

School District of the Menomonie Area

Menomonie, Wisconsin

Financial Statements With Supplementary Financial Information

Year Ended June 30, 2017

School District of the Menomonie Area

Financial Statements With Supplementary Financial Information

Year Ended June 30, 2017

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School District of the Menomonie Area

Financial Statements With Supplementary Financial Information

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 Menomonee Area, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, budgetary comparison schedule – general fund, 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, schedule of investment returns – District pension plan, schedule of changes in the employer's net OPEB liability and related ratios – District OPEB plan, schedule of employer contributions – District OPEB plan, and schedule of investment returns – District OPEB plan, on pages 4 through 16 and 66 through 77 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 November 29, 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

November 29, 2017
Eau Claire, Wisconsin

Management's Discussion and Analysis

School District of the Menomonie Area

Management's Discussion and Analysis
Year Ended June 30, 2017

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, 2017. 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 \$23,975,012.
- Net position increased \$3,457,547 during the year.
- The District decreased the principal amount of outstanding general obligation debt by \$2,085,000.
- In the governmental funds, the District's total fund balance increased \$1,183,728 during the year. The general fund balance increased by \$625,504.

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, 2017, 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 \$23,975,012 at the close of the most recent fiscal year.

By far the largest portion of the District's net position, \$18,943,209, 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 Menomonee Area		
Net Position		
As of June 30, 2017 and 2016		
	Governmental Activities	
	2017	2016
Current and other assets	\$ 18,654,305	\$ 16,944,460
Capital assets	58,283,203	58,985,741
Total assets	76,937,508	75,930,201
Deferred outflows of resources	7,942,455	11,775,052
Long-term liabilities	52,606,637	51,298,437
Other liabilities	4,907,860	4,399,288
Total liabilities	57,514,497	55,697,725
Deferred inflows of resources	3,390,454	4,601,620
Net position:		
Net investment in capital assets	18,943,209	18,202,341
Restricted	2,623,899	1,142,340
Unrestricted	2,407,904	8,061,227
Total net position	\$ 23,975,012	\$ 27,405,908

The District as a Whole (Continued)

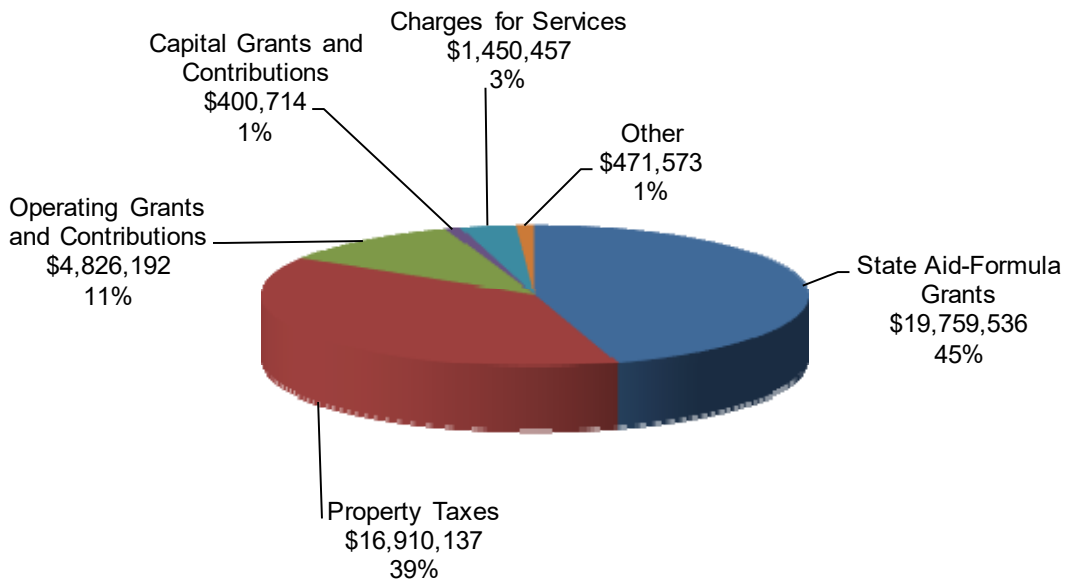
Change in net position. Table 2 shows the changes in net position.

Table 2 School District of the Menomonee Area Change in Net Position As of June 30, 2017 and 2016		
	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 1,450,457	\$ 1,393,501
Operating grants and contributions	4,826,192	5,296,554
Capital grants and contributions	400,714	-
General revenues:		
Property taxes	16,910,137	16,992,125
State aid-formula grants	19,759,536	18,981,780
Other	471,573	358,790
Total revenues	43,818,609	43,022,750
Expenses:		
Instruction	23,111,371	22,988,775
Pupil services	1,612,319	1,568,679
Instructional staff services	1,239,518	1,233,062
General administration services	765,683	696,931
Building administration services	1,636,044	1,633,009
Business services	460,555	1,558,935
Operations and maintenance	3,663,638	3,761,116
Pupil transportation services	2,015,124	1,893,296
Food service	1,570,970	1,571,342
Central services	899,681	1,099,546
Insurance	339,308	362,804
Community services	266,072	216,999
Interest on debt	1,326,828	1,432,705
Other support services	63,378	128,434
Unallocated depreciation, excluding direct	1,390,573	1,378,615
Total expenses	40,361,062	41,524,248
Change in net position	3,457,547	1,498,502
Net position - Beginning of year	27,405,908	25,907,406
Restatement of beginning net position	(6,888,443)	-
Net position - End of year	<u>\$ 23,975,012</u>	<u>\$ 27,405,908</u>

The District as a Whole (Continued)

The District's total revenues were \$43,818,609 for the year ended June 30, 2017. 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 and capital 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 2017

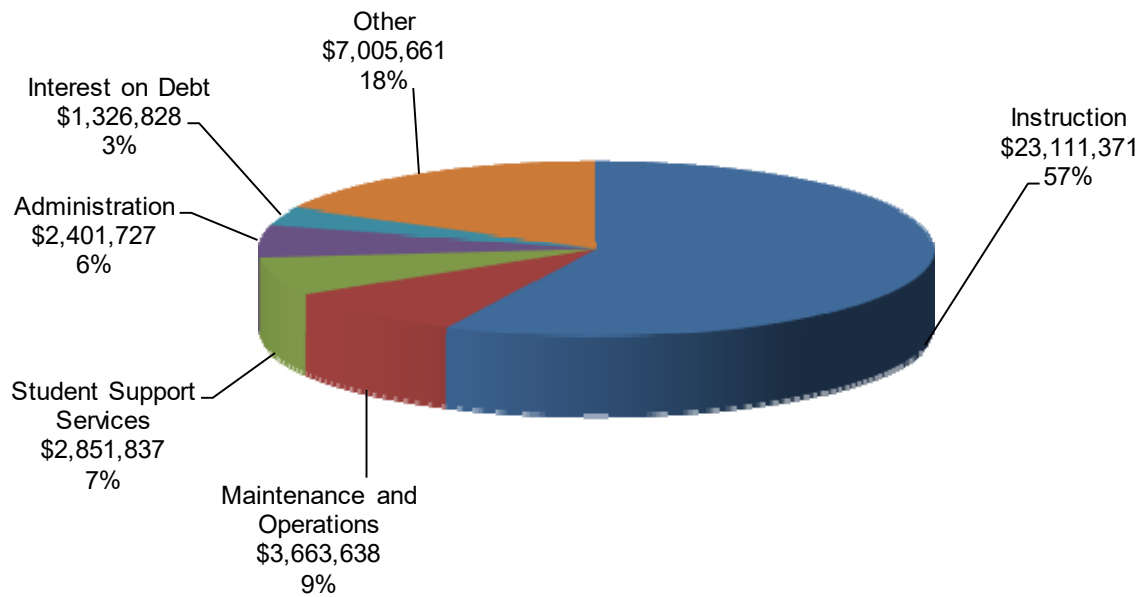


The District as a Whole (Continued)

The total cost of all programs and services was \$40,361,062. The District's expenses are predominantly related to educating and caring for students (64 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 \$3,457,547.

Figure 2. School District of the Menomonee Area's Expenses for Fiscal Year 2017



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).

Table 3				
School District of the Menomonie Area				
Net Cost of Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 23,111,371	\$ 22,988,775	\$ 19,220,813	\$ 19,208,000
Pupil and instructional staff services	2,851,837	2,801,741	2,387,016	1,795,241
Administrative and business	2,862,282	3,888,875	2,862,279	3,888,806
Maintenance and operations	3,663,638	3,761,116	3,262,924	3,761,116
Transportation	2,015,124	1,893,296	1,851,825	1,728,817
Food service	1,570,970	1,571,342	5,482	17,819
Community service	266,072	216,999	194,421	155,552
Interest on debt	1,326,828	1,432,705	1,245,982	1,347,391
Other	2,692,940	2,969,399	2,652,957	2,931,451
	<u>\$ 40,361,062</u>	<u>\$ 41,524,248</u>	<u>\$ 33,683,699</u>	<u>\$ 34,834,193</u>

- The cost of all *governmental* activities this year was \$40,361,062.
- Some of the cost was paid by the users of the District’s programs (\$1,450,457).
- The federal and state governments subsidized certain programs with grants and contributions (\$5,226,906).
- Most of the District’s costs (\$33,683,699), however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$16,910,137 in property taxes, \$19,759,536 of state aid based on the statewide education aid formula, and \$471,573 with investment earnings and other general revenues, resulting in an increase in net position of \$3,457,547.

Governmental Funds

The District completed the year with a total governmental fund balance of \$14,162,075, which is \$1,183,728 over last year's ending fund balance of \$12,978,347.

- The general fund had an increase in fund balance of \$625,504. This was due to the District spending less than was budgeted in many areas of the budget, including \$411,346 less than anticipated for instruction.
- Revenues and other financing sources exceeded expenditures and other financing uses by \$558,224 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 \$79,058; the actual results for the year show a surplus of \$583,381.

- Actual revenues were \$44,818 more than expected.
- The actual expenditures and other financing sources (uses) were \$617,621 less than budget.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2017 fiscal year, the District had invested over \$88 million in a broad range of capital assets, including land, 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 \$29.8 million for governmental activities.

- Asset acquisitions for governmental activities totaled \$1.7 million.
- The District recognized depreciation expense of \$2.4 million for governmental activities.

Table 4		
School District of the Menomonee Area		
Capital Assets		
	Governmental Activities	
	2017	2016
Land	\$ 806,600	\$ 806,600
Construction in progress	-	498,241
Land improvements	2,917,957	1,802,366
Buildings and building improvements	76,006,515	75,284,299
Furniture and equipment	8,364,652	8,246,050
Accumulated depreciation	(29,812,521)	(27,651,815)
	<u>\$ 58,283,203</u>	<u>\$ 58,985,741</u>

Long-Term Debt

At year-end, the District had \$39,492,824 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
	2017	2016	2016-2017
General obligation bonds and notes	\$ 39,391,898	\$ 41,552,274	(5.2)
Capital leases	-	225,366	(100.0)
Compensated absences	100,926	91,500	10.3
	<u>\$ 39,492,824</u>	<u>\$ 41,869,140</u>	<u>(5.7)</u>

- The District retired \$2,085,000 of outstanding bonds and notes.

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 increasing. Enrollment for the 2017–2018 fiscal year is increasing approximately 50 students from the prior year. The District anticipates that enrollment for the 2018–2019 fiscal year will have an increase of approximately 11 students from the 2017–2018 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 Menomonee Area expects to have a net loss of 65 students that will decrease state aid by \$458,575 in 2017–2018.

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, 2017

<i>Assets and Deferred Outflows of Resources</i>	Governmental Activities
Current assets:	
Cash and investments	\$ 11,362,510
Receivables:	
Taxes	5,978,043
Accounts	103,260
Due from other governments	1,122,060
Prepaid items	82,561
Inventory	5,871
Total current assets	18,654,305
Noncurrent assets:	
Capital assets:	
Land	806,600
Land improvements	2,917,957
Buildings and building improvements	76,006,515
Furniture and equipment	8,364,652
Less accumulated depreciation	(29,812,521)
Total capital assets, net of accumulated depreciation	58,283,203
Total noncurrent assets	58,283,203
Total assets	76,937,508
Deferred outflows of resources:	
Related to pensions - District pension plan	254,485
Related to pensions - WRS	7,636,066
Deferred amount on refunding	51,904
Total deferred outflows of resources	7,942,455
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 84,879,963

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Governmental Activities
Liabilities:	
Current liabilities:	
Accounts payable	\$ 1,099,587
Accrued liabilities:	
Salaries and related items	3,031,310
Interest	443,871
Unearned revenue	28,258
Claims incurred but not reported	300,000
Due to other governments	72
Deposits	4,762
Current portion of long-term obligations	2,204,201
Total current liabilities	7,112,061
Noncurrent liabilities:	
Bonds and notes payable	37,266,898
Net OPEB liability - District OPEB plan	9,458,176
Net pension liability - District pension plan	2,591,710
Net pension liability - WRS	1,063,927
Accrued compensated absences	21,725
Total noncurrent liabilities	50,402,436
Total liabilities	57,514,497
Deferred inflows of resources:	
Related to pensions - District pension plan	44,496
Related to pensions - WRS	3,345,958
Total deferred inflows of resources	3,390,454
Net position:	
Net investment in capital assets	18,943,209
Restricted for:	
Debt service	580,362
Capital projects	1,267,099
Self insurance	330,615
Food service	102,098
Donor-approved purchases	343,725
Unrestricted	2,407,904
Total net position	23,975,012
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 84,879,963

See accompanying notes to financial statements.

School District of the Menomonie Area

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
Instruction:					
Regular instruction	\$ 16,111,169	\$ 515,741	\$ 901,872	\$ -	\$ (14,693,556)
Vocational instruction	897,310	-	39,019	-	(858,291)
Special education instruction	4,476,357	112,242	2,150,184	-	(2,213,931)
Other instruction	1,626,535	165,229	6,271	-	(1,455,035)
Total instruction	23,111,371	793,212	3,097,346	-	(19,220,813)
Support services:					
Pupil services	1,612,319	-	95,748	-	(1,516,571)
Instructional staff services	1,239,518	-	369,073	-	(870,445)
General administration services	765,683	-	-	-	(765,683)
Building administration services	1,636,044	-	-	-	(1,636,044)
Business services	460,555	-	3	-	(460,552)
Operations and maintenance	3,663,638	-	-	400,714	(3,262,924)
Pupil transportation services	2,015,124	-	163,299	-	(1,851,825)
Food service	1,570,970	552,788	1,012,700	-	(5,482)
Central services	899,681	32,806	1,074	-	(865,801)
Insurance	339,308	-	6,063	-	(333,245)
Community service	266,072	71,651	-	-	(194,421)
Interest on debt	1,326,828	-	80,846	-	(1,245,982)
Other support services	63,378	-	40	-	(63,338)
Unallocated depreciation, excluding direct	1,390,573	-	-	-	(1,390,573)
Total support services	17,249,691	657,245	1,728,846	400,714	(14,462,886)
Total governmental activities (carried forward)	\$ 40,361,062	\$ 1,450,457	\$ 4,826,192	\$ 400,714	(33,683,699)

School District of the Menomonie Area

Statement of Activities (Continued)

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
				Total	Governmental Activities
Total governmental activities (brought forward)					\$ (33,683,699)
General revenues:					
Property taxes:					
General purposes					13,280,137
Debt service					3,380,000
Community service					250,000
State and federal aids not restricted to specific functions:					
General					19,698,775
Other					60,761
Interest and investment earnings					29,002
Miscellaneous					436,692
Gain on sale of assets					5,879
Total general revenues					37,141,246
Change in net position					3,457,547
Net position - Beginning of year, as restated					20,517,465
Net position - End of year					\$ 23,975,012

Fund Financial Statements

School District of the Menomonie Area

Governmental Funds – Balance Sheet

June 30, 2017

<i>Assets</i>	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 9,659,936	\$ 1,702,574	\$ 11,362,510
Receivables:			
Taxes	5,978,043	-	5,978,043
Accounts	1,815	2,035	3,850
Due from other governments	1,020,369	101,691	1,122,060
Due from other funds	99,410	1,000,000	1,099,410
Prepaid items	79,248	3,313	82,561
Inventory	-	5,871	5,871
TOTAL ASSETS	\$ 16,838,821	\$ 2,815,484	\$ 19,654,305
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>			
Liabilities:			
Accounts payable	\$ 90,527	\$ 9,060	\$ 99,587
Accrued liabilities:			
Salaries and related items	3,020,834	10,476	3,031,310
Claims incurred but not reported	300,000	-	300,000
Due to other governments	72	-	72
Deposits	-	4,762	4,762
Unearned revenue	-	28,258	28,258
Due to other funds	1,974,227	25,773	2,000,000
Total liabilities	5,385,660	78,329	5,463,989
Deferred inflows of resources:			
Unavailable revenue - Other revenue	-	28,241	28,241
Fund balances:			
Nonspendable:			
Prepays	79,248	3,313	82,561
Inventories	-	5,871	5,871
Restricted:			
Debt service	-	995,992	995,992
Self insurance	330,615	-	330,615
Capital projects	-	1,267,099	1,267,099
Food service	-	92,914	92,914
Donor-approved expenditures	-	343,725	343,725
Assigned for community service	125,621	-	125,621
Unassigned	10,917,677	-	10,917,677
Total fund balances	11,453,161	2,708,914	14,162,075
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 16,838,821	\$ 2,815,484	\$ 19,654,305

School District of the Menomonie Area

Governmental Funds – Balance Sheet (Continued)

June 30, 2017

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

Total fund balances - Governmental funds (previous page) \$ 14,162,075

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	\$ 88,095,724	
Governmental accumulated depreciation	(29,812,521)	58,283,203

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

Net pension liability - WRS	(1,063,927)	
Net pension liability - District pension plan	(2,591,710)	
Net OPEB liability - District OPEB plan	(9,458,176)	
Deferred inflows of resources related to pensions - District pension plan	(44,496)	
Deferred inflows of resources related to pensions - WRS	(3,345,958)	
Deferred outflows of resources related to pensions - District pension plan	254,485	
Deferred outflows of resources related to pensions - WRS	7,636,066	(8,613,716)

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. 51,904

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. 28,241

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	(39,391,898)	
Accrued interest on long-term debt	(443,871)	
Compensated absences	(100,926)	(39,936,695)

Total net position - Governmental activities **\$ 23,975,012**

School District of the Menomonie Area

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

Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local	\$ 13,875,432	\$ 4,666,179	\$ 18,541,611
Interdistrict	617,095	-	617,095
Intermediate	19,308	-	19,308
State	21,305,004	35,853	21,340,857
Federal	1,931,130	986,347	2,917,477
Other	289,319	89,003	378,322
Total revenues	38,037,288	5,777,382	43,814,670
Expenditures:			
Instruction:			
Regular instruction	16,258,459	68,439	16,326,898
Vocational instruction	909,167	2,250	911,417
Special instruction	4,542,519	-	4,542,519
Other instruction	1,537,163	83,943	1,621,106
Total instruction	23,247,308	154,632	23,401,940
Support services:			
Pupil services	1,581,715	782	1,582,497
Instructional staff services	1,061,650	138,682	1,200,332
General administration services	741,812	-	741,812
Building administration services	1,689,530	-	1,689,530
Business services	482,427	-	482,427
Operations and maintenance	3,499,943	1,049,170	4,549,113
Pupil transportation	2,009,507	5,616	2,015,123
Food service	-	1,599,711	1,599,711
Central services	1,014,456	-	1,014,456
Insurance	339,308	-	339,308
Debt service:			
Principal	225,366	2,085,000	2,310,366
Interest and fiscal charges	5,634	1,383,170	1,388,804
Issuance costs	-	1,745	1,745
Other support services	62,558	-	62,558
Community service	257,099	-	257,099
Total support services	12,971,005	6,263,876	19,234,881
Total expenditures	36,218,313	6,418,508	42,636,821
Excess (deficiency) of revenues over expenditures	1,818,975	(641,126)	1,177,849

School District of the Menomonie Area

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

Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):			
Transfers in	\$ -	\$ 1,215,550	\$ 1,215,550
Transfers out	(1,199,350)	(16,200)	(1,215,550)
Proceeds from sale of capital assets	5,879	-	5,879
Net other financing sources (uses)	(1,193,471)	1,199,350	5,879
Net change in fund balances	625,504	558,224	1,183,728
Fund balances - Beginning of year	10,827,657	2,150,690	12,978,347
Fund balances - End of year	\$ 11,453,161	\$ 2,708,914	\$ 14,162,075

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, 2017

Total net change in fund balances - Governmental funds \$ 1,183,728

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	\$ 1,747,537	
Depreciation expense reported in the statement of activities	(2,450,075)	
Amount by which capital outlays are less than depreciation in the current year:		(702,538)

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 liability - District OPEB plan	1,215,686	
Change in net pension liability - District pension plan	904,407	
Change in net pension liability - WRS	1,083,834	
Change in deferred outflows of resources related to pensions - District pension plan	(12,138)	
Change in deferred outflows of resources related to pensions - WRS	(3,789,316)	
Change in deferred inflows of resources related to pensions - District pension plan	11,124	
Change in deferred inflows of resources related to pensions - WRS	1,200,042	
Change in compensated absences	(9,426)	
Amounts paid are less than amounts earned:		604,213

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

The amount of principal payments on long-term obligations in the current year is: 2,310,366

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:	1,388,804	
The amount of interest accrued during the current year:	(1,369,316)	
Interest paid is greater than interest accrued		19,488

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, 2017

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	\$	80,257	
Change in discount		(4,881)	
Change in deferred amount on refunding		(31,143)	
The net effect of these differences in the current year:			\$ 44,233

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: (1,943)

Change in net position - Governmental activities \$ 3,457,547

School District of the Menomonie Area

Fiduciary Funds – Statement of Net Position

June 30, 2017

	(Scholarship Trust) Private-Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund
Assets:			
Cash and investments	\$ 1,988	\$ 2,275,843	\$ 240,677
Due from other funds	-	1,000,000	-
Total assets	\$ 1,988	\$ 3,275,843	\$ 240,677
Liabilities:			
Due to student organizations	\$ -	\$ -	\$ 240,677
Due to general fund	-	99,410	-
Total liabilities	-	99,410	\$ 240,677
Net position:			
Restricted for scholarships	1,988	-	
Restricted for other postemployment and pension benefits	-	3,176,433	
Total net position	1,988	3,176,433	
Total net position and liabilities	\$ 1,988	\$ 3,275,843	

School District of the Menomonie Area

Fiduciary Funds – Statement of Changes in Net Position

Year Ended June 30, 2017

	(Scholarship Trust) Private-Purpose Trust Fund	Employee Benefit Trust Fund
Additions:		
Employer contributions	\$ -	\$ 3,028,017
Retiree contributions	-	37,095
Interest	-	33,503
Total additions	-	3,098,615
Deductions:		
Benefits paid	-	1,212,781
Total deductions	-	1,212,781
Change in net position	-	1,885,834
Net position - Beginning of year	1,988	1,290,599
Net position - End of year	\$ 1,988	\$ 3,176,433

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 Menomonee Area

Notes to Financial Statements

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

New Accounting Pronouncement

Management adopted new accounting guidance GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statements No. 74 and No. 75 replace the requirements of GASB Statements No. 43 and No. 45 on accounting and financial reporting by employers for postemployment benefits other than pensions. See Note 12 for the restatement of beginning net position.

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 Menomonie 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 Menomonie 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.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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.

School District of the Menomonee Area

Notes to Financial Statements

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

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.

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.

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. This second group includes the District's proportionate shares of collective deferred outflows of resources and District contributions subsequent to the measurement date of the collective net pension liability for the WRS plan, as well as the 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 Menomonie 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' experience 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, certain 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 Menomonee 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 in 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 2016 tax levy is used to finance operations of the District's fiscal year ended June 30, 2017. All property taxes are considered due on January 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 November 29, 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 Menomonie 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, 2017, \$681,571 of the District's bank balance of \$4,451,002 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 24% and 76%, 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 Menomoneie Area

Notes to Financial Statements

Note 3 Cash and Investments (Continued)

Investments (Continued)

The District's cash and investment balances at June 30, 2017, were as follows:

	Maturities	Fair Value
Local Government Investment Pool Fund	29 days average	\$ 7,193,442
U.S. Treasury bond		1,000
AUL annuity contracts		2,275,843
<hr/>		
Total investments		9,470,285
Cash deposits with financial institutions carrying amount		4,409,958
Petty cash		775
Less - Cash and investments held by fiduciary funds		(2,518,508)
<hr/>		
Cash and investments reported on statement of net position		\$11,362,510

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. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. 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 has the following recurring fair value measurements as of June 30, 2017:

- 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, 2017, are as follows:

Due From:	Due To:		
	General Fund	Capital Projects Fund	Employee Benefit Trust Fund
General Fund	\$ -	\$ 1,000,000	\$ 974,227
Food Service Fund	-	-	25,773
Employee Benefit Trust Fund	99,410	-	-
Totals	\$ 99,410	\$ 1,000,000	\$ 1,000,000

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 General Fund to the Capital Projects Fund is to finance future Capital projects. The payables from the General Fund and the Food Service Fund to the Employee Benefit Trust Fund represent contributions to the trust that weren't physically completed by year-end.

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, 2017, were as follows:

Transfer From:	Transfer To:		Total
	Debt Service Fund	Capital Projects Fund	
General Fund	\$ 199,350	\$ 1,000,000	\$1,199,350
Food Service Fund	16,200	-	16,200
Totals	\$ 215,550	\$ 1,000,000	\$1,215,550

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, 2017, 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	498,241	-	(498,241)	-
Total capital assets not being depreciated	1,304,841	-	(498,241)	806,600
Capital assets being depreciated:				
Land improvements	1,802,366	1,121,196	(5,605)	2,917,957
Buildings and building improvements	75,284,299	722,216	-	76,006,515
Furniture and equipment	8,246,050	402,366	(283,764)	8,364,652
Total capital assets being depreciated	85,332,715	2,245,778	(289,369)	87,289,124
Less accumulated depreciation for:				
Land improvements	937,134	108,495	(5,605)	1,040,024
Buildings and building improvements	20,500,330	1,786,847	-	22,287,177
Furniture and equipment	6,214,351	554,733	(283,764)	6,485,320
Total accumulated depreciation	27,651,815	2,450,075	(289,369)	29,812,521
Total capital assets being depreciated - Net of accumulated depreciation	57,680,900	(204,297)	-	57,476,603
Governmental activities capital assets - Net	\$ 58,985,741	\$ (204,297)	\$ (498,241)	\$ 58,283,203

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	\$ 292,173
Vocational instruction	5,622
Special education	724
Other instruction	13,771
Pupil services	1,694
Instructional staff services	1,436
General administration services	19,806
Building administration services	1,200
Operations and maintenance of plant	684,104
Central services	16,713
School food service program	22,259
Depreciation not charged to a specific function	1,390,573
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Total depreciation for governmental activities	<u>\$ 2,450,075</u>

School District of the Menomonie Area

Notes to Financial Statements

Note 6 Long-Term Obligations

Long-term obligations of the District are as follows:

	Balance 07/01/16	Additions	Reductions	Balance 06/30/17	Amounts Due Within One Year
Bonds	\$ 30,835,000	\$ -	\$ 1,265,000	\$ 29,570,000	\$ 550,000
Plus unamortized premium	651,799	-	80,257	571,542	-
Less unamortized discounts	(19,525)	-	(4,881)	(14,644)	-
Notes	10,085,000	-	820,000	9,265,000	1,575,000
Subtotals	41,552,274	-	2,160,376	39,391,898	2,125,000
Capital leases	225,366	-	225,366	-	-
Compensated absences	91,500	100,926	91,500	100,926	79,201
Totals	\$ 41,869,140	\$ 100,926	\$ 2,477,242	\$ 39,492,824	\$ 2,204,201

Payments on bonds and notes are made by the Debt Service Fund. The compensated absences will be liquidated by several of the governmental funds.

School District of the Menomonie 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, 2017, is comprised of the following individual issues:

	Government Activities			
	Issue Dates	Interest Rates %	Dates of Maturity	Balance 06/30/17
Promissory note	07/26/10	5.3	07/26/20	\$ 360,000
Taxable promissory notes	09/13/10	4.28	03/01/20	1,215,000
Refunding bonds	06/28/12	2.0-3.0	03/01/20	1,700,000
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
Promissory notes	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	2,650,000
Total general obligation debt*				\$ 38,835,000

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,783,290,791. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Legal debt limit (10% of \$1,783,290,791)	\$ 178,329,079
Deduct:	
Long-term debt* applicable to debt margin	38,835,000
Add:	
Debt service fund assets available	995,992
Margin of indebtedness	\$ 140,490,071

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, 2017, follow:

Governmental Activities

Year Ended June 30	Principal	Interest	Totals
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	1,835,000	1,079,875	2,914,875
2023-2027	10,060,000	4,906,800	14,966,800
2028-2032	12,610,000	3,141,863	15,751,863
2033-2034	5,945,000	388,300	6,333,300
Totals	\$ 38,835,000	\$ 14,528,378	\$ 53,363,378

Note 7 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 7 **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 7 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>
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%
2016	0.5%	(5.0%)

School District of the Menomonee Area

Notes to Financial Statements

Note 7 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. Starting on January 1, 2016, the executive and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,191,210 in contributions from the employer.

Contribution rates as of June 30, 2017, are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with social security	6.8%	10.6%
Protective without social security	6.8%	14.9%

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

At June 30, 2017, the District reported a liability of \$1,063,927 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.12907995%, which was a decrease of 0.00309151% from its proportion measured as of December 31, 2015.

School District of the Menomonee Area

Notes to Financial Statements

Note 7 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, 2017, the District recognized pension expense of \$2,725,346.

At June 30, 2017, 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	\$ 405,676	\$ (3,345,958)
Changes in assumptions	1,112,377	-
Net differences between projected and actual earnings on pension plan investments	5,295,891	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,528	-
Employer contributions subsequent to the measurement date	751,594	-
Total	\$ 7,636,066	\$ (3,345,958)

School District of the Menomonee Area

Notes to Financial Statements

Note 7 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)

\$751,594 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 (asset) in the year ended June 30, 2018. 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>
2018	\$ 1,431,922
2019	1,431,922
2020	979,409
2021	(307,093)
2022	2,354

School District of the Menomonee Area

Notes to Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2015
Measurement date of net pension liability (asset)	December 31, 2016
Actuarial cost method	Entry Age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016, is based upon a roll-forward of the liability calculated from the December 31, 2015, actuarial valuation.

School District of the Menomonee Area

Notes to Financial Statements

Note 7 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:

Asset Allocation Targets and Expected Returns

As of December 31, 2016

	Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return
<u>Core Fund Asset Class</u>				
Global equities	50.0%	45%	8.3%	5.4%
Fixed income	24.5%	37%	4.2%	1.4%
Inflation sensitive assets	15.5%	20%	4.3%	1.5%
Real estate	8.0%	7%	6.5%	3.6%
Private equity/debt	8.0%	7%	9.4%	6.5%
Multi-asset	4.0%	4%	6.6%	3.7%
Total core fund	110.0%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30%	30%	8.5%	5.6%
Total variable fund	100%	100%	7.9%	5.0%

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

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

School District of the Menomonee Area

Notes to Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions (Continued)

Single Discount Rate: A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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)	\$13,996,641	\$1,063,927	(\$8,894,849)

School District of the Menomonie Area

Notes to Financial Statements

Note 7 **Employee Retirement Plans – Wisconsin Retirement System** (Continued)

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, 2017, the District reported a payable of \$531,617 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Note 8 **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.

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 plus an additional amount to prefund benefits, as funding is available. 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, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.55 percent. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

School District of the Menomonee Area

Notes to Financial Statements

Note 8 District Pension Plan and Benefits (Continued)

The components of the net pension liability of the District at June 30, 2017, is as follows:

Total pension liability	\$ 3,442,491
Plan fiduciary net position	850,781
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Net pension liability	\$ 2,591,710
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Plan fiduciary net position as a percentage of the total pension liability	24.7%

The total pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2017. 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 3.50 percent, net of pension plan investment expense, including inflation. Mortality, disability, and retirement rates are from the Wisconsin Retirement System experience for public schools.

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	3.50%

The discount rate used to measure the total pension liability was 3.50 percent as determined by the actuary based on 20-year AA municipal bond rate as of the measurement date. 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. The discount rate used in the prior year was 3.75 percent.

School District of the Menomonie Area

Notes to Financial Statements

Note 8 District Pension Plan and Benefits (Continued)

Changes in the net pension liability for the year ended June 30, 2017, are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 3,554,397	\$ 58,280	\$ 3,496,117
Changes for the year:			
Service cost	140,131	-	140,131
Interest	128,123	-	128,123
Changes of assumptions or other input	35,523	-	35,523
Contributions - Employer	-	1,206,807	(1,206,807)
Net investment income	-	1,377	(1,377)
Benefit payments, including refunds of employee contributions	(415,683)	(415,683)	-
Net changes	(111,906)	792,501	(904,407)
Balances at June 30, 2017	\$ 3,442,491	\$ 850,781	\$ 2,591,710

The following presents the net pension liability of the District, calculated using the discount rate of 3.50 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
District's net pension liability	\$ 2,748,286	\$ 2,591,710	\$ 2,439,484

School District of the Menomonie Area

Notes to Financial Statements

Note 8 District Pension Plan and Benefits (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$303,414. At June 30, 2017, 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	\$ 212,911	\$ -
Changes of assumptions	29,602	(44,496)
Net difference between projected and actual earnings on pension plan investments	11,972	-
Total	\$ 254,485	\$ (44,496)

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:

2018	\$ 51,044
2019	51,044
2020	51,056
2021	50,927
2022	5,918

School District of the Menomonie Area

Notes to Financial Statements

Note 9 District OPEB Plan and Benefits

Defined Benefit Plan

The School District of the Menomonie Area administers a single-employer defined benefit plan that provides OPEB benefits to eligible retirees as established by District policy. The School District Board manages the OPEB plan and has appointed the District Director of Business Services as trustee and MidAmerica Administrative and Retirement Solutions, Inc. as investment manager. There are 117 active plan members, 72 inactive plan members currently receiving benefits, and no inactive plan members entitled to but not yet receiving benefits.

The School Board has the authority to establish and amend the types of benefits provided through the OPEB 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. 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 School Board determines the amount contributed to the trust. Currently the contribution equals the amount needed to pay current benefits plus an additional amount to prefund benefits, as funding is available. The plan does not issue a standalone report.

The OPEB plan investment policies and investment disclosures are discussed in Note 1 and Note 3. Currently the plan is invested in AUL annuity contracts. For June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 1.97 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 OPEB liability of the District at June 30, 2017, is as follows:

Total OPEB liability	\$ 11,783,828
Plan fiduciary net position	<u>2,325,652</u>
Net OPEB liability	<u><u>9,458,176</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	19.7%

School District of the Menomonee Area

Notes to Financial Statements

Note 9 District OPEB Plan and Benefits (Continued)

Defined Benefit Plan (Continued)

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2017. The actuarial assumptions included an inflation rate of 3.0%, projected salary increases of 3.32%, average, including inflation, and the annual health care cost trend rate of 7.5% initially, decreasing by 0.5% per year down to 6.5%, then by 0.1% per year down to 5.0% and level thereafter. Actuarial assumptions are based upon an experience study conducted in 2012 using Wisconsin Retirement System (WRS) experience from 2009-2011.

The long-term expected rate of return on OPEB 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017, (see discussion of the OPEB plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
AUL annuity contracts	3.50%

The discount rate used to measure the total OPEB liability was 3.50 percent as determined by the actuary based on a 20-year AA municipal bond rate as of the measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

School District of the Menomonee Area

Notes to Financial Statements

Note 9 District OPEB Plan and Benefits (Continued)

Defined Benefit Plan (Continued)

Changes in the net OPEB liability for the year ended June 30, 2017, are as follows:

Changes in Net OPEB Liability Year Ended June 30, 2017	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 11,906,181	\$ 1,232,319	\$ 10,673,862
Changes for the year:			
Service cost	230,205	-	230,205
Interest	407,445	-	407,445
Contributions - Employer	-	1,821,210	(1,821,210)
Net investment income	-	32,126	(32,126)
Benefit payments, including refunds of employee contributions	(797,098)	(797,098)	-
Retiree contributions	37,095	37,095	-
Net changes	(122,353)	1,093,333	(1,215,686)
Balances at June 30, 2017	\$ 11,783,828	\$ 2,325,652	\$ 9,458,176

The following presents the net OPEB liability of the District, calculated using the discount rate of 3.50 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
District's net OPEB liability	\$ 9,768,517	\$ 9,458,176	\$ 9,153,241

School District of the Menomonie Area

Notes to Financial Statements

Note 9 District OPEB Plan and Benefits (Continued)

Defined Benefit Plan (Continued)

The following presents the District's OPEB liability calculated using the healthcare cost trend rate of 7.5% decreasing to 5%, as well as what the District's OPEB liability would be if it were calculated using the healthcare cost trend rate that is 1-percentage-point lower (6.5% decreasing to 4.0%) or 1-percentage-point higher (8.5% decreasing to 6.0%) than the current rate:

	1% Decrease (6.5% decreasing to 4.0%)	Current (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 9,101,221	\$ 9,458,176	\$ 9,830,071

For the year ended June 30, 2017, the District recognized OPEB expense of \$605,524.

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 \$446,720 during the current year, and no contributions were made by employees. The plan is administered by National Insurance Services.

Note 10 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 2017.

School District of the Menomonie Area

Notes to Financial Statements

Note 10 Risk Management (Continued)

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, 2017, the aggregate claims limit was \$6,500,121.

At June 30, 2017, the District has recorded a \$961,958 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, 2017. This amount consists of accrued health insurance benefits for the current contract year of \$661,958 and outstanding claims, which were reported and unreported to the Plan Administrator of \$300,000. The amounts of reported and unreported claims for the District were estimated by the District.

	2017	2016
Unpaid claims at beginning of year	\$ 631,000	\$ 631,000
Current year claims	5,870,790	7,546,613
Claim payments	(6,201,790)	(7,546,613)
Unpaid claims at end of year	\$ 300,000	\$ 631,000

Note 11 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 \$192,159 of education services during the fiscal year.

School District of the Menomonic Area

Notes to Financial Statements

Note 12 Prior Year Restatement

As a result of the implementation of GASB Statement No. 74 and No. 75, the governmental activities beginning net position was restated as follows:

	Governmental Activities
Balance at July 1, 2016, as previously reported	\$ 27,405,908
Add back previously reported net OPEB obligation	3,785,419
Subtract beginning net OPEB liability	(10,673,862)
Balance at July 1, 2016, as restated	<u>\$ 20,517,465</u>

Required Supplementary Information

School District of the Menomonee Area

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2017

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local	\$ 13,544,421	\$ 13,544,421	\$ 13,553,782	\$ 9,361
Interdistrict	517,936	506,989	504,853	(2,136)
Intermediate	5,750	5,750	11,394	5,644
State	20,070,858	20,082,502	20,108,576	26,074
Federal	1,038,712	1,061,649	1,048,055	(13,594)
Other	149,875	269,849	289,318	19,469
Total revenues	35,327,552	35,471,160	35,515,978	44,818
Expenditures:				
Instruction:				
Regular instruction	16,321,576	16,275,550	16,258,459	17,091
Vocational instruction	1,017,440	1,017,440	908,329	109,111
Special instruction	407,829	407,829	289,669	118,160
Other instruction	1,610,035	1,639,537	1,537,163	102,374
Total instruction	19,356,880	19,340,356	18,993,620	346,736
Support services:				
Pupil services	920,512	893,174	881,034	12,140
Instructional staff services	1,180,832	920,421	844,155	76,266
General administration services	821,353	817,953	741,812	76,141
Building administration services	1,743,859	1,743,859	1,689,530	54,329
Business services	520,524	482,427	482,427	-
Operations and maintenance	3,421,737	3,494,784	3,494,783	1
Pupil transportation	1,864,993	1,755,419	1,755,419	-
Central services	1,002,024	1,012,000	1,011,982	18
Insurance	376,063	376,063	339,308	36,755
Debt service:				
Principal	225,366	225,366	225,366	-
Interest	5,634	5,634	5,634	-
Other support services	67,563	67,563	45,699	21,864
Total support services	12,150,460	11,794,663	11,517,149	277,514
Total expenditures	31,507,340	31,135,019	30,510,769	624,250

School District of the Menomonie Area

Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2017

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Excess of revenues over expenditures	\$ 3,820,212	\$ 4,336,141	\$ 5,005,209	\$ 669,068
Other financing sources (uses):				
Transfers out	(3,927,353)	(4,427,706)	(4,427,707)	(1)
Proceeds from sale of capital assets	12,507	12,507	5,879	(6,628)
Net other financing sources (uses)	(3,914,846)	(4,415,199)	(4,421,828)	(6,629)
Net change in fund balance	(94,634)	(79,058)	583,381	662,439
Fund balance - Beginning of year	10,744,158	10,744,158	10,744,158	-
Fund balance - End of year	\$ 10,649,524	\$ 10,665,100	\$ 11,327,539	\$ 662,439

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedule – General Fund.

School District of the Menomonee Area

Notes to the Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2017

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 the Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2017

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	\$ 35,515,978	\$ 2,199,660	\$ 321,650	\$ 38,037,288
Expenditures	(30,510,769)	(5,428,017)	(279,527)	(36,218,313)
Other financing sources (uses)	(4,421,828)	3,228,357	-	(1,193,471)
Net change in fund balance	\$ 583,381	\$ -	\$ 42,123	\$ 625,504

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, 2017 (And Prior Two Fiscal Years)

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

Last Three Fiscal Years

	2017	2016	2015
Measurement date	12/31/2016	12/31/2015	12/31/2014
District's proportion of the net pension liability (asset)	0.12907995%	0.13217146%	0.13384425%
District's proportionate share of the net pension liability (asset)	\$ 1,063,927	\$ 2,147,761	\$ (3,287,581)
District's covered-employee payroll during the measurement period	\$ 18,048,639	\$ 18,109,800	\$ 18,863,936
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.89%	11.86%	(17.43%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	98.20%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS)

Last Three Fiscal Years

	2017	2016	2015
Contractually required contribution for the fiscal period	\$ 1,219,784	\$ 1,207,716	\$ 1,254,486
Contributions in relation to the contractually required contribution	(1,219,784)	(1,207,716)	(1,254,486)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll for the fiscal period	\$ 18,146,500	\$ 18,082,820	\$ 18,234,773
Contributions as a percentage of covered-employee payroll	6.72%	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 Menomonee Area

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

Year Ended June 30, 2017 (And Prior Three Fiscal Years)

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 140,131	\$ 140,131	\$ 126,880	\$ 126,880
Interest	128,123	127,550	136,967	147,321
Differences between expected and actual experience	-	319,367	-	-
Changes of assumptions	35,523	(66,744)	-	-
Benefit payments, including refunds of member contributions	(415,683)	(540,688)	(530,238)	(513,369)
Net change in total pension liability	(111,906)	(20,384)	(266,391)	(239,168)
Total pension liability - Beginning	3,554,397	3,574,781	3,841,172	4,080,340
Total pension liability - Ending (a)	\$ 3,442,491	\$ 3,554,397	\$ 3,574,781	\$ 3,841,172
Plan fiduciary net position:				
Contributions - Employer	\$ 1,206,807	\$ 541,613	\$ 524,573	\$ 560,761
Net investment income	1,377	1,459	2,207	1,109
Benefit payments, including refunds of employee contributions	(415,683)	(540,688)	(530,238)	(564,554)
Net change in plan fiduciary net position	792,501	2,384	(3,458)	(2,684)
Plan fiduciary net position - Beginning	58,280	55,896	59,354	62,038
Plan fiduciary net position - Ending (b)	\$ 850,781	\$ 58,280	\$ 55,896	\$ 59,354
District's net pension liability - Ending (a) - (b)	\$ 2,591,710	\$ 3,496,117	\$ 3,518,885	\$ 3,781,818
Plan fiduciary net position as a percentage of the total pension	24.71%	1.64%	1.56%	1.55%
Covered-employee payroll	\$ 9,492,192	\$ 9,492,192	\$10,799,934	\$17,588,728
District's net pension liability as a percentage of covered-employee payroll	27.30%	36.83%	32.58%	21.50%

School District of the Menomonie Area

Schedule of Employer Contributions – District Pension Plan

Year Ended June 30, 2017 (And Prior Three Fiscal Years)

	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,509,903	\$ 382,539	\$ 380,365	\$ 380,365
Contributions in relation to the actuarially determined contribution	1,206,807	541,613	524,573	560,761
Contribution deficiency (excess)	\$ 303,096	\$ (159,074)	\$ (144,208)	\$ (180,396)
Covered-employee payroll	\$ 9,492,192	\$ 9,492,192	\$ 10,799,934	\$ 17,588,728
Contributions as a percentage of covered-employee payroll	12.71%	5.71%	4.86%	3.19%

School District of the Menomonie Area

Schedule of Investment Returns – District Pension Plan

Year Ended June 30, 2017 (And Prior Three Fiscal Years)

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.55%	1.30%	1.83%	1.82%

School District of the Menomonee Area

Notes to Required Supplementary Information – District Pension Plan

Year Ended June 30, 2017

Note 1 Valuation Date

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

Note 2 Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method:	Entry Age Normal
Amortization method:	Level dollar
Remaining amortization period:	3 years
Asset valuation method:	Market Value
Inflation:	2.50%
Salary increases:	3.00%
Investment rate of return:	3.50%
Retirement age:	Actuarial assumptions are based upon an experience study conducted in 2012 using Wisconsin Retirement System experience
Mortality:	Actuarial assumptions are based upon an experience study conducted in 2012 using Wisconsin Retirement System experience

Note 3 Changes in Benefits

There were no changes in benefits.

Note 4 Changes in Assumptions

As of the June 30, 2016, measurement date, the actuarial cost method was changed from unit credit to entry age normal. For the June 30, 2017, measurement date, the amortization period changed to 3 years from 25 years previously reported. For the June 30, 2016, measurement date, the amortization period changed to 25 years from 30 years previously reported.

School District of the Menomonie Area

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

Year Ended June 30, 2017

	2017
Measurement date	6/30/17
Total OPEB liability:	
Service cost	\$ 230,205
Interest	407,445
Employee contributions	37,095
Benefit payments including refunds of member contributions	(797,098)
Net change in total OPEB liability	(122,353)
Total OPEB liability - Beginning	11,906,181
Total OPEB liability - Ending (a)	\$ 11,783,828
Plan fiduciary net position:	
Contributions - Employer	\$ 1,821,210
Contributions - Employee	37,095
Benefit payments, including refunds of employee contributions	(797,098)
Net investment income	32,126
Net change in plan fiduciary net position	1,093,333
Plan fiduciary net position - Beginning	1,232,319
Plan fiduciary net position - Ending (b)	\$ 2,325,652
District's net OPEB liability - Ending (a) - (b)	\$ 9,458,176
Plan fiduciary net position as a percentage of the total OPEB liability	19.74%
Covered-employee payroll	\$ 7,800,467
District's net OPEB liability as a percentage of covered-employee payroll	121.25%

Notes to Schedule:

Benefit changes: There were no changes of benefit terms.

Changes of assumptions: There were no changes in assumptions.

School District of the Menomonie Area

Schedule of Employer Contributions – District OPEB Plan

Year Ended June 30, 2017

	2017
Actuarially determined contribution	\$ 1,878,080
Contributions in relation to the actuarially determined contribution	1,821,210
Contribution deficiency (excess)	\$ 56,870
Covered-employee payroll	\$ 7,800,467
Contributions as a percentage of covered-employee payroll	23.35%

Notes to Schedule:

Valuation date: July 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal, level percent of salary
Amortization method	Level dollar
Remaining amortization period	8 years
Asset valuation method	Market value
Inflation	3.00%
Health care trend rates	7.50% initial, decreasing 0.5% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter.
Salary increases	3.0%, average, including inflation
Investment rate of return	3.5%, net of pension plan investment expense
Trend and Retirement	All of the demographic assumptions used in this actuarial study are approximately the same as those used in the December 31, 2013, Wisconsin Retirement System (WRS) annual report.

School District of the Menomonie Area

Schedule of Investment Returns – District OPEB Plan

Year Ended June 30, 2017

	2017
Annual money-weighted rate of return, net of investment expense	1.97%

Supplementary Financial Information

School District of the Menomonic Area

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

Year Ended June 30, 2017

<i>Assets</i>	Balance 07/01/16	Receipts	Disbursements	Balance 6/30/17
Cash and investments	\$ 214,406	\$ 430,469	\$ 404,198	\$ 240,677
TOTAL ASSETS	\$ 214,406	\$ 430,469	\$ 404,198	\$ 240,677
<i>Liabilities</i>				
Due to student organizations:				
Oaklawn Elementary	\$ 935	\$ 2,357	\$ 2,191	\$ 1,101
River Heights Elementary	4,454	1,149	89	5,514
Knapp Elementary	1,336	1,020	1,060	1,296
Wakanda Elementary	4,871	5,871	6,138	4,604
Downsville Elementary	2,057	1,631	1,044	2,644
Middle school	39,593	84,189	82,169	41,613
High school	161,160	334,252	311,507	183,905
TOTAL LIABILITIES	\$ 214,406	\$ 430,469	\$ 404,198	\$ 240,677

School District of the Menomonie Area

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

	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	10.553	2017-173444-SB-546		
July 1, 2016 - June 30, 2017			\$ -	\$ 246,141
National School Lunch Program (Cash Assistance)	10.555	2017-173444-NSL-547		
July 1, 2016 - June 30, 2017			-	515,685
National School Lunch Program (Non-Cash Assistance)	10.555	2017-173444-NSL-547		
July 1, 2016 - June 30, 2017			-	100,102
National School Lunch Area Eligible Snack Program	10.555	2017-173444-NSL-Snacks-566		
July 1, 2016 - June 30, 2017			-	3,381
TOTAL 10.555				619,168
Special Milk Program for Children	10.556	2017-173444-SMP-548		
July 1, 2016 - June 30, 2017			-	1,088
Summer Food Service Program for Children	10.559	2017-173444-SFSP-586		
July 1, 2016 - June 30, 2017			-	86,871
TOTAL CHILD NUTRITION CLUSTER				953,268
National School Lunch Program Equipment	10.579	FY 17-173444-Equip-531		
July 1, 2016 - June 30, 2017			-	5,706
Fresh Fruit and Vegetable Program	10.582	2016-173444-FF&VP-594		
July 1, 2016 - June 30, 2017			-	1,268
Fresh Fruit and Vegetable Program	10.582	2017-173444-FF&V-376		
July 1, 2016 - June 30, 2017			-	14,605
TOTAL 10.582				15,873
TOTAL U.S. DEPARTMENT OF AGRICULTURE				974,847
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Wisconsin Department of Public Instruction				
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	84.027	2017-173444-IDEA-341		
July 1, 2016 - June 30, 2017			-	698,177
Special Education - Preschool Grants (IDEA Preschool)	84.173	17-173444-Pre-S-347		
July 1, 2016 - June 30, 2017			-	17,463
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				715,640

School District of the Menomonie Area

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2017

	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>					
Wisconsin Department of Public Instruction (Continued)					
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)					
July 1, 2016 - June 30, 2017	84.010	17-173444-Title I-141	\$ -	\$ 610,259	
Career and Technical Education - Basic Grants to States					
July 1, 2016 - June 30, 2017	84.048	2017-173444-CP-CTE-400	-	26,787	
Twenty-First Century Community Learning Centers					
July 1, 2016 - June 30, 2017	84.287	17-173444-367-CLC	-	40,357	
English Language Acquisition Grants					
July 1, 2016 - June 30, 2017	84.365	17-173444-Title III A-391	-	26,998	
Improving Teacher Quality State Grants					
July 1, 2016 - June 30, 2017	84.367	17-173444-Title II-365	-	161,463	
TOTAL U.S. DEPARTMENT OF EDUCATION				-	1,581,504
<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, 2016 - June 30, 2017	93.243	N/A	-	11,501	
Wisconsin Department of Public Instruction					
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance					
July 1, 2016 - June 30, 2017	93.079	2016-17-173444-WILY-334	-	6,271	
Pregnancy Assistance Fund Program					
July 1, 2016 - June 30, 2017	93.500	17-173444-InSPIRE-591	-	44,810	
CDC School Health Nutrition and Physical Activity Aid					
July 1, 2016 - June 30, 2017	93.548	N/A	-	1,773	
Wisconsin Department of Health Services					
Medicaid Cluster:					
Medical Assistance Program					
July 1, 2016 - June 30, 2017	93.778	N/A	-	296,771	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				-	361,126
TOTAL FEDERAL AWARDS			\$ -	\$ 2,917,477	

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, 2017

	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	255.101	173444-100		
District Programs			\$ -	\$ 1,181,701
Participant in Package Program at CESA #11			-	7,914
Total Special Education and School Age Parents Program				1,189,615
State School Lunch Aid	255.102	173444-107	-	14,759
Common School Fund Library Aid	255.103	173444-104	-	122,518
Bilingual/Bicultural Aid (LEA)	255.106	173444-111	-	22,835
Pupil Transportation	255.107	173444-102	-	107,159
General Equalization	255.201	173444-116	-	18,867,775
High Cost Special Education Aid	255.210	173444-119	-	13,691
Peer Review and Mentoring	255.301	173444-141	-	24,326
AODA Program Grants	255.321	173444-142	-	446
State Breakfast Program	255.344	173444-108	-	21,095
Tuition Payments by State	255.401	173444-157	-	7,697
Educator Effective Eval Sys Grants Public	255.940	173444-154	-	19,200
Per Pupil Aid	255.945	173444-113	-	831,000
Career and Technical Education Incentive Grants	255.950	173444-151	-	16,019
Assessments of Reading Readiness	255.956	173444-166	-	4,599
Aid for Special Ed Transition Grant BBL	255.960	173444-168	-	1,036
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION				21,263,770
<u>WISCONSIN DEPARTMENT OF REVENUE</u>				
Computer Aid	835.109	N/A	-	60,761
<u>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</u>				
Payment in Lieu of Taxes	370.503	N/A	-	24,240
<u>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</u>				
CESA #10				
Chippewa Valley Youth Apprenticeship	20.445(7)(b)	N/A		
July 1, 2016 - June 30, 2017			-	11,394
TOTAL STATE FINANCIAL ASSISTANCE			\$ -	\$ 21,360,165

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, 2017

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, 2017. 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

2016–2017 eligible costs under the State Special Education Program are \$4,698,881.

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 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 (2017-002).

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 (2017-001 and 2017-003).

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

November 29, 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, 2017. 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, 2017.

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

November 29, 2017
Eau Claire, Wisconsin

School District of the Menomonie Area

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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 Menomonie Area

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2017

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 *State of Wisconsin Single Audit Guidelines*? No

Identification of major state programs:

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

School District of the Menomonie Area

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2017

Section II – Financial Statement Findings

2017-001 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.

Management's Response – 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 Menomonie Area

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2017

Section II – Financial Statement Findings (Continued)

2017-002 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, 2017, 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.

Management's Response – 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, 2017

Section II – Financial Statement Findings (Continued)

2017-003 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.

Cause – The District does not have policies and procedures in place to ensure that all transactions are recorded in the general ledger prior to the audit.

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.

Management’s Response – 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, 2017

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	<u>Rob Ganschow</u> Robert Ganschow, CPA
Date	<u>November 29, 2017</u>

School District of the Menomonie Area

Schedule of Prior Year's Findings and Questioned Costs

Year Ended June 30, 2017

Financial Statement Findings

2016-001 Segregation of Duties – See finding 2017-001.

2016-002 Financial Accounting and Reporting – See finding 2017-002.

2016-003 Adjustments – See finding 2017-003.

Federal Award Findings and Questioned Costs

None.

State Findings and Questioned Costs

None.

November 29, 2017

Downsville Elementary
N2681 460th Street
PO Box 78
Downsville, WI 54735
(715) 664-8546

School District of the Menomonie Area
215 Pine Avenue NE
Menomonie, WI 54751

The School District of the Menomonie Area submits the following corrective action plans for the identified findings and questioned costs for the year ended June 30, 2017.

Finding 2017-001: Segregation of Duties

Knapp Elementary
110 South Street
Knapp, WI 54749
(715) 665-2131

Corrective Action Plan –

The District does not have the resources available to increase staff size and eliminate the 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.

Menomonie High School
1715 5th Street West
Menomonie, WI 54751
(715) 232-2606

Anticipated Completion Date –
Ongoing

Responsible Contact Person –
Leah Theder

Menomonie Middle School
920 21st Street South
Menomonie, WI 54751
(715) 232-1673

Finding 2017-002: Financial Accounting and Reporting

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.

Oaklawn Elementary
500 21st Street South
Menomonie, WI 54751
(715) 232-3798

Anticipated Completion Date –
Ongoing

Responsible Contact Person –
Leah Theder

River Heights Elementary
615 24th Avenue West
Menomonie, WI 54751
(715) 232-3987

Finding 2017-003: Adjustments

Corrective Action Plan –

The District does not have policies and procedures in place to ensure that all transactions are recorded in the general ledger prior to the audit. The District will review current year adjustments and continue working to reduce the number of adjusting journal entries proposed by the auditor.

Wakanda Elementary
1801 Wakanda Street NE
Menomonie, WI 54751
(715) 232-3898

Anticipated Completion Date –
Ongoing

Responsible Contact Person –
Leah Theder

Respectfully submitted,



Leah Theder, Director of Business Services