted for just 6 percent of total costs.

Total revenues surpassed expenses, increasing net position by \$1,498,502.



Governmental Activities

Net cost of governmental activities. Table 3 reports the cost of the District’s activities. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 22,988,775	\$ 22,846,623	\$ 19,208,000	\$ 19,068,770
Pupil and instructional staff services	2,801,741	2,840,633	1,795,241	1,812,900
Administrative and business	3,888,875	2,987,475	3,888,806	2,987,475
Maintenance and operations	3,761,116	3,754,571	3,761,116	3,754,571
Transportation	1,893,296	1,980,246	1,728,817	1,862,684
Food service	1,571,342	1,596,705	17,819	(4,167)
Community service	216,999	232,152	155,552	186,190
Interest on debt	1,432,705	1,608,999	1,347,391	1,519,648
Other	2,969,399	2,596,603	2,931,451	2,553,853
	<u>\$ 41,524,248</u>	<u>\$ 40,444,007</u>	<u>\$ 34,834,193</u>	<u>\$ 33,741,924</u>

- The cost of all *governmental* activities this year was \$41,524,248.
- Some of the cost was paid by the users of the District’s programs (\$1,393,501).
- The federal and state governments subsidized certain programs with grants and contributions (\$5,296,554).
- Most of the District’s costs (\$34,834,193), however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$16,992,125 in property taxes, \$18,981,780 of state aid based on the statewide education aid formula, and \$358,790 with investment earnings and other general revenues, resulting in an increase in net position of \$1,498,502.

Governmental Funds

The District completed the year with a total governmental fund balance of \$12,978,347, which is \$872,776 over last year's ending fund balance of \$12,105,571.

- The general fund had an increase in fund balance of \$934,903. This was due to the District spending less than was budgeted in many areas of the budget, including \$1,379,557 less than anticipated for instruction.
- Expenditures and other financing uses exceeded revenues and other financing sources by \$62,127 for the other nonmajor governmental funds. These funds included the Donations Fund, Debt Service Fund, Capital Projects Fund, Food Service Fund, and Package and Cooperative Program Fund.

General Fund on a Budgetary Basis Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into three categories:

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Increasing appropriations for significant unbudgeted costs.
- Reallocating the budget between functional lines.

The District's final budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$700,000; the actual results for the year show a surplus of \$894,269.

- Actual revenues were \$1,931 less than expected.
- The actual expenditures and other financing sources (uses) were \$1,596,200 less than budget.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2016 fiscal year, the District had invested over \$86.6 million in a broad range of capital assets, including land, construction in progress, buildings, and equipment. (See Table 4.) Additional information about capital assets can be found in Note 5 to the financial statements. Total accumulated depreciation on these assets exceeded \$27.6 million for governmental activities.

- Asset acquisitions for governmental activities totaled \$3.9 million.
- The District recognized depreciation expense of \$1.9 million for governmental activities.

Table 4		
School District of the Menomonie Area		
Capital Assets		
	Governmental Activities	
	2016	2015
Land	\$ 806,600	\$ 806,600
Construction in progress	498,241	19,699,118
Land improvements	1,802,366	1,701,290
Buildings and building improvements	75,284,299	52,679,816
Furniture and equipment	8,246,050	7,896,302
Accumulated depreciation	(27,651,815)	(25,773,625)
	<u>\$ 58,985,741</u>	<u>\$ 57,009,501</u>

Long-Term Debt

At year-end, the District had \$51,298,437 in general obligation bonds and notes and other long-term obligations outstanding. (See Table 5.) Additional information about the District's long-term obligations is presented in Note 6 to the financial statements.

	Total School District		Total
	June 30,		% Change
	2016	2015	2015-2016
General obligation bonds and notes	\$ 41,552,274	\$ 40,877,095	1.7
Capital leases	225,366	445,235	(49.4)
Compensated absences	91,500	110,852	(17.5)
Net OPEB obligation	3,785,419	4,035,107	(6.2)
Net pension liability (District plan & WRS)	5,643,878	3,518,885	60.4
	<u>\$ 51,298,437</u>	<u>\$ 48,987,174</u>	<u>4.7</u>

- The District retired \$2,300,000 of outstanding bonds and notes.
- The District issued \$2,980,000 of general obligation bonds and notes.
- The District's increase in the net pension liability resulted from the District's proportionate share of the net pension liability related to the Wisconsin Retirement System. For the year ended June 30, 2015, the District showed a net pension asset related to its proportionate share. See Notes 8, 9, and 10 for more information on the District's post-employment benefits.

Factors Bearing on the District's Future

Certain circumstances that will impact the District's financial status in the future are as follows:

- The District enrollment is stabilizing. Enrollment for the 2016–2017 fiscal year is down approximately 1 student from prior years. The District anticipates that enrollment for the 2017–2018 fiscal year will have an increase of approximately 10 students from the 2016–2017 fiscal year.
- The state of Wisconsin has an open enrollment law that allows students to attend the school district of their choice with few restrictions. The State adjusts each district's general state aid payment based on the number of students who transfer. The School District of the Menomonie Area expects to have a net loss of 65 students that will decrease state aid by \$439,848 in 2016–2017.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joseph Zydowsky, District Administrator, School District of the Menomonee Area, 215 Pine Avenue NE, Menomonee, Wisconsin 54751.

Government-Wide Financial Statements

School District of the Menomonie Area

Statement of Net Position

June 30, 2016

<i>Assets and Deferred Outflows of Resources</i>	Governmental Activities
Current assets:	
Cash and investments	\$ 9,030,662
Receivables:	
Taxes	6,144,571
Accounts	105,982
Due from other governments	1,587,579
Prepaid items	63,577
Inventory	12,089
Total current assets	16,944,460
Noncurrent assets:	
Capital assets:	
Land	806,600
Construction in progress	498,241
Land improvements	1,802,366
Buildings and building improvements	75,284,299
Furniture and equipment	8,246,050
Less accumulated depreciation	(27,651,815)
Total capital assets, net of accumulated depreciation	58,985,741
Total noncurrent assets	58,985,741
Total assets	75,930,201
Deferred outflows of resources:	
Related to pensions - District pension plan	266,623
Related to pensions - WRS	11,425,382
Deferred amount on refunding	83,047
Total deferred outflows of resources	11,775,052
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 87,705,253

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Governmental Activities
Liabilities:	
Current liabilities:	
Accounts payable	\$ 149,791
Accrued liabilities:	
Salaries and related items	3,145,116
Interest	463,359
Claims incurred but not reported	631,000
Due to other governments	10,022
Current portion of long-term obligations	2,384,158
Total current liabilities	6,783,446
Noncurrent liabilities:	
Bonds and notes payable	39,467,274
Net OPEB obligation	3,785,419
Net pension liability - District pension plan	3,496,117
Net pension liability - WRS	2,147,761
Accrued compensated absences	17,708
Total noncurrent liabilities	48,914,279
Total liabilities	55,697,725
Deferred inflows of resources:	
Related to pensions - District pension plan	55,620
Related to pensions - WRS	4,546,000
Total deferred inflows of resources	4,601,620
Net position:	
Net investment in capital assets	18,202,341
Restricted for:	
Debt service	357,806
Self insurance	330,615
Food service	152,522
Donor-approved purchases	301,397
Unrestricted	8,061,227
Total net position	27,405,908
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 87,705,253

See accompanying notes to financial statements.

School District of the Menomonie Area

Statement of Activities

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Total Governmental Activities
Governmental activities:				
Instruction:				
Regular instruction	\$ 15,739,085	\$ 435,947	\$ 797,382	\$ (14,505,756)
Vocational instruction	985,085	-	22,204	(962,881)
Special education instruction	4,585,296	150,320	2,209,892	(2,225,084)
Other instruction	1,679,309	160,421	4,609	(1,514,279)
Total instruction	22,988,775	746,688	3,034,087	(19,208,000)
Support services:				
Pupil services	1,568,679	-	81,166	(1,487,513)
Instructional staff services	1,233,062	-	925,334	(307,728)
General administration services	696,931	-	-	(696,931)
Building administration services	1,633,009	-	-	(1,633,009)
Business services	1,558,935	-	69	(1,558,866)
Operations and maintenance	3,761,116	-	-	(3,761,116)
Pupil transportation services	1,893,296	-	164,479	(1,728,817)
Food service	1,571,342	550,493	1,003,030	(17,819)
Central services	1,099,546	34,873	2,459	(1,062,214)
Insurance	362,804	-	-	(362,804)
Community service	216,999	61,447	-	(155,552)
Interest on debt	1,432,705	-	85,314	(1,347,391)
Other support services	128,434	-	616	(127,818)
Unallocated depreciation, excluding direct	1,378,615	-	-	(1,378,615)
Total support services	18,535,473	646,813	2,262,467	(15,626,193)
Total governmental activities (carried forward)	\$ 41,524,248	\$ 1,393,501	\$ 5,296,554	(34,834,193)

School District of the Menomonie Area

Statement of Activities (Continued)

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Total
				Governmental Activities
Total governmental activities (brought forward)				\$ (34,834,193)
General revenues:				
Property taxes:				
General purposes				13,365,125
Debt service				3,420,000
Community service				207,000
State and federal aids not restricted to specific functions:				
General				18,912,025
Other				69,755
Interest and investment earnings				17,814
Miscellaneous				314,938
Gain on sale of assets				26,038
Total general revenues				36,332,695
Change in net position				1,498,502
Net position - Beginning of year				25,907,406
Net position - End of year				\$ 27,405,908

Fund Financial Statements

School District of the Menomonie Area

Governmental Funds – Balance Sheet

June 30, 2016

<i>Assets</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 7,028,053	\$ 2,002,609	\$ 9,030,662
Receivables:			
Taxes	6,144,571	-	6,144,571
Accounts	4,218	2,354	6,572
Due from other governments	1,389,833	197,746	1,587,579
Due from other funds	99,410	3,282	102,692
Prepaid items	63,577	-	63,577
Inventory	-	12,089	12,089
TOTAL ASSETS	\$ 14,729,662	\$ 2,218,080	\$ 16,947,742
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>			
Liabilities:			
Accounts payable	\$ 149,601	\$ 190	\$ 149,791
Accrued liabilities:			
Salaries and related items	3,121,332	23,784	3,145,116
Claims incurred but not reported	631,000	-	631,000
Due to other governments	72	9,950	10,022
Due to other funds	-	3,282	3,282
Total liabilities	3,902,005	37,206	3,939,211
Deferred inflows of resources:			
Unavailable revenue - Other revenue	-	30,184	30,184
Fund balances:			
Nonspendable:			
Prepays	63,577	-	63,577
Inventories	-	12,089	12,089
Restricted:			
Debt service	-	785,578	785,578
Self insurance	330,615	-	330,615
Capital projects	-	911,193	911,193
Food service	-	140,433	140,433
Donor-approved expenditures	-	301,397	301,397
Assigned for community service	83,498	-	83,498
Unassigned	10,349,967	-	10,349,967
Total fund balances	10,827,657	2,150,690	12,978,347
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 14,729,662	\$ 2,218,080	\$ 16,947,742

School District of the Menomonie Area

Governmental Funds – Balance Sheet (Continued)

June 30, 2016

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

Total fund balances - Governmental funds (previous page)	\$ 12,978,347
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Capital assets used in governmental activities are not financial resources and, therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	\$ 86,637,556	
Governmental accumulated depreciation	(27,651,815)	58,985,741

The net pension liability and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position:

Net pension liability - WRS	(2,147,761)	
Net pension liability - District pension plan	(3,496,117)	
Deferred inflows of resources related to pensions - District pension plan	(55,620)	
Deferred inflows of resources related to pensions - WRS	(4,546,000)	
Deferred outflows of resources related to pensions - District pension plan	266,623	
Deferred outflows of resources related to pensions - WRS	11,425,382	1,446,507

The deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized in the governmental activities.

83,047

Receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

30,184

Long-term liabilities, including bonds and notes payable, are not due in the current year and, therefore, are not reported in the fund statements. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances reported in the statement of net position that are not reported in the funds balance sheet are:

Bonds and notes payable	(41,552,274)	
Capital leases payable	(225,366)	
Accrued interest on long-term debt	(463,359)	
Compensated absences	(91,500)	
Net OPEB obligation	(3,785,419)	(46,117,918)

Total net position - Governmental activities	\$ 27,405,908
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School District of the Menomonie Area

Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local	\$ 13,921,736	\$ 4,356,652	\$ 18,278,388
Interdistrict	576,257	-	576,257
Intermediate	5,525	-	5,525
State	21,035,226	39,908	21,075,134
Federal	1,762,665	1,011,894	2,774,559
Other	116,562	172,013	288,575
Total revenues	37,417,971	5,580,467	42,998,438
Expenditures:			
Instruction:			
Regular instruction	14,961,360	52,442	15,013,802
Vocational instruction	951,184	2,097	953,281
Special instruction	4,448,705	-	4,448,705
Other instruction	1,585,815	30,576	1,616,391
Total instruction	21,947,064	85,115	22,032,179
Support services:			
Pupil services	1,500,612	448	1,501,060
Instructional staff services	1,045,189	152,800	1,197,989
General administration services	723,060	-	723,060
Building administration services	1,584,308	-	1,584,308
Business services	1,550,050	-	1,550,050
Operations and maintenance	3,779,458	3,607,263	7,386,721
Pupil transportation	1,888,642	4,654	1,893,296
Food service	-	1,537,758	1,537,758
Central services	1,067,738	718	1,068,456
Insurance	357,764	5,040	362,804
Debt service:			
Principal	219,869	2,300,000	2,519,869
Interest and fiscal charges	11,131	1,434,746	1,445,877
Issuance costs	-	65,385	65,385
Other support services	127,701	-	127,701
Community service	208,132	-	208,132
Total support services	14,063,654	9,108,812	23,172,466
Total expenditures	36,010,718	9,193,927	45,204,645
Excess (deficiency) of revenues over expenditures	1,407,253	(3,613,460)	(2,206,207)

School District of the Menomonie Area

Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):			
Transfers in	\$ -	\$ 510,637	\$ 510,637
Transfers out	(494,437)	(16,200)	(510,637)
Notes issued	-	2,980,000	2,980,000
Premium on notes issued	-	69,318	69,318
Proceeds from sale of capital assets	22,087	7,578	29,665
Net other financing sources (uses)	(472,350)	3,551,333	3,078,983
Net change in fund balances	934,903	(62,127)	872,776
Fund balances - Beginning of year	9,892,754	2,212,817	12,105,571
Fund balances - End of year	\$ 10,827,657	\$ 2,150,690	\$ 12,978,347

School District of the Menomonie Area

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

Year Ended June 30, 2016

Total net change in fund balances - Governmental funds \$ 872,776

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

The acquisition of capital assets is reported in the governmental funds as an expenditure. 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 outlays reported in governmental fund statements	\$ 3,942,124	
Depreciation expense reported in the statement of activities	(1,962,257)	
Amount by which capital outlays are greater than depreciation in the current year:		1,979,867

Some employee benefits reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in net OPEB obligation	249,688	
Change in net pension asset - WRS	(3,287,581)	
Change in net pension liability - District pension plan	22,768	
Change in net pension liability - WRS	(2,147,761)	
Change in deferred outflows of resources related to pensions - District pension plan	266,623	
Change in deferred outflows of resources related to pensions - WRS	8,580,632	
Change in deferred inflows of resources related to pensions - District pension plan	(55,620)	
Change in deferred inflows of resources related to pensions - WRS	(4,546,000)	
Change in compensated absences	19,352	
Amounts paid are greater than amounts earned:		(897,899)

Repayment of principal on long-term obligations is reported in the governmental fund as an expenditure, but is reported as a reduction in long-term obligations in the statement of net position and does not affect the statement of activities.

The amount of principal payments on long-term obligations in the current year is: 2,519,869

Proceeds of principal of long-term debt are reported in the governmental funds as revenue, but are reported as an increase in long-term debt in the statement of net position and do not affect the statement of activities.

The amount of long-term debt proceeds in the current year is: (2,980,000)

School District of the Menomonie Area

Governmental Funds – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (Continued)

Year Ended June 30, 2016

The District disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss. There is no effect on the governmental funds balance sheet.

The value of capital assets disposed of during the year was:	\$ 87,694	
The amount of depreciation recapture for the year was:	84,067	
<hr/>		
The difference in the value of assets, net of recaptured depreciation creates a loss of:		\$ (3,627)

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 year:	1,445,877	
The amount of interest accrued during the current year:	(1,410,316)	
<hr/>		
Interest paid is greater than interest accrued		35,561

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Change in premium	9,702	
Change in discount	(4,881)	
Change in deferred amount on refunding	(31,143)	
<hr/>		
The net effect of these differences in the current year:		(26,322)

Receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

The net effect of these differences in the current year:	(1,723)
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Change in net position - Governmental activities	\$ 1,498,502
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School District of the Menomonie Area

Fiduciary Funds – Statement of Net Position

June 30, 2016

	(Scholarship Trust) Private-Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund
Assets:			
Cash and investments	\$ 1,988	\$ 1,390,009	\$ 214,406
Total assets	\$ 1,988	\$ 1,390,009	\$ 214,406
Liabilities:			
Due to student organizations	\$ -	\$ -	\$ 214,406
Due to general fund	-	99,410	-
Total liabilities	-	99,410	\$ 214,406
Net position:			
Restricted for scholarships	1,988	-	
Restricted for other postemployment and pension benefits	-	1,290,599	
Total net position	1,988	1,290,599	
Total net position and liabilities	\$ 1,988	\$ 1,390,009	

School District of the Menomonie Area

Fiduciary Funds – Statement of Changes in Net Position

Year Ended June 30, 2016

	(Scholarship Trust) Private-Purpose Trust Fund	Employee Benefit Trust Fund
Additions:		
Employer contributions	\$ -	\$ 1,818,367
Retiree contributions	-	54,989
Interest	-	29,342
Total additions	-	1,902,698
Deductions:		
Benefits paid	-	2,146,615
Total deductions	-	2,146,615
Change in net position	-	(243,917)
Net position - Beginning of year	1,988	1,534,516
Net position - End of year	\$ 1,988	\$ 1,290,599

School District of the Menomonie Area

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Introduction

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

Reporting Entity

The School District of the Menomonie Area is organized as a common school district. The District, governed by a nine-member elected school board, operates grades pre-kindergarten through 12 and is comprised of all or part of 15 taxing districts.

This report includes all of the funds of the School District of the Menomonie Area. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

School District of the Menomonie Area

Notes to Financial Statements

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

New Accounting Pronouncement

Management adopted new accounting guidance GASB Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the statements of fiduciary net position at the fund financial statement level.

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 (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

School District of the Menomonee Area

Notes to Financial Statements

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

Basis of Presentation (Continued)

Fund Financial Statements:

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

The District reports the following major governmental fund:

- **General Fund** – This is the District's primary operating fund. It accounts for all financial activity that is not accounted for and reported in another fund, including educational programs for students with disabilities as well as programs provided to the community as a whole.

The District reports the following nonmajor governmental funds:

- **Donations Fund** – Used to account for gifts and donations that have been restricted by private parties for specific purposes.
- **Food Service Fund** – Used to account for financial resources that are restricted to expenditure in the District's breakfast and lunch program.
- **Capital Projects Fund** – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- **Debt Service Fund** – This fund accounts for financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term general obligation debt of governmental activities, including amounts accumulated for principal and interest maturing in future years.
- **Package and Cooperative Program Fund** – Used to account for services provided on a cooperative basis with other educational agencies.

The District accounts for assets held as an agent for various student organizations in an agency fund, assets held for scholarship purposes in a private purpose trust fund, and resources legally held in trust for the District's pension and other postemployment benefits in an employee benefit trust fund.

School District of the Menomonie Area

Notes to Financial Statements

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

Measurement Focus and Basis of Accounting

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

School District of the Menomonie Area

Notes to Financial Statements

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

Use of Estimates

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less and shares in the local government investment pool.

The Debt Service and Capital Projects 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.

State Statutes permit the District to invest available cash balances, other than debt service funds, in time deposits (maturing in not more than three years) of authorized depositories, U.S. Treasury obligations, U.S. agency issues, municipal obligations within Wisconsin, high-grade commercial paper, and the local government pooled investment fund administered by the State of Wisconsin Investment Board. Available balances in the Debt Service Fund may be invested in obligations of the United States and the local government pooled investment fund administered by the State of Wisconsin Investment Board.

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.

Funds held in the Employee Benefit Trust Fund to provide for pension and other postemployment benefits may be invested in any kind of property or type of investment consistent with the prudent investor rule set forth in WI Stat. 881.01. This rule requires the trustee of an Employee Benefit Trust Fund to exercise reasonable care, skill, and caution when investing and managing the assets of the trust.

School District of the Menomonee Area

Notes to Financial Statements

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

Deposits and Investments (Continued)

All investments are stated at fair market value, except for the investments in Local Government Investment Pool Fund and AUL annuity contracts, which are reported on a cost-based measure.

Receivables and Payables

All accounts receivable are shown at gross amounts and, where appropriate, are reduced by an allowance for uncollectible accounts. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year 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). All other outstanding balances between funds are reported as "due to/from other funds."

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories, other than those in the food service fund, are recorded as expenditures when purchased rather than when consumed. Year-end inventory was deemed material in only the food service fund. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing capital assets.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

School District of the Menomonee Area

Notes to Financial Statements

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

Capital Assets (Continued)

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

School District of the Menomonee Area

Notes to Financial Statements

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will 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/fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. The deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and District contributions to pension plans subsequent to the measurement date of the collective net pension liability for the WRS plan. Lastly, the District reports deferred outflows of resources related to the District's own pension plan.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The first is unavailable revenue, which arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental fund reports unavailable revenues from federal government interest subsidies on qualifying promissory notes. The second is deferred inflows of resources related to pensions. This second group includes the District's proportionate share of deferred inflows for the WRS pension plan as well as the deferred inflows related to the District's own pension plan.

School District of the Menomonee Area

Notes to Financial Statements

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

Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Compensated Absences – Non-exempt staff without individual contracts, who are at least 55 years old upon retirement and have at least 15 years as an employee of the District by June 30, 2022, can elect to stay with the benefits outlined in the most recent collectively bargained agreement between the District and the AFSCME and WCEA para-educator unions, which expired on June 30, 2012. Employees formerly covered by the AFSCME collectively bargained agreement will receive \$5 per hour of unused sick leave toward health insurance premiums or a cash settlement, for up to 960 hours after first accumulating 960 hours. Employees formerly covered by the para-educator collectively bargained agreement will receive \$15 per hour for accumulated sick leave up to a maximum of 960 hours as a separation benefit. In addition, the District's policy allows employees to earn varying amounts of vacation pay for each year employed, accumulating to a vested amount of 4 weeks (160 hours). Upon retirement or termination of employment, the employee is entitled to payment. Consistent with the compensated absences reporting standards of GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave and vacation pay is included in the compensated absences liability at year-end. An estimate of the value of these future accumulated sick leave benefits is recognized as a long-term liability and future vacation pay is recognized as a current liability in the statement of net position.

Postemployment Benefits – As provided in applicable negotiated contracts, certified District employees meeting a minimum age and length of service requirement may participate in the District's group health insurance program until age 65 or qualifying for Medicare. The District bears the cost of the employee's participation up to the maximum amount it pays for active employees. Certain District employees also receive a stipend based upon length of service and employment classification.

District Pension Plans – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and the District defined benefit pension plan and additions to/deductions from the WRS' fiduciary net position and the District defined benefit pension plan's fiduciary net position have been determined on the same basis as they are reported by the WRS and the District defined benefit pension plan. 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, except for the investments in AUL annuity contracts, which are reported on a cost-based measure.

School District of the Menomonie Area

Notes to Financial Statements

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

Restricted Assets

Restricted assets are cash, cash equivalents, and investments whose use is limited by legal requirements such as a bond indenture or asset in an irrevocable trust.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt (adjusted for unspent bond proceeds) used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not a spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

School District of the Menomonie Area

Notes to Financial Statements

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

Fund Balances (Continued)

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education – the District’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but the amounts are neither restricted nor committed. The Board of Education and District administrator or designee have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Property Tax Levy

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

School District of the Menomonee Area

Notes to Financial Statements

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

Property Tax Levy (Continued)

The aggregate district tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th 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 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2015 tax levy is used to finance operations of the District's fiscal year ended June 30, 2016. All property taxes are considered due on January 1 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 30 and are available to pay current liabilities.

Subsequent Events

Subsequent events have been evaluated through January 10, 2017, which is the date the financial statements were available to be issued.

Note 2 **Stewardship and Accountability**

Limitation on School District Revenues

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

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

School District of the Menomonee Area

Notes to Financial Statements

Note 3 Cash and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's "Policy 651-Revenues from Investments" requires all deposits to be insured or collateralized. As of June 30, 2016, \$216,231 of the District's bank balance of \$3,802,000 was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years.

Credit Risk: State Statute limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ratings are not required, or available, for the Wisconsin Local Government Investment Pool (LGIP) or the Wisconsin Investment Series Cooperative (WISC). The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: For an investment, concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District does not have an investment policy for concentration of credit risk. More than 5% of the District's investments are in annuity contracts with American United Life Insurance Company and the Local Government Investment Pool. These investments are 17% and 83%, respectively, of the District's total investments. The investments with American United Life Insurance Company also represent 100% of the total investments reported in the Employee Benefit Trust Fund.

School District of the Menomonee Area

Notes to Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

The District's cash and investment balances at June 30, 2016, were as follows:

	Maturities	Fair Value
Local Government Investment Pool Fund	67 days average	\$ 6,561,609
U.S. Treasury bond		1,000
AUL annuity contracts		1,390,009
Total investments		7,952,618
Cash deposits with financial institutions carrying amount		2,683,672
Petty cash		775
Less - Cash and investments held by fiduciary funds		(1,606,403)
Cash and investments reported on statement of net position		\$ 9,030,662

The District is a participant in the Local Government Investment Pool (LGIP), which is authorized in Wisconsin Statutes 25.14 and 25.17 under the oversight of the State of Wisconsin Investment Board. The LGIP is not registered with the Securities Exchange Commission as an investment company. The LGIP operates and reports to participants on the amortized cost basis. LGIP pool shares are bought and redeemed at \$1 based on the amortized cost of the investments in the LGIP. The investment in the LGIP is not subject to the fair value hierarchy disclosures.

Fair Value Measurements (Assets and Liabilities Measured at Fair Value)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury bonds of \$1,000 are valued using quoted market prices (Level 1 inputs).

School District of the Menomonie Area

Notes to Financial Statements

Note 4 Interfund Balances and Activity

Interfund receivable and payable balances in the fund financial statements on June 30, 2016, are as follows:

Due From:	Due To:	
	General Fund	Debt Service Fund
Capital Projects Fund	\$ -	\$ 3,282
Employee Benefit Trust Fund	99,410	-
Totals	\$ 99,410	\$ 3,282

The payable from the Employee Benefit Trust Fund to the General Fund is for unreimbursed postemployment benefits paid by the General Fund. The payable from the Capital Projects Fund to the Debt Service Fund is to reimburse the Debt Service Fund for debt premiums.

In the statement of net position, amounts reported in fund balance sheets as interfund balances have been eliminated within the governmental activities columns.

Interfund transfers at June 30, 2016, were as follows:

Transfer From:	Transfer To:		
	Debt Service Fund	Capital Projects Fund	Total
General Fund	\$ 194,437	\$ 300,000	\$ 494,437
Food Service Fund	16,200	-	16,200
Totals	\$ 210,637	\$ 300,000	\$ 510,637

The purpose for the interfund transfers to the Debt Service Fund is to make the long-term debt payments relating to technology upgrades, building improvements, and equipment for the food service department. The purpose for the interfund transfer to the Capital Projects Fund is to fund the District's long-term capital improvement plan.

School District of the Menomonie Area

Notes to Financial Statements

Note 5 Capital Assets

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 806,600	\$ -	\$ -	\$ 806,600
Construction work in progress	19,699,118	498,241	(19,699,118)	498,241
Total capital assets not being depreciated	20,505,718	498,241	(19,699,118)	1,304,841
Capital assets being depreciated:				
Land improvements	1,701,290	101,076	-	1,802,366
Buildings and building improvements	52,679,816	22,604,483	-	75,284,299
Furniture and equipment	7,896,302	437,442	(87,694)	8,246,050
Total capital assets being depreciated	62,277,408	23,143,001	(87,694)	85,332,715
Less accumulated depreciation for:				
Land improvements	861,961	75,173	-	937,134
Buildings and building improvements	19,154,051	1,346,279	-	20,500,330
Furniture and equipment	5,757,613	540,805	(84,067)	6,214,351
Total accumulated depreciation	25,773,625	1,962,257	(84,067)	27,651,815
Total capital assets being depreciated - Net of accumulated depreciation	36,503,783	21,180,744	(3,627)	57,680,900
Governmental activities capital assets - Net	\$ 57,009,501	\$ 21,678,985	\$ (19,702,745)	\$ 58,985,741

School District of the Menomonie Area

Notes to Financial Statements

Note 5 **Capital Assets** (Continued)

Depreciation expense was charged to governmental activities as follows:

Regular instruction	\$ 303,146
Vocational instruction	12,386
Special education	731
Other instruction	19,655
Pupil services	1,751
Instructional staff services	1,436
General administration services	10,433
Building administration services	1,438
Operations and maintenance of plant	188,333
Central services	23,246
School food service program	21,087
Depreciation not charged to a specific function	1,378,615
<hr/>	
Total depreciation for governmental activities	\$ 1,962,257

School District of the Menomoneie Area

Notes to Financial Statements

Note 6 Long-Term Obligations

Long-term obligations of the District are as follows:

	Restated Balance 07/01/15	Additions	Reductions	Balance 06/30/16	Amounts Due Within One Year
Bonds	\$ 32,650,000	\$ -	\$ 1,815,000	\$ 30,835,000	\$ 1,265,000
Plus unamortized premium	661,501	69,318	79,020	651,799	-
Less unamortized discounts	(24,406)	-	(4,881)	(19,525)	-
Notes	7,590,000	2,980,000	485,000	10,085,000	820,000
Subtotals	40,877,095	3,049,318	2,374,139	41,552,274	2,085,000
Capital leases	445,235	-	219,869	225,366	225,366
Compensated absences	110,852	91,500	110,852	91,500	73,792
Net pension liability - District pension plan	3,518,885	518,845	541,613	3,496,117	-
Net pension liability - WRS	-	2,147,761	-	2,147,761	-
Net OPEB obligation	4,035,107	1,026,849	1,276,537	3,785,419	-
Totals	\$ 48,987,174	\$ 6,834,273	\$ 4,523,010	\$ 51,298,437	\$ 2,384,158

Payments on bonds and notes are made by the Debt Service Fund. The compensated absences, pension liability, and OPEB obligation will be liquidated by several of the governmental funds. Payments on the capital leases will be made by the General Fund.

School District of the Menomonee Area

Notes to Financial Statements

Note 6 Long-Term Obligations (Continued)

General Obligation Debt

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, 2016, is comprised of the following individual issues:

	Government Activities			Balance 06/30/16
	Issue Dates	Interest Rates %	Dates of Maturity	
Promissory note	06/15/07	4.63-4.88	03/01/17	\$ 120,000
Promissory note	07/26/10	5.3	07/26/20	450,000
Taxable promissory notes	09/13/10	4.28	03/01/20	1,495,000
Refunding bonds	06/28/12	2.0-3.0	03/01/20	2,235,000
Improvement bonds	07/15/13	2.0-5.0	03/01/33	9,890,000
Improvement bonds	03/03/14	3.5-4.0	03/01/34	10,000,000
Taxable promissory notes	07/14/14	0.0	03/16/24	3,040,000
Refunding bonds	01/07/15	2.5-3.0	03/01/27	7,980,000
Taxable refunding bond	01/07/15	0.75-1.15	03/01/17	730,000
Promissory note	01/07/15	2.0-2.5	03/01/21	2,000,000
Taxable promissory notes	07/13/15	2.0-3.0	09/01/20	2,980,000
Total general obligation debt*				\$ 40,920,000

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,714,714,010. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Legal debt limit (10% of \$1,714,714,010)	\$ 171,471,401
Deduct:	
Long-term debt* applicable to debt margin	40,920,000
Add:	
Debt service fund assets available	785,578
Margin of indebtedness	\$ 131,336,979

School District of the Menomonie Area

Notes to Financial Statements

Note 6 Long-Term Obligations (Continued)

General Obligation Debt (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2016, follow:

Governmental Activities Year Ended June 30	Principal	Interest	Totals
2017	\$ 2,085,000	\$ 1,383,170	\$ 3,468,170
2018	2,125,000	1,341,805	3,466,805
2019	2,170,000	1,298,935	3,468,935
2020	2,215,000	1,243,915	3,458,915
2021	1,875,000	1,126,885	3,001,885
2022-2026	9,760,000	5,095,200	14,855,200
2027-2031	11,975,000	3,627,938	15,602,938
2032-2034	8,715,000	793,700	9,508,700
Totals	\$ 40,920,000	\$ 15,911,548	\$ 56,831,548

Note 7 Leases

The District leases various pieces of equipment. These equipment leases, which expire during the next year, are classified as capital leases. Furniture and equipment includes the following amounts for the leased equipment that have been capitalized:

	2016
Furniture and equipment	\$ 1,160,676
Less - Accumulated amortization	(928,541)
Totals	\$ 232,135

Lease amortization is included in depreciation expense.

School District of the Menomonie Area

Notes to Financial Statements

Note 7 Leases (Continued)

Future minimum payments, by year and in the aggregate, under the capital leases with initial or remaining terms in excess of one year consisted of the following:

	Capital Leases
2017	\$ 231,000
Total minimum lease payments	231,000
Amount representing interest	(5,634)
Present value of net minimum lease payments	225,366
Less - Current maturities	225,366
Long-term obligations under capital lease	\$ -

Note 8 Employee Retirement Plans – Wisconsin Retirement System

Plan Description

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 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.

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

School District of the Menomonee Area

Notes to Financial Statements

Note 8 Employee Retirement Plans – Wisconsin Retirement System (Continued)

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 the Menomonee Area

Notes to Financial Statements

Note 8 Employee Retirement Plans – Wisconsin Retirement System (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%	3.0%
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	(2.1%)	(42.0%)
2010	(1.3%)	22.0%
2011	(1.2%)	11.0%
2012	(7.0%)	(7.0%)
2013	(9.6%)	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%

School District of the Menomonee Area

Notes to Financial Statements

Note 8 Employee Retirement Plans – Wisconsin Retirement System (Continued)

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 \$1,231,470 in contributions from the employer.

Contribution rates as of June 30, 2016, are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Executives and elected officials	6.6%	6.6%
Protective with social security	6.6%	9.4%
Protective without social security	6.6%	13.2%

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

At June 30, 2016, the District reported a liability of \$2,147,761 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.13217146%, which was a decrease of 0.00167279% from its proportion measured as of December 31, 2014.

School District of the Menomonee Area

Notes to Financial Statements

Note 8 Employee Retirement Plans – Wisconsin Retirement System (Continued)

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,609,499.

At June 30, 2016, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 367,939	\$ (4,519,926)
Changes in assumptions	1,502,667	-
Net differences between projected and actual earnings on pension plan investments	8,808,476	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,082	(26,074)
Employer contributions subsequent to the measurement date	723,218	-
Total	\$ 11,425,382	\$ (4,546,000)

School District of the Menomonee Area

Notes to Financial Statements

Note 8 Employee Retirement Plans – Wisconsin Retirement System (Continued)

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

\$723,218 reported as deferred outflows related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2017	\$ 1,680,647
2018	1,680,647
2019	1,680,647
2020	1,211,587
2021	(97,364)

School District of the Menomonee Area

Notes to Financial Statements

Note 8 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions

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

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry Age
Asset valuation method	Fair Market Value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015, is based upon a roll-forward of the liability calculated from the December 31, 2014, actuarial valuation.

School District of the Menomonee Area

Notes to Financial Statements

Note 8 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
Core fund:		
US equities	4.7%	23%
International equities	5.6%	22%
Fixed income	1.6%	37%
Inflation sensitive assets	1.4%	20%
Real estate	3.6%	7%
Private equity/debt	6.5%	7%
Multi-asset	3.8%	4%
Variable fund:		
US equities	4.7%	70%
International equities	5.6%	30%

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 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

School District of the Menomonie Area

Notes to Financial Statements

Note 8 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions (Continued)

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)	\$15,064,434	\$2,147,761	(\$7,940,391)

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

Payables to the Pension Plan

At June 30, 2016, the District reported a payable of \$507,912 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Note 9 District Pension Plan and Benefits

The School District of the Menomonie Area administers a single-employer defined benefit plan that provides pension benefits to eligible retirees as established by District policy. The School District Board manages the pension plan and has appointed the District Director of Business Services as trustee and MidAmerica Administrative and Retirement Solutions, Inc. as investment manager. There are 177 active plan members, 65 inactive plan members currently receiving benefits, and no inactive plan members entitled to but not yet receiving benefits. This plan is closed to new entrants.

School District of the Menomonie Area

Notes to Financial Statements

Note 9 District Pension Plan and Benefits (Continued)

The School Board has the authority to establish and amend the types of benefits provided through the pension plan. The School District of the Menomonie Area provides an early retirement stipend to employees who elect to retire beginning at age 55 with at least 15 years of service with the District. Benefits are based on employee classification, date of hire, and date of retirement. For all classes of employees the stipend shall be paid for a period of time not to exceed 60 months. The School Board determines the amount contributed to the trust. Currently the contribution equals the amount needed to pay current benefits. The plan does not issue a standalone report.

The pension plan investment policies and investment disclosures are discussed in Note 1 and Note 3. For June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.3 percent. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net pension liability of the District at June 30, 2016, is as follows:

Total pension liability	\$ 3,554,397
Plan fiduciary net position	<u>(58,280)</u>
Net pension liability	<u>\$ 3,496,117</u>
Plan fiduciary net position as a percentage of the total pension liability	1.6%

The total pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016. The actuarial assumptions included an inflation rate of 2.5 percent and projected salary increases of 3.0 percent, average, including inflation. The investment rate of return was 3.75 percent, net of pension plan investment expense, including inflation. Mortality, disability, and retirement rates are from the Wisconsin Retirement System experience for public schools.

School District of the Menomonie Area

Notes to Financial Statements

Note 9 District Pension Plan and Benefits (Continued)

The long-term expected rate of return on pension plan investments was determined using a best-estimate of the rate of return (expected returns, net of pension plan investment expense, and inflation.)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
AUL annuity contracts	3.75%

The discount rate used to measure the total pension liability was 3.75 percent as determined by the actuary 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 projection of cash flows used to determine the single discount rate assumed that District contributions will be made at rates equal to benefit payments due to retirees. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return, equal to the municipal bond rate, on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

School District of the Menomonie Area

Notes to Financial Statements

Note 9 District Pension Plan and Benefits (Continued)

Changes in the Net Pension Liability for the year ended June 30, 2016, are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 3,574,781	\$ 55,896	\$ 3,518,885
Changes for the year:			
Service cost	140,131	-	140,131
Interest	127,550	-	127,550
Differences between expected and actual experience	319,367	-	319,367
Changes of assumptions or other input	(66,744)	-	(66,744)
Contributions - Employer	-	541,613	(541,613)
Net investment income	-	1,459	(1,459)
Benefit payments, including refunds of employee contributions	(540,688)	(540,688)	-
Net changes	(20,384)	2,384	(22,768)
Balances at June 30, 2016	\$ 3,554,397	\$ 58,280	\$ 3,496,117

The following presents the net pension liability of the District, calculated using the discount rate of 3.75 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
District's net pension liability	\$ 3,657,548	\$ 3,496,117	\$ 3,339,751

School District of the Menomonee Area

Notes to Financial Statements

Note 9 District Pension Plan and Benefits (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$306,820. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 266,139	\$ -
Changes of assumptions	-	(55,620)
Net difference between projected and actual earnings on pension plan investments	484	-
Total	\$ 266,623	\$ (55,620)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 42,222
2018	42,222
2019	42,222
2020	42,234
2021	42,103

School District of the Menomonee Area

Notes to Financial Statements

Note 10 Other Postemployment Benefits

Defined Benefit Plan

The District administers a single-employer defined benefit health care plan. The plan provides medical insurance benefits to eligible retirees and their spouses through the District's group medical insurance plan, which covers both active and retired members. Benefit provisions are established by the school board. The eligibility requirements are based on the retiree's position, years of service, and age at retirement. If eligible, the retiree may receive medical insurance benefits for up to 10 years or until they are eligible for Medicare. The plan does not issue a standalone report.

Membership of the plan consisted of 72 retirees receiving benefits and 117 active plan members at July 1, 2015, the date of the latest actuarial valuation.

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed 30 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:

Annual required contribution	\$ 1,228,367
Interest on net OPEB obligation	161,404
Adjustment to annual required contribution	<u>(362,921)</u>
Annual OPEB cost (expense)	1,026,850
Contributions made	<u>(1,276,538)</u>
Decrease in net OPEB obligation	(249,688)
Net OPEB obligation - Beginning of year	<u>4,035,107</u>
Net OPEB obligation - End of year	<u>\$ 3,785,419</u>

School District of the Menomonie Area

Notes to Financial Statements

Note 10 Other Postemployment Benefits (Continued)

Defined Benefit Plan (Continued)

The District's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 1,026,850	124.3%	\$ 3,785,419
6/30/2015	1,523,121	81.7%	4,035,107
6/30/2014	1,522,971	100.7%	3,756,925

The contribution requirements of plan members are based on employment agreements in effect on the date of retirement. The District's contribution is established annually based on an amount to pay current premiums and an additional amount to prefund benefits. For fiscal year 2016, the District contributed \$1,276,538 to the plan.

The funded status as of July 1, 2015, the most recent actuarial valuation date, was 11.77% funded. The actuarial accrued liability for benefits was \$12,568,606, and the actuarial value of assets was \$1,478,835, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,089,771. The covered payroll (annual payroll of active employees covered by the plan) was \$17,522,658, and the ratio of the UAAL to the covered payroll was 63.3%.

The schedule of employer contributions on page 70 presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43.

School District of the Menomonee Area

Notes to Financial Statements

Note 10 **Other Postemployment Benefits** (Continued)

Defined Benefit Plan (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015, actuarial valuation, the entry age level percent of salary cost method was used. The actuarial assumptions included a 4% rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio, and an annual health care cost trend rate of 7.5% initially, reduced by decrements of 0.5% to a rate of 6.5% after 2 years, then by decrements of 0.1% to a rate of 5% after 15 years. The actuarial value of the plan assets was determined to be the market value of the plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the level dollar amortization method. The remaining amortization period at July 1, 2015, was 15 years.

School District of the Menomonie Area

Notes to Financial Statements

Note 10 **Other Postemployment Benefits** (Continued)

Defined Contribution Plan

Based on individual contracts, the School District of the Menomonie Area also provides OPEB benefits to its employees through a defined contribution plan. The District will contribute up to 6% of the eligible employee's salary into a Health Reimbursement Arrangement (HRA) account. After the seventh year of employment, the employee becomes fully vested in the account. Amounts contributed on behalf of employees who leave prior to fully vesting, remain in the plan to be offset against future District required contributions. In accordance with these requirements, the District contributed \$372,378 during the current year, and no contributions were made by employees. The plan is administered by National Insurance Services.

Note 11 **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation. The District insures through commercial insurance companies for all risks of loss, except for health and dental care. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the District's insurance coverage in fiscal 2016.

The District has retained the risk of loss for its health program. The plan is accounted for in the General Fund of the District as required by the Department of Public Instruction. A third-party administrator is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. As part of the health care coverage, the District purchases stop-loss coverage, which pays claims in excess of \$80,000 per individual and/or 125% of the annual estimated claims as provided by Medica. For the year ended June 30, 2016, the aggregate claims limit was \$6,680,561.

School District of the Menomonie Area

Notes to Financial Statements

Note 11 Risk Management (Continued)

At June 30, 2016, the District has recorded a \$1,369,602 liability, which represents accrued health insurance premiums for the current contract year and estimated outstanding claims incurred that were reported and unreported on or before June 30, 2016. This amount consists of accrued health insurance benefits for the current contract year of \$738,602 and outstanding claims, which were reported and unreported to the Plan Administrator of \$631,000. The amounts of reported and unreported claims for the District were estimated by the District.

	2016	2015
Unpaid claims at beginning of year	\$ 631,000	\$ 392,000
Current year claims	7,546,613	6,033,455
Claim payments	(7,546,613)	(5,794,455)
Unpaid claims at end of year	\$ 631,000	\$ 631,000

Note 12 Jointly Governed Organization

The District is served by Cooperative Education Service Agency No. 11 (CESA). CESA is a regional service entity organized to serve the educational needs of 39 school districts in all or parts of Barron, Buffalo, Burnett, Chippewa, Dunn, Eau Claire, Pepin, Pierce, Polk, Rusk, St. Croix, Sawyer, and Washburn Counties. CESA is governed by an 11-member board of control elected from a delegate assembly, which consists of one school board member from each of the school districts in the CESA region, with special provisions made for areas served by union high/K-8 districts. Participating school districts have neither an ongoing financial interest nor responsibility. The District purchased \$188,350 of education services during the fiscal year.

Note 13 Outstanding Contractual Commitments

The District entered into a construction contract with the following contractor during the year. The following amount remains unspent as of June 30, 2016:

<u>Construction Contractors</u>	<u>Amount Remaining</u>
Market and Johnson	\$ 534,855

Required Supplementary Information

School District of the Menomonie Area

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local	\$ 13,566,887	\$ 13,593,063	\$ 13,653,289	\$ 60,226
Interdistrict	455,435	455,435	425,937	(29,498)
Intermediate	9,600	5,750	5,525	(225)
State	19,805,683	19,816,461	19,843,839	27,378
Federal	982,737	989,720	952,022	(37,698)
Other	138,675	138,675	116,561	(22,114)
Total revenues	34,959,017	34,999,104	34,997,173	(1,931)
Expenditures:				
Instruction:				
Regular instruction	16,189,300	16,180,444	14,961,360	1,219,084
Vocational instruction	1,019,813	1,015,542	949,966	65,576
Special instruction	411,329	411,329	337,598	73,731
Other instruction	1,607,081	1,606,981	1,585,815	21,166
Total instruction	19,227,523	19,214,296	17,834,739	1,379,557
Support services:				
Pupil services	910,330	917,117	870,647	46,470
Instructional staff services	1,136,966	1,143,536	820,787	322,749
General administration services	849,108	840,108	723,060	117,048
Building administration services	1,698,514	1,702,217	1,584,309	117,908
Business services	520,842	818,859	1,550,050	(731,191)
Operations and maintenance	3,370,921	3,775,440	3,775,440	-
Pupil transportation	1,826,619	1,651,789	1,651,789	-
Central services	988,539	1,008,319	1,063,732	(55,413)
Insurance	376,063	376,063	357,764	18,299
Debt service:				
Principal	219,869	219,869	219,869	-
Interest	11,131	11,131	11,131	-
Other support services	51,349	69,664	113,126	(43,462)
Total support services	11,960,251	12,534,112	12,741,704	(207,592)
Total expenditures	31,187,774	31,748,408	30,576,443	1,171,965

School District of the Menomonie Area

Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	\$ 3,771,243	\$ 3,250,696	\$ 4,420,730	\$ 1,170,034
Other financing uses:				
Transfers out	(3,976,243)	(3,976,243)	(3,548,548)	427,695
Proceeds from sale of capital assets	5,000	25,547	22,087	(3,460)
Net other financing uses	(3,971,243)	(3,950,696)	(3,526,461)	424,235
Net change in fund balance	(200,000)	(700,000)	894,269	1,594,269
Fund balance - Beginning of year	9,849,889	9,849,889	9,849,889	-
Fund balance - End of year	\$ 9,649,889	\$ 9,149,889	\$ 10,744,158	\$ 1,594,269

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedule – General Fund.

School District of the Menomonie Area

Notes to Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2016

Note 1 **Budgetary Information**

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction (DPI).

The legally adopted budget and budgetary expenditure control are 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 School Board resolution.

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

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

Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as an assigned fund balance.

School District of the Menomonie Area

Notes to Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2016

Note 2 Budgetary Comparisons

GAAP requires a budgetary comparison for the general fund and each major special revenue fund. Analysis of the general fund budget is included in *management's discussion and analysis*.

Required comparisons are between the final budget and actual on a budgetary basis. The "original budget" represents the budget as approved by the school board after it sets the tax to be levied for the fiscal year. The "final budget" is the "original budget" adjusted for any budget amendments approved by the school board during the fiscal year and up to the time the financial statements are ready to be issued. The "actual on a budgetary basis" excludes the revenues, expenditures, and other financing sources/(uses) of the special education fund and community service fund, which are treated as special revenue funds for budgetary purposes. The following schedule reconciles the "budgetary basis" revenues and expenditures of the *budgetary comparison schedule – general fund* to the *governmental funds – statement of revenues, expenditures, and changes in fund balances*.

	General Fund			
	Actual on Budgetary Basis	Special Education Fund	Community Service Fund	General Fund Actual on GAAP Basis
Revenues	\$ 34,997,173	\$ 2,152,351	\$ 268,447	\$ 37,417,971
Expenditures	(30,576,443)	(5,206,462)	(227,813)	(36,010,718)
Other financing sources (uses)	(3,526,461)	3,054,111	-	(472,350)
Net change in fund balance	\$ 894,269	\$ -	\$ 40,634	\$ 934,903

Note 3 Excess of Expenditures Over Appropriations

For the year ended June 30, 2016, the General Fund had expenditures in excess of appropriations for the following two-digit subfunction categories:

	Budget	Actual	Actual Over
Business services	\$ 818,859	\$ 1,550,050	\$ 731,191
Central services	1,008,319	1,063,732	55,413
Other support services	69,664	113,126	43,462

School District of the Menomonie Area

Schedules of Funding Progress and Employer Contributions – OPEB

Year Ended June 30, 2016

SCHEDULE OF FUNDING PROGRESS - OPEB

As of June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/15	\$ 1,478,835	\$ 12,568,606	\$ 11,089,771	11.77%	\$ 17,522,658	63.3%
07/01/13	827,220	17,365,335	16,538,115	4.8%	17,588,728	94.0%
07/01/11	524,849	19,655,100	19,130,251	2.7%	17,259,939	110.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

For the Year Ended June 30, 2016

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	\$ 1,228,367	103.9%
2015	1,579,707	78.8%
2014	1,579,707	97.0%
2013	1,894,235	75.0%
2012	1,894,235	71.7%
2011	2,434,495	56.2%
2010	2,451,156	44.0%

See Independent Auditor's Report.

See accompanying Notes to the Schedules of Funding Progress and Employer Contributions – OPEB

School District of the Menomonie Area

Notes to the Schedules of Funding Progress and Employer Contributions – OPEB (Continued)

Year Ended June 30, 2016

Note 1 Data in the schedules of funding progress and employer contributions was taken from the report issued by the actuary for pension and OPEB benefits.

Note 2 The following are significant changes in benefits and assumptions used in the actuarial studies for the District's OPEB:

	July 1, 2011	July 1, 2013	July 1, 2015
Benefit:			
Administrators hired prior to July 1, 2005, who are at least age 55 with a minimum of 15 years of service in the District, and eligible to retire prior to July 1, 2017	District pays 100% of insurance premium up to date of Medicare eligibility	District pays 100% of insurance premium up to date of Medicare eligibility	District pays 100% of insurance premium up to date of Medicare eligibility
Administrators hired prior to July 1, 2005, who are at least age 55 with a minimum of 15 years of service in the District, and eligible to retire between July 1, 2017 through June 30, 2024	District pays 100% of insurance premium up to date of Medicare eligibility	District pays 100% of insurance premium up to date of Medicare eligibility	Eligible retirees shall receive up to 7 years of post employment HRA contributions of \$15,000 per year until eligible for Medicare or other federal insurance benefits.
Administrators hired prior to July 1, 2005, who are at least age 55 with a minimum of 15 years of service in the District, and eligible to retire between July 1, 2024 through June 30, 2031	District pays 100% of insurance premium up to date of Medicare eligibility	District pays 100% of insurance premium up to date of Medicare eligibility	Eligible retirees shall receive up to 6 years of post employment HRA contributions of \$10,000 per year until eligible for Medicare or other federal insurance benefits.
Administrators hired prior to July 1, 2005, who are at least age 55 with a minimum of 15 years of service in the District, and eligible to retire between July 1, 2031 through June 30, 2038	District pays 100% of insurance premium up to date of Medicare eligibility	District pays 100% of insurance premium up to date of Medicare eligibility	Eligible retirees shall receive up to 5 years of post employment HRA contributions of \$5,000 per year until eligible for Medicare or other federal insurance benefits.
Teachers hired prior to July 1, 2005, who are at least age 55 with a minimum of 15 years of service in the District, and eligible to retire prior to July 1, 2017	District will make contributions of 100% of premium amount in effect at retirement, increasing by a maximum of 5% per year up to date of Medicare eligibility	District will make contributions of 100% of premium amount in effect at retirement, increasing by a maximum of 5% per year up to date of Medicare eligibility	District will make contributions of 100% of premium amount in effect at retirement, increases in premiums are the retiree's responsibility, until eligible for Medicare or other federal insurance benefits.

School District of the Menomonee Area

Notes to the Schedules of Funding Progress and Employer Contributions – OPEB (Continued)

Year Ended June 30, 2016

Note 2

(Continued)

	July 1, 2011	July 1, 2013	July 1, 2015
Benefit: (continued)			
Teachers hired prior to July 1, 2005, who are at least age 55 with a minimum of 15 years of service in the District, and eligible to retire between July 1, 2017 through June 30, 2024	District will make contributions of 75% of premium amount in effect at retirement until Medicare eligibility.	District will make contributions of 75% of premium amount in effect at retirement until Medicare eligibility.	Eligible retirees shall receive up to 7 years of post employment HRA contributions of \$15,000 per year until eligible for Medicare or other federal insurance benefits.
Teachers hired prior to July 1, 2005, who are at least age 55 with a minimum of 15 years of service in the District, and eligible to retire between July 1, 2024 through June 30, 2031	District will make contributions of 50% of premium amount in effect at retirement, until Medicare eligibility.	District will make contributions of 50% of premium amount in effect at retirement, until Medicare eligibility.	Eligible retirees shall receive up to 6 years of post employment HRA contributions of \$10,000 per year until eligible for Medicare or other federal insurance benefits.
Teachers hired prior to July 1, 2005, who are at least age 55 with a minimum of 15 years of service in the District, and eligible to retire between July 1, 2031 through June 30, 2038	District will make contributions of 25% of premium amount in effect at retirement, until Medicare eligibility.	District will make contributions of 25% of premium amount in effect at retirement, until Medicare eligibility.	Eligible retirees shall receive up to 5 years of post employment HRA contributions of \$5,000 per year until eligible for Medicare or other federal insurance benefits.
Plan population	483	476	487
Actuarial cost method	Unprojected unit credit	Unprojected unit credit	Entry age - level percent of salary
Remaining amortization period	30 years	30 years	15 years
Discount rate	5%	5%	4%
Medical trend	10% reduced by decrements to a rate of 5% after 5 years	10% reduced by decrements to a rate of 5% after 5 years	7.5% decreasing by 0.5% per year down to 6.5%, then by 0.1% per year down to 5%, and level thereafter

School District of the Menomonee Area

Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System

Year Ended June 30, 2016 (And Prior Fiscal Year)

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM (WRS) Last Two Fiscal Years

	2016	2015
Measurement date	12/31/2015	12/31/2014
District's proportion of the net pension liability (asset)	0.13217146%	0.13384425%
District's proportionate share of the net pension liability (asset)	\$ 2,147,761	\$ (3,287,581)
District's covered-employee payroll during the measurement period	\$ 18,109,800	\$ 18,863,936
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.86%	(17.43%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS) Last Two Fiscal Years

	2016	2015
Contractually required contribution for the fiscal period	\$ 1,207,716	\$ 1,254,486
Contributions in relation to the contractually required contribution	(1,207,716)	(1,254,486)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll for the fiscal period	\$ 18,082,820	\$ 18,234,773
Contributions as a percentage of covered-employee payroll	6.68%	6.88%

Notes to the Schedules:

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

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

School District of the Menomonie Area

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios – District Pension Plan

Year Ended June 30, 2016 (And Prior Two Fiscal Years)

	2016	2015	2014
Total pension liability:			
Service cost	\$ 140,131	\$ 126,880	\$ 126,880
Interest	127,550	136,967	147,321
Differences between expected and actual experience	319,367	-	-
Changes of assumptions	(66,744)	-	-
Benefit payments, including refunds of member contributions	(540,688)	(530,238)	(513,369)
Net change in total pension liability	(20,384)	(266,391)	(239,168)
Total pension liability - Beginning	3,574,781	3,841,172	4,080,340
Total pension liability - Ending (a)	\$ 3,554,397	\$ 3,574,781	\$ 3,841,172
Plan fiduciary net position:			
Contributions - Employer	\$ 541,613	\$ 524,573	\$ 560,761
Net investment income	1,459	2,207	1,109
Benefit payments, including refunds of employee contributions	(540,688)	(530,238)	(564,554)
Net change in plan fiduciary net position	2,384	(3,458)	(2,684)
Plan fiduciary net position - Beginning	55,896	59,354	62,038
Plan fiduciary net position - Ending (b)	\$ 58,280	\$ 55,896	\$ 59,354
District's net pension liability - Ending (a) - (b)	\$ 3,496,117	\$ 3,518,885	\$ 3,781,818
Plan fiduciary net position as a percentage of the total pension liability	1.64%	1.56%	1.55%
Covered-employee payroll	\$ 9,492,192	\$10,799,934	\$17,588,728
District's net pension liability as a percentage of covered-employee payroll	36.83%	32.58%	21.50%

School District of the Menomonie Area

Schedule of Employer Contributions – District Pension Plan

Year Ended June 30, 2016 (And Prior Two Fiscal Years)

	2016	2015	2014
Actuarially determined contribution	\$ 382,539	\$ 380,365	\$ 380,365
Contributions in relation to the actuarially determined	541,613	524,573	560,761
Contribution deficiency (excess)	\$ (159,074)	\$ (144,208)	\$ (180,396)
Covered-employee payroll	\$ 9,492,192	\$ 10,799,934	\$ 17,588,728
Contributions as a percentage of covered-employee payroll	5.71%	4.86%	3.19%

Notes to Schedule:

Valuation date: June 30, 2015

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	3.0%, average, including inflation
Investment rate of return	3.75%, net of pension plan investment expense, including inflation

School District of the Menomonie Area

Schedule of Investment Returns – District Pension Plan

Year Ended June 30, 2016 (And Prior Two Fiscal Years)

	2016	2015	2014
Annual money-weighted rate of return, net of investment	1.30%	1.83%	1.82%

Supplementary Financial Information

School District of the Menomonie Area

Fiduciary Fund – Schedule of Changes in Assets and Liabilities (Student Organizations' Agency Fund)

Year Ended June 30, 2016

<i>Assets</i>	Balance 07/01/15	Receipts	Disbursements	Balance 6/30/16
Cash and investments	\$ 243,719	\$ 467,714	\$ 497,027	\$ 214,406
TOTAL ASSETS	\$ 243,719	\$ 467,714	\$ 497,027	\$ 214,406
<i>Liabilities</i>				
Due to student organizations:				
Oaklawn Elementary	\$ 1,074	\$ 2	\$ 141	\$ 935
River Heights Elementary	3,326	2,213	1,085	4,454
Knapp Elementary	1,935	1,623	2,222	1,336
Wakanda Elementary	5,239	7,386	7,754	4,871
Downsville Elementary	2,169	3,167	3,279	2,057
Lucas Charter School	66	-	66	-
Middle school	44,457	75,719	80,583	39,593
High school	185,453	377,604	401,897	161,160
TOTAL LIABILITIES	\$ 243,719	\$ 467,714	\$ 497,027	\$ 214,406

School District of the Menomonie Area

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Administering Agency Pass-Through Agency Award Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Wisconsin Department of Public Instruction				
Child Nutrition Cluster:				
School Breakfast July 1, 2015 - June 30, 2016	10.553	A546-00000-173444	\$ -	\$ 263,531
National School Lunch Program (Cash Assistance) July 1, 2015 - June 30, 2016	10.555	A547-00000-173444	-	522,384
National School Lunch Program (Non-Cash Assistance) July 1, 2015 - June 30, 2016	10.555	A547-00000-173444	-	81,112
National School Lunch Area Eligible Snack Program July 1, 2015 - June 30, 2016	10.555	A566-00000-173444	-	7,451
TOTAL 10.555				610,947
Special Milk Program for Children July 1, 2015 - June 30, 2016	10.556	A548-00000-173444	-	1,133
Summer Food Service Program for Children July 1, 2015 - June 30, 2016	10.559	A586-00000-173444	-	82,790
TOTAL CHILD NUTRITION CLUSTER				958,401
TOTAL U.S. DEPARTMENT OF AGRICULTURE				958,401
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Wisconsin Department of Public Instruction				
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B) July 1, 2015 - June 30, 2016	84.027	A341-00000-173444	-	603,751
Special Education - Preschool Grants (IDEA Preschool) July 1, 2015 - June 30, 2016	84.173	A347-00000-173444	-	18,531
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				622,282
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) July 1, 2015 - June 30, 2016	84.010	A141-00000-173444	-	559,728
Career and Technical Education - Basic Grants to States July 1, 2015 - June 30, 2016	84.048	A400-00000-173444	-	15,461
Twenty-First Century Community Learning Centers July 1, 2015 - June 30, 2016	84.287	A367-00000-173444	-	46,933
English Language Acquisition Grants July 1, 2015 - June 30, 2016	84.365	A391-00000-173444	-	19,889
Improving Teacher Quality State Grants July 1, 2015 - June 30, 2016	84.367	A365-00000-173444	-	129,132
TOTAL U.S. DEPARTMENT OF EDUCATION				1,393,425

School District of the Menomonie Area

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2016

Administering Agency Pass-Through Agency Award Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance July 1, 2015 - June 30, 2016	93.243	N/A	\$ -	\$ 53,492
Wisconsin Department of Public Instruction				
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance July 1, 2015 - June 30, 2016	93.079	A334-00000-173444	-	4,609
Pregnancy Assistance Fund Program July 1, 2015 - June 30, 2016	93.500	A591-00000-173444	-	41,534
Wisconsin Department of Health Services				
Medicaid Cluster:				
Medical Assistance Program July 1, 2015 - June 30, 2016	93.778	N/A	-	323,098
<hr/>				
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	422,733
<hr/>				
TOTAL FEDERAL AWARDS			\$ -	\$ 2,774,559

See Independent Auditor's Report.

See accompanying notes to the Schedules of Expenditures of
Federal Awards and State Financial Assistance.

School District of the Menomonie Area

Schedule of State Financial Assistance

Year Ended June 30, 2016

Administering Agency Pass-Through Agency Award Description	State I.D. Number	State Identifying Number	Amount Provided to Subrecipients	Grantor Expenditures
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>				
Special Education and School Age Parents Program District Programs	255.101	173444-100	\$ -	\$ 1,187,642
State Lunch	255.102	173444-107	-	14,593
Common School Fund	255.103	173444-104	-	140,628
Bilingual/Bicultural (LEA)	255.106	173444-111	-	27,023
Pupil Transportation	255.107	173444-102	-	115,314
General Equalization	255.201	173444-116	-	18,912,025
High Cost Special Education Aid	255.210	173444-119	-	3,745
AODA Program Grant	255.306	173444-143	-	999
State Breakfast Program	255.344	173444-108	-	25,315
Wisconsin's Movin Schools	255.345	173444-123	-	200
Educator Effective Eval Sys Grants Public	255.940	173444-154	-	19,840
Per Pupil Aid	255.945	173444-113	-	499,650
Career and Technical Education Incentive Grants	255.950	173444-151	-	33,554
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION				20,980,528
<u>WISCONSIN DEPARTMENT OF REVENUE</u>				
Computer Aid	835.109	N/A	-	69,755
<u>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</u>				
Payment in Lieu of Taxes	370.503	N/A	-	24,851
<u>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</u>				
CESA #10 Chippewa Valley Youth Apprenticeship July 1, 2015 - June 30, 2016	20.445(7)(b)	N/A	-	5,525
TOTAL STATE FINANCIAL ASSISTANCE			\$ -	\$ 21,080,659

See Independent Auditor's Report.

See accompanying notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.

School District of the Menomonie Area

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2016

Note 1 Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state award activity of the School District of the Menomonie Area under programs of the federal and state government for the year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *State of Wisconsin Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of the School District of the Menomonie Area, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the School District of the Menomonie Area.

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. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The School District of the Menomonie Area has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 Special Education and School Age Parents Program

2015–2016 eligible costs under the State Special Education Program are \$4,511,524.

Other Reports



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Education
School District of the Menomonie Area
Menomonie, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of the Menomonie Area (the "District") as of and for the year ended June 30, 2016, 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 10, 2017.

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.

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 or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness and other deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2016-002).

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies (2016-001 and 2016-003).

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*.

Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the 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 results of that testing, and not to provide an opinion on the effectiveness of the District'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 purpose.



Wipfli LLP

January 10, 2017
Eau Claire, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance

Board of Education
School District of the Menomonie Area
Menomonie, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the School District of the Menomonie Area's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016. The School District of the Menomonie Area's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of the Menomonie Area'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and Uniform Guidance 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 School District of the Menomonie Area's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the School District of the Menomonie Area 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, 2016.

Report on Internal Control Over Compliance

Management of the School District of the Menomonie Area is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District of the Menomonie Area's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program 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 the Uniform Guidance and the *State of Wisconsin Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of the Menomonie Area'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 the attention of 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 our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State of Wisconsin Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

January 10, 2017
Eau Claire, Wisconsin

School District of the Menomonie Area

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555, 10.556, and 10.559 84.027 and 84.173	Child Nutrition Cluster Special Education Cluster (IDEA)
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as a low-risk auditee?	No

School District of the Menomonee Area

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

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

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

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

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

Identification of major state programs:

State I.D. Number	Name of State Program
255.101	Special Education and School Age Parents
255.201	General Equalization

School District of the Menomonie Area

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

Section II – Financial Statement Findings

2016-001 Segregation of Duties

Criteria – No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition – Incompatible functions are currently being performed by the same individual.

Cause – Limited staff available and inadequate compensating controls.

Effect – Decreased likelihood that unauthorized, false, or incorrectly coded transactions will be prevented, or detected and corrected, in a timely fashion, which may result in misstated financial statements.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan – The District does not have the resources available to increase staff size and eliminate this internal control deficiency. The Board and management are aware of the incompatible duties and will continue to provide oversight and monitor the District's operations. In addition, the Board reviews monthly cash disbursements and bank reconciliations for oversight.

School District of the Menomonee Area

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

Section II – Financial Statement Findings (Continued)

2016-002 Financial Accounting and Reporting

Criteria – The District is responsible for reporting financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP).

Condition – As part of our professional services for the year ended June 30, 2016, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – The District does not expect, nor does it require, its financial staff to have the ability to prepare GAAP financial statements.

Effect – As a result of not having an individual trained in the preparation of GAAP basis financial statements, the completeness of the financial statement disclosures and the accuracy of the financial statement presentation are negatively impacted as outside auditors do not have the same comprehensive understanding of the District as its own management.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan – The District does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor's services and review and approve the financial statements and notes.

School District of the Menomonie Area

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

Section II – Financial Statement Findings (Continued)

2016-003 Adjustments

Criteria – Adjusting journal entries not prepared by the District’s accounting department are considered to be an internal control weakness.

Condition – During our audit, Wipfli LLP proposed a number of adjusting journal entries. The adjusting journal entries did not have an effect on any completed grant contracts during the year. Since the District’s internal controls did not discover these adjustments prior to our audit, a significant deficiency exists in the District’s controls.

Criteria – Adjusting journal entries not prepared by the District’s accounting department are considered to be an internal control weakness.

Effect – Proper recording and reporting of financial information may not occur within a timely manner.

Recommendation – We recommend that the individuals involved in the accounting function review the current year adjustments and take steps to eliminate them in the future.

Corrective Action Plan – The District will continue working to reduce the number of adjusting journal entries proposed by the auditor.

Section III – Federal Findings and Questioned Costs

None.

Section IV – State Findings and Questioned Costs

None.

School District of the Menomonie Area

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

Section V – Other Issues


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

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

Department of Public Instruction	No
Department of Revenue	No
Department of Natural Resources	No
Department of Workforce Development	No
Department of Health Services	No

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

Name of Partner



Robert Ganschow, CPA

Date

January 10, 2017

School District of the Menomonie Area

Schedule of Prior Year's Findings and Questioned Costs

Year Ended June 30, 2016

Financial Statement Findings

2015-001 Segregation of Duties – See finding 2016-001.

2015-002 Financial Accounting and Reporting – See finding 2016-002.

2015-003 Adjustments – See finding 2016-003.

Federal Award Findings and Questioned Costs

None.

State Findings and Questioned Costs

None.