

SCHOOL DISTRICT OF PEWAUKEE
Pewaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2016

SCHOOL DISTRICT OF PEWAUKEE

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Pewaukee, Wisconsin, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Education
School District of Pewaukee

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Pewaukee, Wisconsin, as of June 30, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. These reporting standards limit the disclosure of condensed financial statements and other information in the management's discussion and analysis. Management has elected to include more information in the management's discussion and analysis than is required by these standards. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

To the Board of Education
School District of Pewaukee

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the School District of Pewaukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Pewaukee's internal control over financial reporting and compliance.

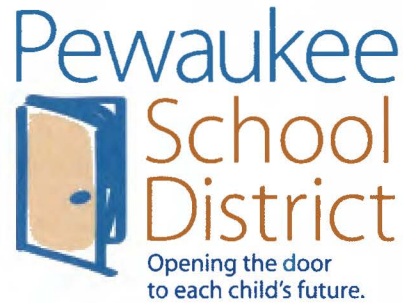
Baker Tilly Vinchow Krone, LLP

Milwaukee, Wisconsin
December 7, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2016

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

FINANCIAL HIGHLIGHTS

Review of Funds:

The General Fund (Fund 10) balance increased by \$528.02K from \$5.751M to \$6.280M. The fund balance is approximately 21.28% of General Fund expenditures. The original budget for 2015-16 was adopted with an expected surplus of approximately \$100,000. The budget surplus beyond this plan was primarily driven as a result of reducing the cost of personnel in the district and reductions in the cost of providing special education programming. Personnel costs account for nearly seventy-five percent of the overall operating budget.

Pewaukee School District served as the fiscal agent in the operations of the Waukesha Area Health Insurance Purchasing Cooperative. This group formed to create buying power for the smaller groups within individual districts generating premium savings for all members of the coop. Seven (7) districts participated in the initial offering. The members of the cooperative began their insurance coverage through United Health Care in September 2007 with their first renewal date on July 1, 2008. As of September 1, 2014 the membership in the Cooperative had grown to ten school districts. Through incentives built into the WCASC Wellness Plan the district was able to earn a three percent renewal premium discount.

Financial activity resulted in a decrease in fund balance in the Food Service Fund (Fund 50) of \$6,015. Expenditures of \$976,370 exceeded revenues of \$970,355, resulting in a total fund balance of \$198,922 at June 30, 2016. The reduction in fund balance was less than anticipated for the fiscal year as several steps were taken to improve the operational efficiency of the program while increasing participation.

Capital assets have been reported at \$66,730,538 and accumulated depreciation of \$22,580,752 for a net capital asset book value of \$44,149,786. The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$5,000. Independent physical inventories are conducted in spring on a every other year cycle with the most recent completed in the Spring of 2016. Capital assets were assigned to an expense function and annual and accumulated depreciation for each expense function has been incorporated into the financial statements.

The district has planned for the future costs associated with the upkeep and maintenance of the facilities. Preventative maintenance and life cycle replacement of equipment are addressed in the Long Range Capital Improvement Plan. This plan is revisited annually and presented to the Board of Education.

The resident student full-time equivalent (FTE) count, which is a major variable in the District's revenue limit calculation, increased by 58 students or 2.17% from September 2014 to September 2015. Pewaukee has experienced growth in our resident population through new developments in the community and residential turnover. The count increased from 2,611 full-time equivalent resident students to 2,669, full-time equivalent resident students. We anticipate that the rate of growth will slow in the near future as many of the developments are reaching the full build out stage.

Total revenues from Governmental Funds were \$35,582,794. This amount includes \$27,648,214 of local revenues, \$5,183,301 of state revenues, and \$2,751,279 from other sources. Local revenues represent 77.70% of all revenue. State revenues represent 14.57% of all revenue. Due to the position of the Pewaukee School District in the state aid distribution formula we experienced an increase in Equalization Aid in the 2015-16 fiscal year of 9.46% or \$316,410.

The District's overall financial status, as reflected in total net assets of \$29,044,387, reflecting the decrease in long-term liabilities as construction debt payments were made, offset by increases to the total asset base.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four parts:

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

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

District-wide Financial Statements

The *Statement of Net Position* and *Statement of Activities* provide information on a District-wide basis. These statements present an aggregate view of the District's finances. These statements contain useful long-term information as well as information for the 2015-16 fiscal year.

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Table 2 – Condensed Statement of Net Assets

	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>
<u>Assets</u>					
Current Assets	\$14,467,944	\$12,313,772	\$13,747,860	\$16,038,463	\$14,040,194
Non Current Assets	48,019,256	47,408,136	44,283,717	46,528,216	44,149,786
Total Assets	\$62,487,200	\$59,721,908	\$58,031,577	\$62,566,679	\$58,189,980
<u>Deferred Outflows of Resources</u>	\$0	\$0	\$0	\$2,622,345	\$9,639,668
<u>Liabilities</u>					
Current Liabilities	\$13,540,094	\$9,634,983	\$9,382,473	\$9,624,483	\$8,917,529
Non-Current Liabilities	31,382,929	29,278,154	27,732,537	27,359,221	26,122,574
Total Liabilities	\$44,923,023	\$38,913,137	\$37,115,010	\$36,983,704	\$35,040,103
<u>Deferred Inflows of Resources</u>	\$0	\$0	\$0	\$49,107	\$3,745,158
<u>Net Position</u>					
Net Investment in Capital Assets	\$16,596,193	\$18,372,341	\$17,215,768	\$18,394,094	\$19,885,525
Restricted	586,970	495,398	482,767	5,296,784	462,492
Unrestricted	381,014	1,941,032	3,642,457	4,465,335	8,696,370
Total Net Position	\$17,564,177	\$20,808,771	\$21,340,992	\$28,156,213	\$29,044,387

Statement of Net Position: (Table 2)

As of June 30, 2016, the District reported total assets of \$58.19M, total deferred outflows of resources of \$9.64M, total liabilities of \$35.04M and total deferred inflows of resources of \$3.76M. Net position amounts to \$29.04M. Fiscal Year 2015-16 is the fourteenth year the District has reported capital assets on the balance sheet. Capital asset reporting includes historical cost of sites, site improvements, buildings, building improvements, furniture and equipment (all net of accumulated depreciation).

Table 3
Statement of Activities

Revenues:		2012-13	2013-14	2014-15	2015-16
Program:	Charges for Services	2,568,752	2,688,351	2,679,556	2,662,525
	Operating Grants & Cont.	2,069,404	2,028,073	2,032,148	2,156,907
General:	Property & Other Taxes	26,076,493	27,304,663	25,941,868	26,504,690
	General State Aid	1,814,806	1,642,623	3,829,875	4,150,971
	Other	87,762	84,713	78,205	107,701
Total Revenue		\$32,617,217	\$33,748,423	\$34,561,652	\$35,582,794
Expenses:					
Instruction:	Regular	11,364,794	12,152,845	12,652,672	13,826,790
	Vocational	1,013,258	1,052,902	948,639	1,083,161
	Special Education	2,708,267	2,653,779	2,816,273	3,100,895
	Other Instruction	1,129,900	1,236,304	1,215,106	1,373,863
Support:	Pupil Services	1,050,876	1,048,615	1,089,816	1,131,898
	Instructional Support	1,395,382	1,862,722	1,937,087	2,058,112
	Administration	2,595,008	2,507,791	2,669,331	2,992,479
	Buildings & Grounds	3,022,020	4,176,909	2,851,418	2,969,093
	Pupil Transportation	1,169,994	1,192,277	1,282,030	1,235,990
	Other Support Services	1,628,170	2,202,503	2,256,745	2,071,205
	Interest and Fees	1,228,163	1,340,866	1,043,638	1,022,044
	Food Service	882,748	912,473	926,374	968,260
	Depreciation Unallocated	184,043	876,216	812,618	860,830
Total Expense		\$29,372,623	\$33,216,202	\$32,501,747	\$34,694,620
Change in Net Position		\$3,244,594	\$532,221	\$2,059,905	\$888,174

Revenues

- The District received \$35.58M in revenue for the 2015-16 fiscal year. Nearly seventy-five percent (74.49%) of the District's total revenue came from local school property tax and prior year tax charge backs. Eleven point six seven percent (11.67%) of the total came from general state aid. The District receives approximately fourteen percent (13.84%) in the form of specific use State Grants, Federal Aid, and direct fees for services and other revenues. The overall make-up of the sources of revenue did not vary significantly from the previous fiscal year.
- Individuals who directly participated or benefited from a program contributed \$2.66M of the cost. Book and activity fees, admissions to athletic events, lunch fees, open enrollment tuition, and building rental fees are included as charges for services.
- Federal and State governments subsidized certain programs with grants and contributions of \$2.16M. Special Education Aid and Transportation Aid are examples of operating grants and contributions.
- General Revenues in the form of property taxes accounted for \$26.50M and general state aid for \$4.15M. Charges for services and operating grants and contributions total \$4.82M.

Expenses

- The District's total expenditures were \$34.69M for fiscal year 2015-16. Sixty five percent (65.06%) of expenses were for direct instruction and instructional support services. Costs for teacher salaries/benefits, textbooks, and instructional supplies are examples of direct instruction and instructional services expenditures. Support services account for \$12.12M or thirty-six percent (34.94%) of total expenditures. These costs include administration, facility maintenance, pupil transportation, food service, central administration and risk management.
- The total cost of all governmental activities was \$34.69M.
- The net cost of governmental activities was \$29.88M. The net cost is the total cost less the program revenues. Refer to the Statement of Activities for the detailed adjustments made for the net cost.

Table #4 – Net Cost of Governmental Activities

	2013-14		2014-15		2015-16	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>
Regular Instruction	\$12,152,845	\$10,330,245	\$12,652,672	\$10,755,838	\$13,826,790	\$12,040,667
Vocational Instruction	1,052,902	1,051,534	948,639	944,377	1,083,161	1,079,783
Special Education	2,653,779	1,468,812	2,816,273	1,567,069	3,100,895	1,720,966
Other Instruction	1,236,304	1,053,851	1,215,106	1,062,401	1,373,863	1,196,941
Pupil Services	1,048,615	1,019,703	1,089,816	1,070,999	1,131,898	1,119,645
Instructional Support	1,862,722	1,514,639	1,937,087	1,674,170	2,058,112	1,764,318
Administration	2,507,791	2,484,751	2,669,331	2,652,289	2,992,479	2,981,855
Buildings and Grounds	4,176,909	4,137,832	2,851,418	2,801,659	2,969,093	2,892,965
Pupil Transportation	1,192,277	1,086,326	1,282,030	1,182,093	1,235,990	1,129,963
Other Support Services	2,202,503	2,199,040	2,256,745	2,242,044	2,071,205	2,067,100
Interest and Fees	1,340,866	1,340,866	1,043,638	1,043,638	1,022,044	1,022,044
Food Service	912,473	-64,037	926,374	-19,152	968,260	-1,889
Depreciation Unallocated	876,216	876,216	812,618	812,618	860,830	860,830
Total	\$33,216,202	\$28,499,778	\$32,501,747	\$27,790,043	\$34,694,620	\$29,875,188

General Fund Budgetary Comparison:

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

- General Fund (Fund 10) was originally approved with an expected surplus of \$100,000. The final fiscal year operations resulted in a General Fund surplus of \$528,021. This surplus was the result of reduced expenditures in both the General Fund and the Special Education Fund related primarily to personnel costs in the amount of \$429,886 and revenues that came in under budget in the General Fund budget by \$1,865 in addition to the planned \$100,000 surplus.

Fund Balances:

- The District shows a total for all fund balances of \$8,076,773 as of June 30, 2016. (See Note III-H. in the financial statements for the detail of total governmental fund balances.)
- \$6.28M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations. The interest earned on investment of these funds provides additional spending capacity. The Fund 10 balance is approximately 21.28% of General Fund operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating, and allows the District to respond to non-recurring economic needs.
- \$781K is in the Debt Service Fund (Fund 30), which is reserved to make the September interest payment on long-term debt.
- \$199K is in the Food Service Fund (Fund 50), which is used to fund capital equipment needs.
- \$120K is in the Gift Fund (Fund 21), which represents donations to the District to be spent for a specific purpose.
- \$697K is in the Capital Projects Fund and will be used to complete projects which have been identified in the Long Range Capital Improvement Fund.

Governmental Activities:

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

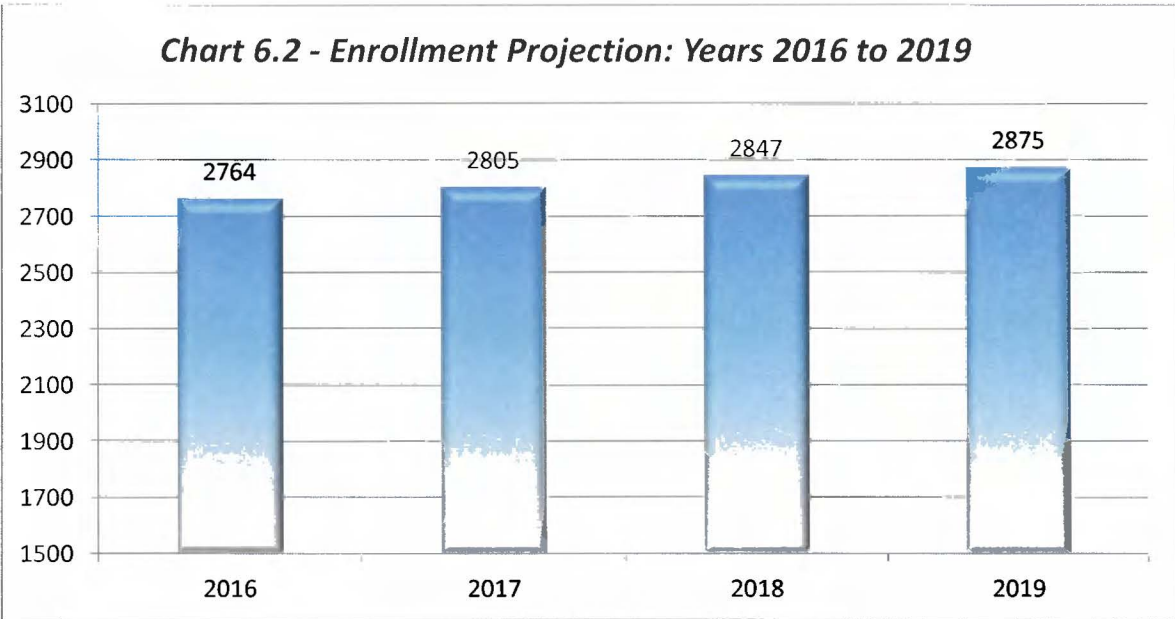
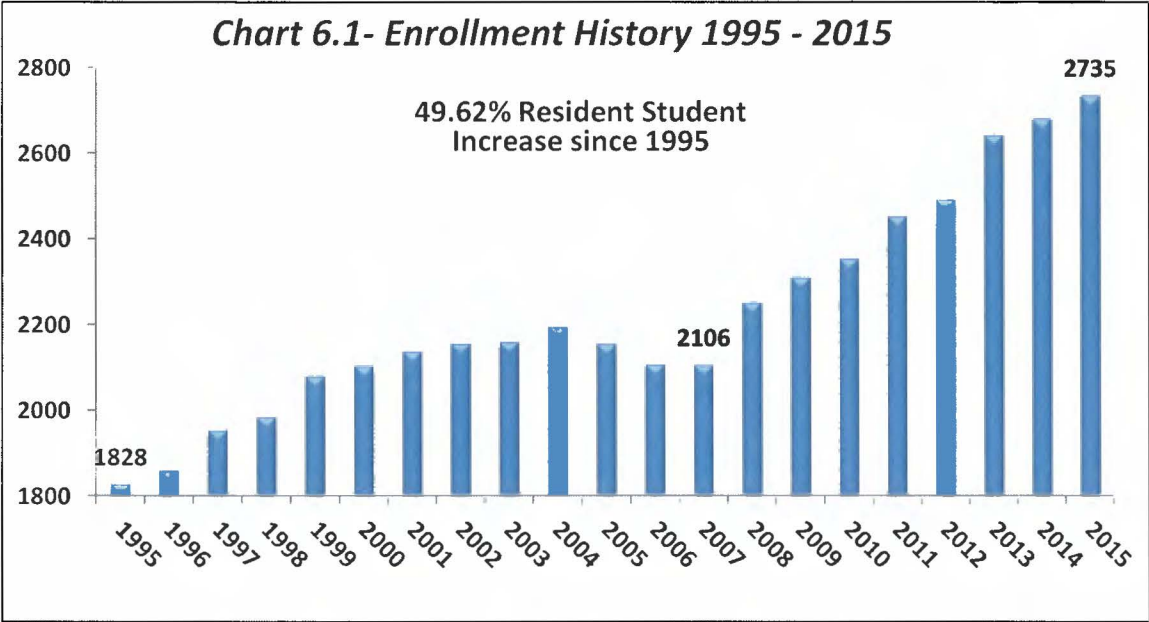
- It has been the goal of the Board of Education to implement ongoing capital improvement projects in all the buildings of the District. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to insure that the physical plants in the District are kept in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

Staffing Table

	2011-12	2012-13	2013-14	2014-15	2015-16	Change
Teachers	163.76	164.25	170.46	177.05	182.90	5.85
Administrators	10.00	12.00	12.00	12.00	13.00	1.00
Aides	25.84	23.43	27.41	28.63	29.64	1.01
Custodians	19.82	18.94	18.13	18.84	18.60	-0.24
Secretaries	10.12	12.08	11.56	11.69	12.38	0.69
Technology Staff	5.00	5.00	5.00	5.00	5.38	0.38
Psych/Social Emotional Support	2.0	2.0	2.0	2.0	2.0	0.00
District Assistants/Support	10.60	10.60	15.44	15.44	17.18	1.74

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

Open Enrollment is utilized by the district to provide additional revenue for investment into the educational programs of the district while offsetting the fixed cost of operations. The Pewaukee School District experienced a net revenue (difference between incoming and outgoing students) of \$867K in the General Fund.



Capital Asset and Debt Administration

Capital Assets

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

Long Term Debt

- As of June 30, 2016 the District had \$28.76M in long-term obligations, which includes promissory notes, general obligation bonds, and accrued compensated absences (Note III-F in the Financial Statements details the long-term obligations).

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

Decisions that Will Impact the Future of the District

- One of the most important variables in the District's financial future is controlling the cost of health insurance for its employees. If these rates continue, the cost of health benefits will have a detrimental impact on the instructional services of the District. District administration has been implementing various employee cost-sharing and cost-saving measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge. Through the continuous improvement efforts of the district, there has been a robust wellness program developed and implemented within the district.
- It is important that the District continues to be able to complete capital improvement projects. The unique campus setting of the Pewaukee School District is an important asset which helps attract and retain students and staff. It is one of the Board of Education's strategic goals and an annual budget priority to continue to upgrade and maintain the physical plants of the District. Space for the growing resident population will be monitored closely. Planning for meeting the facility needs of the future is reviewed in ten year increments to ensure that the educational environment is appropriate to meet the needs of the next generation of learners.
- The District enjoys a positive impact from the Public School Open Enrollment Program, with approximately 88 students leaving the District and 227 students entering the District. This produces a revenue gain of approximately \$867K per year.
- Pewaukee School District continues to benefit from very strong growth in the local tax base and increases in residential construction. These trends should have a beneficial effect upon District finances for the next 2-3 years. The commercial tax base will also increase due to the addition of retail developments in the Village of Pewaukee.

Contacting the District's Financial Management:

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

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

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BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF NET POSITION

As of June 30, 2016

ASSETS

CURRENT ASSETS

Cash and investments	\$	6,155,437
Taxes receivable		6,909,787
Due from other governments		663,654
Due from student activity fund		3,701
Accounts receivable		8,357
Prepaid items		<u>299,258</u>
Total Current Assets		<u>14,040,194</u>

NONCURRENT ASSETS

Capital Assets		
Land		1,449,282
Other capital assets		65,281,256
Less: Accumulated depreciation		<u>(22,580,752)</u>
Net Capital Assets		<u>44,149,786</u>
Total Noncurrent Assets		<u>44,149,786</u>
Total Assets		<u>58,189,980</u>

DEFERRED OUTFLOW OF RESOURCES

Unamortized loss on refunding		288,609
Deferred outflows related to pensions		<u>9,351,059</u>
Total Deferred Outflows of Resources		<u>9,639,668</u>

LIABILITIES

CURRENT LIABILITIES

Short-term debt		5,500,000
Accounts payable and accrued expenses		781,855
Current portion of long-term obligations		<u>2,635,674</u>
Total Current Liabilities		<u>8,917,529</u>

NONCURRENT LIABILITIES

Noncurrent portion of long-term obligations		<u>26,122,574</u>
Total Liabilities		<u>35,040,103</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflows related to pensions		<u>3,745,158</u>
--------------------------------------	--	------------------

NET POSITION

Net investment in capital assets		19,885,525
Restricted for debt service		462,492
Unrestricted		<u>8,696,370</u>
Total Net Position	\$	<u>29,044,387</u>

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 13,826,790	\$ 1,685,426	\$ 100,697	\$ (12,040,667)
Special education	3,100,895	-	1,379,929	(1,720,966)
Vocational	1,083,161	-	3,378	(1,079,783)
Other	1,373,863	176,922	-	(1,196,941)
Total Instruction	19,384,709	1,862,348	1,484,004	(16,038,357)
Support Services				
Pupil services	1,131,898	-	12,253	(1,119,645)
Instructional support services	2,058,112	-	293,794	(1,764,318)
Administration	2,992,479	1,796	8,828	(2,981,855)
Buildings and grounds	2,969,093	76,128	-	(2,892,965)
Pupil transportation	1,235,990	-	106,027	(1,129,963)
Other support services	2,071,205	2,830	1,275	(2,067,100)
Interest and fees	1,022,044	-	-	(1,022,044)
Food service	968,260	719,423	250,726	1,889
Total Support Services	14,449,081	800,177	672,903	(12,976,001)
Depreciation - unallocated *	860,830	-	-	(860,830)
Total Activities	\$ 34,694,620	\$ 2,662,525	\$ 2,156,907	(29,875,188)
General Revenues				
Taxes				
Property taxes:				
General purposes				23,561,651
Debt service				2,943,039
State and federal aids not restricted to specific functions				
General				4,058,201
Other				92,770
Investment Income				10,875
Miscellaneous				96,826
Total General Revenues				30,763,362
Change in Net Position				888,174
NET POSITION - BEGINNING OF YEAR				28,156,213
NET POSITION - END OF YEAR				\$ 29,044,387

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

SCHOOL DISTRICT OF PEWAUKEE

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2016

	General Fund	Special Education Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and investments	\$ 4,446,590	\$ -	\$ 680,926	\$ 697,005	\$ 330,916	\$ 6,155,437
Taxes receivable	6,909,787	-	-	-	-	6,909,787
Due from other funds	36,836	-	100,000	-	-	136,836
Due from other governments	579,551	84,103	-	-	-	663,654
Accounts receivable	8,357	-	-	-	-	8,357
Prepaid items	299,147	-	-	-	111	299,258
TOTAL ASSETS	\$ 12,280,268	\$ 84,103	\$ 780,926	\$ 697,005	\$ 331,027	\$ 14,173,329
LIABILITIES AND FUND BALANCES						
Liabilities						
Short-term notes payable	\$ 5,500,000	\$ -	\$ -	\$ -	\$ -	\$ 5,500,000
Accounts payable	32,610	3,685	-	-	9,679	45,974
Accrued payroll and related liabilities	324,631	47,283	-	-	2,155	374,069
Accrued interest payable	43,378	-	-	-	-	43,378
Due to other funds	100,000	33,135	-	-	-	133,135
Total Liabilities	<u>6,000,619</u>	<u>84,103</u>	<u>-</u>	<u>-</u>	<u>11,834</u>	<u>6,096,556</u>
Fund Balances						
Nonspendable	299,147	-	-	-	111	299,258
Restricted	-	-	780,926	38,729	-	819,655
Committed	-	-	-	658,276	319,082	977,358
Unassigned	5,980,502	-	-	-	-	5,980,502
Total Fund Balances	<u>6,279,649</u>	<u>-</u>	<u>780,926</u>	<u>697,005</u>	<u>319,193</u>	<u>8,076,773</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,280,268	\$ 84,103	\$ 780,926	\$ 697,005	\$ 331,027	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. See Note III.D.						44,149,786
Unamortized losses on refundings are deferred outflows of resources and therefore are not reported in the funds.						288,609
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.						9,351,059
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.						(3,745,158)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.						(318,434)
Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds. See Note III.F.						<u>(28,758,248)</u>
NET POSITION						<u>\$ 29,044,387</u>

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Special Education Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local	\$ 23,456,682	\$ -	\$ 3,140,751	\$ 301,133	\$ 749,648	\$ 27,648,214
Interdistrict	1,459,191	36,126	-	-	1,796	1,497,113
Intermediate	8,884	-	-	-	-	8,884
State	4,363,571	809,939	-	-	9,791	5,183,301
Federal	254,867	583,767	-	-	240,935	1,079,569
Other	116,376	-	-	47,862	1,475	165,713
Total Revenues	<u>29,659,571</u>	<u>1,429,832</u>	<u>3,140,751</u>	<u>348,995</u>	<u>1,003,645</u>	<u>35,582,794</u>
EXPENDITURES						
Instruction						
Regular	12,077,973	-	-	-	2,366	12,080,339
Special education	127,405	2,519,646	-	-	-	2,647,051
Vocational	1,075,412	887	-	-	-	1,076,299
Other	1,249,772	-	-	-	-	1,249,772
Total instruction	<u>14,530,562</u>	<u>2,520,533</u>	<u>-</u>	<u>-</u>	<u>2,366</u>	<u>17,053,461</u>
Support Services						
Pupil services	725,618	377,952	-	-	-	1,103,570
Instructional support services	1,718,637	276,788	-	-	-	1,995,425
Administration	2,727,139	2,640	-	-	-	2,729,779
Buildings and grounds	2,869,032	-	-	1,969,539	26,208	4,864,779
Pupil transportation	1,002,474	233,516	-	-	-	1,235,990
Other support services	2,033,680	-	-	-	1,996	2,035,676
Debt service						
Principal retirement	385,463	-	2,526,000	-	-	2,911,463
Interest and fiscal charges	61,006	-	1,035,305	-	-	1,096,311
Food service	-	-	-	-	950,162	950,162
Total support services	<u>11,523,049</u>	<u>890,896</u>	<u>3,561,305</u>	<u>1,969,539</u>	<u>978,366</u>	<u>18,923,155</u>
Non Program	701,166	375,039	-	-	-	1,076,205
Total Expenditures	<u>26,754,777</u>	<u>3,786,468</u>	<u>3,561,305</u>	<u>1,969,539</u>	<u>980,732</u>	<u>37,052,821</u>
Excess (deficiency) of revenues over expenditures	2,904,794	(2,356,636)	(420,554)	(1,620,544)	22,913	(1,470,027)
OTHER FINANCING SOURCES (USES)						
Capital lease issued	380,063	-	-	-	-	380,063
Transfers in	-	2,356,636	400,000	-	200	2,756,836
Transfers out	(2,756,836)	-	-	-	-	(2,756,836)
Net Change in Fund Balances	528,021	-	(20,554)	(1,620,544)	23,113	(1,089,964)
FUND BALANCES - BEGINNING OF YEAR	<u>5,751,628</u>	<u>-</u>	<u>801,480</u>	<u>2,317,549</u>	<u>296,080</u>	<u>9,166,737</u>
FUND BALANCES - END OF YEAR	<u>\$ 6,279,649</u>	<u>\$ -</u>	<u>\$ 780,926</u>	<u>\$ 697,005</u>	<u>\$ 319,193</u>	<u>\$ 8,076,773</u>

SCHOOL DISTRICT OF PEWAUKEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (1,089,964)

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

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the district-wide financial statements	2,040,861	
Depreciation expense reported in the statement of activities	(1,793,555)	
Net book value of assets retired	<u>(6,722)</u>	240,584

Bond proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement
of net position. Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities in the
statement of net position.

Debt paid	2,911,463
Debt issued	(380,063)

Governmental funds report debt premiums and discounts as other
financing sources (uses). However, in the statement of net position, these are deferred
and reported as other assets or as deductions from long-term debt. These are
allocated over the period the debt is outstanding in the statement of activities and
are reported as amortization expense.

Net amortization of debt premiums and refunding losses	52,268
--	--------

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

Compensated absences	13,358
Accrued interest on debt	21,998
Change in other post-employment benefit and pension obligation	109,955
Net pension liability	(4,380,605)
Deferred outflows of resources related to pensions	7,085,231
Deferred inflows of resources related to pensions	<u>(3,696,051)</u>

CHANGE IN NET POSITION \$ 888,174

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS As of June 30, 2016

	Employee Benefit Trust Fund	Agency Fund
	<u>Post-Retirement Health Benefits</u>	<u>Fund</u>
ASSETS		
Cash and investments	\$ 406,299	\$ 342,452
LIABILITIES		
Due to other funds	\$ -	\$ 3,701
Due to student groups	-	338,751
Total liabilities	-	\$ 342,452
NET POSITION - Held in trust for employee benefits	<u>406,299</u>	
Total liabilities and net position	<u>\$ 406,299</u>	

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2016

	Employee Benefit Trust Fund
	<u>Post-Retirement Health Benefits</u>
ADDITIONS	
District contributions	\$ 500,000
Member contributions	25,917
Interest	<u>1,154</u>
Total additions	527,071
DEDUCTIONS	
Benefits paid	<u>541,174</u>
Change in Net Position	(14,103)
NET POSITION - BEGINNING OF YEAR	<u>420,402</u>
NET POSITION - END OF YEAR	<u>\$ 406,299</u>

SCHOOL DISTRICT OF PEWAUKEE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

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SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

District-Wide Financial Statements

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

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

Fund Financial Statements

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

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

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

Fund Financial Statements (cont.)

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

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

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

The District reports the following major governmental funds:

General Fund - accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Special Education Fund - Special Revenue Fund - used to account for and report grants and local revenues used to provide special education services to district students.

Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

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

The District reports the following nonmajor governmental funds:

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

Food Service Fund
Trust Fund
Package Cooperative Program Fund

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

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

Fund Financial Statements (cont.)

In addition, the District reports the following fund types:

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

Post Retirement Health Benefits Fund

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

Pupil Activity Fund

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

District-Wide Financial Statements

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

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

Fund Financial Statements

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

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

Fund Financial Statements (cont.)

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

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

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

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

All Financial Statements

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

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

1. Deposits and Investments

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

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

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

1. Deposits and Investments (cont.)

- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

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

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

No policy exists for the following risks:

- Credit risk
- Custodial credit risk

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2016, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

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

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

2. Receivables

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

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

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

Property tax calendar - 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due	July 31, 2016

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

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

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

3. Prepaid Items

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

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

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

4. Capital Assets

District-Wide Statements

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

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

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

Fund Financial Statements

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

5. Deferred Outflows of Resources

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

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

6. Compensated Absences

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

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

6. Compensated Absences (cont.)

The District does allow certain non-teacher employees to accumulate sick pay benefits. If an employee attains 10 years of service, these benefits vest and are payable upon retirement or termination at 1/3 of the total accumulated benefits with a maximum pay-out of 22.5 days.

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

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

7. Long-Term Obligations

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

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

For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in the statement of net position.

8. Deferred Inflows of Resources

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

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

9. Equity Classifications

District-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District's Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District's Board of Education that originally created the commitment.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

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

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

9. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Assistant Superintendent to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

See Note III. H. for further information.

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

10. Pension

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Special Revenue Fund - Food Service Fund	\$ 948,531	\$ 976,370	\$ 27,839
Debt Service	3,558,879	3,561,305	2,426

The District controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

B. LIMITATIONS ON THE DISTRICT REVENUES

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

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

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

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 2,564,226	\$ 2,866,419	Custodial credit risk
LGIP	4,338,042	4,338,042	Credit risk
Athletic cash box funds	1,400	-	N/A
Petty cash	520	-	N/A
 Total Deposits and Investments	 \$ 6,904,188	 \$ 7,204,461	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 6,155,437		
Per statement of net position - fiduciary funds			
Employee Benefit Trust Fund	406,299		
Agency Fund	342,452		
 Total Deposits and Investments	 \$ 6,904,188		

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

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

The District maintains collateral agreements with its banks. At June 30, 2016, the banks had pledged various government securities in the amount of \$2,378,806 to secure the District's deposits.

Custodial Credit Risk

Deposits

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of June 30, 2016, \$237,613 of the District's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>237,613</u>
Total	\$ <u><u>237,613</u></u>

Investments

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

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

Credit Risk

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

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

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

B. RECEIVABLES

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,449,282	\$ -	\$ -	\$ 1,449,282
Construction in progress	1,318,273	-	1,318,273	-
Total Capital Assets Not Being Depreciated	2,767,555	-	1,318,273	1,449,282
Capital assets being depreciated				
Buildings	56,427,336	3,273,076	-	59,700,412
Land improvements	4,398,306	-	-	4,398,306
Furniture, equipment & vehicles	1,162,214	86,058	65,734	1,182,538
Total Capital Assets Being Depreciated	61,987,856	3,359,134	65,734	65,281,256
Total Capital Assets	64,755,411	3,359,134	1,384,007	66,730,538
Less: Accumulated depreciation for				
Buildings	(17,997,144)	(1,553,982)	-	(19,551,126)
Land improvements	(1,977,938)	(185,424)	-	(2,163,362)
Furniture, equipment & vehicles	(871,127)	(54,149)	59,012	(866,264)
Total Accumulated Depreciation	(20,846,209)	(1,793,555)	59,012	(22,580,752)
Net Capital Assets Being Depreciated	41,141,647	1,565,579	6,722	42,700,504
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 43,909,202	\$ 1,565,579	\$ 1,324,995	\$ 44,149,786

Depreciation expense was charged to functions as follows:

Instruction	
Regular instruction	\$ 760,442
Vocational	5,819
Other	83,759
Support Services	
Building and grounds	62,289
Food service	3,944
Other support services	16,472
Unallocated	860,830
Total Governmental Activities Depreciation Expense	\$ 1,793,555

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Education Fund	\$ 33,135
General Fund	Student Activity Fund	3,701
Debt Service	General Fund	<u>100,000</u>
Total - Fund Financial Statements		136,836
Less: Fund eliminations		<u>(133,135)</u>
Total Internal Balances - District-Wide Statement of Net Position		<u>\$ 3,701</u>

All amounts are due within one year.

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

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Special Education Fund	General Fund	\$ 2,356,636	Operating subsidy
Package Cooperative Program Fund	General Fund	200	Expenses for consulting/legal for health insurance consortium
Debt Service	General Fund	<u>400,000</u>	Fund debt service payments
Total - Fund Financial Statements		2,756,836	
Less: Fund eliminations		<u>(2,756,836)</u>	
Total Transfers - District-wide Financial Statements		<u>\$ -</u>	

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers (cont.)

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

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

For the statement of activities, interfund transfers within the governmental activities are netted and eliminated.

E. SHORT-TERM DEBT ACTIVITY

The District issues tax and revenue anticipation notes in advance of property tax collections. The fiscal year begins July 1, but tax collections from the municipalities are received beginning the following January.

Short-term debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Note	\$ 6,000,000	\$ 5,500,000	\$ 6,000,000	\$ 5,500,000
Totals	\$ 6,000,000	\$ 5,500,000	\$ 6,000,000	\$ 5,500,000

The current tax and revenue anticipating note is due September 27, 2016 and has an interest rate of 1.00% Total short-term interest expended during the year was \$42,427.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 26,475,000	\$ -	\$ 2,526,000	\$ 23,949,000	\$ 2,326,000
(Discounts)/Premiums	762,776	-	120,177	642,599	-
Sub-totals	27,237,776	-	2,646,177	24,591,599	2,326,000
Other Liabilities					
Vested compensated absences	108,026	-	13,358	94,668	-
Capital leases	604,382	380,064	385,463	598,983	309,674
Net OPEB obligation	1,375,909	383,695	484,667	1,274,937	-
Net pension obligation - single employer	445,453	6,350	15,333	436,470	-
Net pension liability (asset) - WRS	(2,619,014)	4,380,605	-	1,761,591	-
Total Other Liabilities	(85,244)	5,150,714	898,821	4,166,649	309,674
Total Governmental Activities Long-Term Liabilities	\$ 27,152,532	\$ 5,150,714	\$ 3,544,998	\$ 28,758,248	\$ 2,635,674

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2016, was \$248,227,326. Total general obligation debt outstanding at year end was \$23,949,000.

General Obligation Debt

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2016
General Obligation Debt	7/1/05	3/1/21	5-5.25%	\$ 13,945,000	\$ 7,845,000
General Obligation QSCP Notes	11/16/09	9/15/19	0%	500,000	224,000
General Obligation Promissory Notes	4/8/10	3/1/19	2-3.75%	1,515,000	465,000
General Obligation Debt Refunding Bonds	7/6/11	3/1/31	4%	10,000,000	10,000,000
General Obligation Debt Refunding Bonds	11/14/11	3/1/24	3%	2,425,000	2,425,000
General Obligation Promissory Notes	3/5/12	3/1/2	1.5-2%	4,025,000	1,320,000
General Obligation Promissory Notes	4/15/15	3/1/24	2.1%	2,200,000	<u>1,670,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 23,949,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2017	\$ 2,326,000	\$ 946,895
2018	2,226,000	862,420
2019	1,956,000	768,090
2020	2,061,000	678,900
2021	2,090,000	830,328
2022-2026	6,370,000	2,059,480
2027-2031	<u>6,920,000</u>	<u>855,800</u>
Totals	<u>\$ 23,949,000</u>	<u>\$ 7,001,913</u>

Capital Leases

Refer to Note III. G.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

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

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

In September 2012, September 2013, August 2014, and September 2015 the district acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$1,227,726, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of June 30, 2016, are as follows:

<u>Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 309,674	\$ 16,398	\$ 326,072
2018	208,154	8,002	216,156
2019	81,155	2,088	83,243
Totals	\$ 598,983	\$ 26,488	\$ 625,471

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

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

H. NET POSITION/FUND BALANCES

Net position reported on the district-wide statement of net position at June 30, 2016, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 1,449,282
Other capital assets, net of accumulated depreciation	42,700,504
Less: Long-term debt outstanding	(23,949,000)
Plus: Unspent capital related debt proceeds	38,729
Plus: Unamortized loss on refunding	288,609
Less: Unamortized debt premium	<u>(642,599)</u>
Total Net Investment in Capital Assets	<u>19,885,525</u>
Restricted	
Debt Service Fund	<u>462,492</u>
Total Restricted	<u>462,492</u>
Unrestricted	
	<u>8,696,370</u>
Total Governmental Activities Net Position	<u>\$ 29,044,387</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2016, include the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Prepaid items	\$ 299,147	\$ -	\$ -	\$ 111	\$ 299,258
Restricted for:					
Debt Service	-	780,926	-	-	780,926
Capital Projects	-	-	38,729	-	38,729
Committed to:					
Capital Projects	-	-	658,276	-	658,276
Food Service	-	-	-	198,811	198,811
Track and field improvements	-	-	-	120,271	120,271
Unassigned (deficit):	<u>5,980,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,980,502</u>
Total Fund Balances (Deficit)	<u>\$ 6,279,649</u>	<u>\$ 780,926</u>	<u>\$ 697,005</u>	<u>\$ 319,193</u>	<u>\$ 8,076,773</u>

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

During the reporting period, the WRS recognized \$1,065,280 in contributions from the district.

Contribution rates as of June 30, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.67%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

At June 30, 2016, the District reported a liability of \$1,761,591 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.10840687%, which was an increase of 0.00178137% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,083,081.

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 293,115	\$ 3,707,237
Changes in assumptions	1,232,485	-
Net differences between projected and actual earnings on pension plan investments	7,196,558	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	37,921
Employer contributions subsequent to the measurement date	628,901	-
Total	\$ 9,351,059	\$ 3,745,158

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

\$628,901 reported as deferred outflows related to pension 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2017	\$ 2,263,266	\$ 908,356
2018	2,263,266	908,356
2019	2,263,266	908,356
2020	1,892,931	901,483
2021	39,429	118,607
Thereafter	-	-

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

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core fund	107	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 PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	<u>\$12,355,830</u>	<u>\$1,761,591</u>	<u>\$6,512,699</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://elf.wi.gov/publications/cafr.htm>.

At June 30, 2016, the district reported a payable to the pension plan of \$352,273, which represents contractually required contributions outstanding as of the end of the year.

The District administers a single-employer defined benefit pension plan ("the plan"). The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments (COLAs) to plan members and beneficiaries. Benefit provisions are established through collective bargaining agreements. The plan issues a publicly available financial report that includes financial statements and required supplementary information (RSI) for the plan. That report may be obtained by writing or calling the plan.

The contribution requirements of plan members and the District are established and may be amended by the District. Plan members are required to contribute - percent of their annual covered salary. The District is required to contribute at an actuarially determined rate; the current rate is - percent of annual covered payroll.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The District's annual pension cost and net pension obligation to the plan for the current year were as follows:

Annual required contribution	\$	48,442
Interest on net pension obligation		17,818
Adjustment to annual required contribution		<u>(59,910)</u>
Annual pension cost		6,350
Contributions made		<u>(15,333)</u>
Change in net pension obligation		(8,983)
Net Pension Obligation - Beginning of Year		<u>445,453</u>
Net Pension Obligation - End of Year	\$	<u><u>436,470</u></u>

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for June 30, 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2014	\$ 139,592	0%	\$ 446,901
June 30, 2015	11,219	0%	445,453
June 30, 2016	6,350	0%	436,470

The funded status of the plan as of July 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	305,111
Actuarial value of plan assets		<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u><u>305,111</u></u>
Funded ratio (actuarial value of plan assets/AAL)		-%
Covered payroll (active plan members)	\$	13,608,518
UAAL as a percentage of covered payroll		2%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return and projected salary increases of 3.0 percent per year. Both rates include a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at June 30, 2016, was 10 years.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

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

D. OTHER POSTEMPLOYMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan. The plan provides health insurance plans for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through employment policies approved by the Board of Education. The Retiree Health Plan does not issue a publicly available financial report.

Summary of Significant Accounting Policies

Basis of Accounting. The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Method Used to Value Investments. Investments are reported at fair value, which is determined by the mean of the most recent bid and asked provides as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian under the direction of the plan board of trustees, with the assistance of a valuation service.

Plan Contribution Information

Member of the plan consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	\$	23
Terminated plan members entitled to but not yet receiving benefits		-
Active plan members		<u>229</u>
 Total	 \$	 <u>252</u>
 Number of participating employers		 1

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the District and the union. Administrative costs of the plan are finance through investment earnings.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	407,656
Interest on net OPEB obligation		61,916
Adjustment to annual required contribution		<u>(85,877)</u>
 Annual OPEB cost		 383,695
Contributions made		<u>(484,667)</u>
Decrease in net OPEB obligation		(100,972)
 Net OPEB Obligation - Beginning of Year		 <u>1,375,909</u>
 Net OPEB Obligation - End of Year	 \$	 <u>1,274,937</u>

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 471,254	170 %	\$ 1,724,231
June 30, 2015	379,393	192 %	1,375,909
June 30, 2016	383,695	126 %	1,274,937

The funded status of the plan as of July 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 3,565,295
Actuarial value of plan assets	<u>405,490</u>
 Unfunded Actuarial Accrued Liability (UAAL)	 <u><u>\$ 3,159,805</u></u>
 Funded ratio (actuarial value of plan assets/AAL)	 11.37%
 Covered payroll (active plan members)	 \$ 13,608,518
 UAAL as a percentage of covered payroll	 23%

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

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2016

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 4.50% investment rate of return and an annual healthcare cost trend rate of 7.50% initially, reduced by decrements to an ultimate rate of 5.00% after 17 years. Both rates include a 3.00% inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at June 30, 2016, was 30 years.

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

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

- > *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 77, Tax Abatement Disclosures*
- > *Statement No. 78, Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*
- > *Statement No. 79, Certain External Investment Pools and Pool Participants*
- > *Statement No. 80, Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*
- > *Statement No. 81, Irrevocable Split Interest Agreements*
- > *Statement No. 82, Pension Issues, an amendment of GASB Statements No. 67, No. 68 and No. 73*

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF PEWAUKEE

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

For the Year Ended June 30, 2016

	Original Budget Amounts	Final Budget Amounts	Actual	Variance with Final Budget
REVENUES				
Local	\$ 23,452,546	\$ 23,441,226	\$ 23,456,682	\$ 15,456
Interdistrict	1,434,024	1,459,191	1,459,191	-
Intermediate	12,380	8,780	8,884	104
State	4,305,821	4,363,262	4,363,571	309
Federal	208,185	276,185	254,867	(21,318)
Other	53,222	112,792	116,376	3,584
Total Revenues	<u>29,466,178</u>	<u>29,661,436</u>	<u>29,659,571</u>	<u>(1,865)</u>
EXPENDITURES				
Instruction				
Regular	12,301,868	12,243,450	12,077,973	165,477
Special education	120,004	128,531	127,405	1,126
Vocational	1,090,770	1,091,461	1,075,412	16,049
Other	1,290,549	1,247,257	1,249,772	(2,515)
Total Instruction	<u>14,803,191</u>	<u>14,710,699</u>	<u>14,530,562</u>	<u>180,137</u>
Support Services				
Pupil services	732,638	733,085	725,618	7,467
Instructional support services	1,729,135	1,742,965	1,718,637	24,328
Administration	2,836,455	2,744,436	2,727,139	17,297
Buildings and grounds	2,816,704	2,869,181	2,869,032	149
Pupil transportation	1,055,000	1,000,547	1,002,474	(1,927)
Other support services	2,032,917	2,068,800	2,033,680	35,120
Debt service				
Principal retirement	364,990	404,042	385,463	18,579
Interest and fiscal charges	58,579	42,428	61,006	(18,578)
Total Support Services	<u>11,626,418</u>	<u>11,605,484</u>	<u>11,523,049</u>	<u>82,435</u>
Non-Program				
General tuition payments	695,815	689,640	699,065	(9,425)
Other non-program	10,000	2,101	2,101	-
Total Non-Program	<u>705,815</u>	<u>691,741</u>	<u>701,166</u>	<u>(9,425)</u>
Total Expenditures	<u>27,135,424</u>	<u>27,007,924</u>	<u>26,754,777</u>	<u>253,147</u>
Excess of revenues over expenditures	2,330,754	2,653,512	2,904,794	251,282
OTHER FINANCING SOURCES (USES)				
Capital lease issued	302,822	380,064	380,063	1
Transfers out	(2,533,576)	(2,933,576)	(2,756,836)	176,740
Net Change in Fund Balances	<u>\$ 100,000</u>	<u>\$ 100,000</u>	528,021	<u>\$ 428,023</u>
FUND BALANCES - BEGINNING OF YEAR			<u>5,751,628</u>	
FUND BALANCES - END OF YEAR			<u>\$ 6,279,649</u>	

SCHOOL DISTRICT OF PEWAUKEE

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

For the Year Ended June 30, 2016

	Original and Final Budget Amounts	Actual	Variance with Final Budget
REVENUES			
Interdistrict	\$ 45,000	\$ 36,126	\$ (8,874)
State	790,000	809,939	19,939
Federal	<u>569,175</u>	<u>583,767</u>	<u>14,592</u>
Total Revenues	<u>1,404,175</u>	<u>1,429,832</u>	<u>25,657</u>
EXPENDITURES			
Instruction			
Special education	2,517,790	2,519,646	(1,856)
Vocational	<u>2,000</u>	<u>887</u>	<u>1,113</u>
Total Instruction	<u>2,519,790</u>	<u>2,520,533</u>	<u>(743)</u>
Support Services			
Pupil services	415,800	377,952	37,848
Instructional support services	299,802	276,788	23,014
Administration	3,000	2,640	360
Pupil transportation	<u>258,445</u>	<u>233,516</u>	<u>24,929</u>
Total Support Services	<u>977,047</u>	<u>890,896</u>	<u>86,151</u>
Non-Program			
General tuition payments	<u>440,714</u>	<u>375,039</u>	<u>65,675</u>
Total Expenditures	<u>3,937,551</u>	<u>3,786,468</u>	<u>151,083</u>
Excess (deficiency) of revenues over expenditures	(2,533,376)	(2,356,636)	176,740
OTHER FINANCING SOURCES			
Transfer from General Fund	<u>2,533,376</u>	<u>2,356,636</u>	<u>(176,740)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - BEGINNING OF YEAR		<u>-</u>	
FUND BALANCES - END OF YEAR		<u>\$ -</u>	

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FUNDING PROGRESS
As of June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Postemployment Health Care Plan						
7/1/11	\$ 207,229	\$ 6,154,910	\$ 5,947,681	3%	\$13,843,558	43%
7/1/12	256,944	4,870,044	4,613,100	5%	12,214,792	38%
7/1/14	405,490	3,565,295	3,159,805	11%	13,608,518	23%
Single Employer Defined Benefit Pension Plan						
7/1/11	\$ -	\$ 1,522,650	\$ 1,522,650	0%	\$13,843,558	11%
7/1/12	-	1,181,648	1,181,648	0%	12,214,792	10%
7/1/14	-	305,111	305,111	0%	13,608,518	2%

Note: The District is required to present the above information for the three most recent actuarial studies.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
As of June 30, 2016

Fiscal Year Ending	Annual Required Contributions	Annual Contributions	Percentage Contributed	Net OPEB Obligation
6/30/14	\$ 504,905	\$ 800,000	158%	\$ 1,724,231
6/30/15	407,656	727,715	179%	1,375,909
6/30/16	407,656	484,667	119%	1,274,937

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended June 30, 2016

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/15	0.10662550%	\$ (2,619,014)	\$ 14,983,365	17.48%	102.74%
6/30/16	0.10840687%	1,761,591	15,658,307	11.25%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended June 30, 2016

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 1,049,432	\$ 1,049,432	\$ -	\$ 14,983,365	7.00%
6/30/16	1,091,800	1,091,800	-	16,069,090	6.80%

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended June 30, 2016

BUDGETARY INFORMATION

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

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

POSTEMPLOYMENT HEALTH CARE PLAN AND SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN

The data presented in the Schedule of Funding Progress was taken from the report issued by the actuary.

The District is required to present information for the healthcare plan for the three most recent actuarial studies. Duplicate information for the intervening years is not required. The studies completed as of July 1, 2009 and July 1, 2012 have been the only studies done by the District for the healthcare plan.

WISCONSIN RETIREMENT SYSTEM

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

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

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

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

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF PEWAUKEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of June 30, 2016

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Package Cooperative Program Fund	
ASSETS				
Cash and investments	\$ 210,645	\$ 120,271	\$ -	\$ 330,916
Prepaid items	111	-	-	111
TOTAL ASSETS	\$ 210,756	\$ 120,271	\$ -	\$ 331,027
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 9,679	\$ -	\$ -	\$ 9,679
Accrued payroll and related liabilities	2,155	-	-	2,155
Total Liabilities	11,834	-	-	11,834
Fund Balances				
Nonspendable	111	-	-	111
Committed	198,811	120,271	-	319,082
Total Fund Balances	198,922	120,271	-	319,193
TOTAL LIABILITIES AND FUND BALANCES	\$ 210,756	\$ 120,271	\$ -	\$ 331,027

SCHOOL DISTRICT OF PEWAUKEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Package Cooperative Program Fund	
REVENUES				
Local	\$ 718,198	\$ 31,450	\$ -	\$ 749,648
Interdistrict	-	-	1,796	1,796
State	9,791	-	-	9,791
Federal	240,935	-	-	240,935
Other	1,431	44	-	1,475
Total Revenues	<u>970,355</u>	<u>31,494</u>	<u>1,796</u>	<u>1,003,645</u>
EXPENDITURES				
Instruction				
Regular	-	2,366	-	2,366
Total instruction	<u>-</u>	<u>2,366</u>	<u>-</u>	<u>2,366</u>
Support Services				
Other support services	-	-	1,996	1,996
Buildings and grounds	26,208	-	-	26,208
Food service	950,162	-	-	950,162
Total support services	<u>976,370</u>	<u>-</u>	<u>1,996</u>	<u>978,366</u>
Total Expenditures	<u>976,370</u>	<u>2,366</u>	<u>1,996</u>	<u>980,732</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(6,015)</u>	<u>29,128</u>	<u>(200)</u>	<u>22,913</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	200	200
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>
Net Change in Fund Balances	<u>(6,015)</u>	<u>29,128</u>	<u>-</u>	<u>23,113</u>
FUND BALANCES - BEGINNING OF YEAR	<u>204,937</u>	<u>91,143</u>	<u>-</u>	<u>296,080</u>
FUND BALANCES - END OF YEAR	<u>\$ 198,922</u>	<u>\$ 120,271</u>	<u>\$ -</u>	<u>\$ 319,193</u>

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY AGENCY FUND For the Year Ended June 30, 2016

	Balance 6/30/15	Additions	Deductions	Balance 6/30/2016
ASSETS				
Cash and investments	\$ 283,041	\$ 1,129,485	\$ 1,070,074	\$ 342,452
LIABILITIES				
Due to other funds	\$ -	3,701	-	\$ 3,701
Due to student organizations				
High School	218,953	714,807	685,147	248,613
Middle School	26,587	128,866	122,945	32,508
Horizon Elementary School	27,144	105,660	100,108	32,696
Lake Elementary School	10,357	176,451	161,874	24,934
TOTAL LIABILITIES	\$ 283,041	\$ 1,129,485	\$ 1,070,074	\$ 342,452

SINGLE AUDIT

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Pass Through Agency	Pass Through Agency ID	Program or Award Amount	Accrued Receivable 7/1/2015	Expenditures		Receipts		Accrued Receivable 6/30/2016
						Grantor	Local	Grantor Reimbursements	Local Share	
U.S. DEPARTMENT OF EDUCATION										
<u>ESEA Title 1-A Basic Grant</u>										
July 1, 2014 - June 30, 2015	84.010		A141-00000-674312	\$ 138,540	\$ 27,118	\$ -	\$ -	\$ 27,118	\$ -	\$ -
July 1, 2015 - June 30, 2016		WI DPI		138,462	-	127,258	-	108,942	-	18,316
Special Education Cluster										
Special Education - Grants to States										
July 1, 2014 - June 30, 2015	84.027		A341-00000-674312	597,873	36,755	-	-	36,755	-	-
July 1, 2015 - June 30, 2016		WI DPI		681,170	-	475,878	-	409,009	-	66,869
Special Education - Preschool Grants										
July 1, 2014 - June 30, 2015	84.173		A347-00000-674312	18,628	2,583	-	-	2,583	-	-
July 1, 2015 - June 30, 2016		WI DPI		17,757	-	14,076	-	11,776	-	2,300
Total Special Education Cluster					39,338	489,954	-	460,123	-	69,169
<u>ESEA Title II-A Teacher/Principal</u>										
July 1, 2015 - June 30, 2016	84.367		A365-00000-674312	30,409	-	25,671	-	20,286	-	5,385
Total U.S. Department of Education					66,456	642,883	-	616,469	-	92,870

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2016

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Pass Through Agency	Pass Through Agency ID	Program or Award Amount	Accrued Receivable 7/1/2015	Expenditures		Receipts		Accrued Receivable 6/30/2016
						Grantor	Local	Grantor Reimbursements	Local Share	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
<u>Medical Assistance</u> July 1, 2015 - June 30, 2016	93.778	WI DHS	N/A	\$ 186,923	\$ 19,066	\$ 186,923	\$ -	\$ 191,055	\$ -	\$ 14,934
Total U.S. Department of Health and Human Services					19,066	186,923	-	191,055	-	14,934
U.S. DEPARTMENT OF AGRICULTURE										
<u>Donated Food Program</u> July 1, 2015 - June 30, 2016	10.555	WI DPI	N/A	67,863	-	67,863	-	67,863	-	-
<u>National School Lunch</u> July 1, 2015 - June 30, 2016	10.555	WI DPI	N/A	173,072	-	173,072	737,436	173,072	737,436	-
Total U.S. Department of Agriculture					-	240,935	737,436	240,935	737,436	-
U.S. DEPARTMENT OF COMMERCE										
Malcolm Baldrige National Quality Award July 1, 2014 - June 30, 2015	11.013	N/A	N/A	43,646	1,970	-	-	1,970	-	-
July 1, 2015 - June 30, 2016		N/A		8,828	-	8,828	-	8,828	-	-
Total U.S. Department of Commerce					1,970	8,828	-	10,798	-	-
Total Federal Awards					\$ 87,492	\$1,079,569	\$ 737,436	\$ 1,059,257	\$ 737,436	\$ 107,804

See accompanying notes to schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS For the Year Ended June 30, 2016

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	State ID Number	Revenues
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION		
<u>Entitlement Programs</u>		
Major Programs		
Special Education & School Age Parents	255.101	\$ 809,939
Pupil Transportation Aid	255.107	86,658
Equalization Aid (receivable of \$64,258)	255.201	3,661,151
Total Major Programs		4,557,748
Nonmajor Programs		
State School Lunch Aid	255.102	9,791
Common School Fund Library Aid	255.103	108,784
Educator Effective Evaluation Systems	255.940	15,633
Per Pupil Aid	255.945	397,050
Career and Technical Education Incentive	255.950	1,525
Total Nonmajor Programs		532,783
Total State Awards		\$ 5,090,531

See accompanying notes to schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS As of and for the year ended June 30, 2016

NOTE 1 – REPORTING ENTITY

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

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

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the "schedule") includes the federal and state award activity of the School District of Pewaukee under programs of the federal and state government for the year ended June 30, 2016. The information in this schedule 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* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the School District of Pewaukee, it is not intended to and does not present the financial position, changes in net position of the School District of Pewaukee.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 4 – ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$3,009,411 for the year ended June 30, 2016.

NOTE 5 – STATUS OF PRIOR YEAR FINDINGS

The District was required to have an audit conducted in accordance with OMB Circular A-133 in the prior year and had finding 2015-001. This finding was resolved in the current year.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS As of and for the year ended June 30, 2016

NOTE 6 – PASS-THROUGH AGENCIES

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

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

NOTE 7 – INDIRECT COST RATE

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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Pewaukee as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee's basic financial statements and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

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

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

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

To the Board of Education
School District of Pewaukee

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
December 7, 2016

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and Major State Program

In our opinion, the School District of Pewaukee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance the Uniform Guidance or the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal and major state program is not modified with respect to this matter.

School District of Pewaukee's Response to Finding

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

To the School Board
School District of Pewaukee

School District of Pewaukee's Response to Finding

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

Purpose of this Report

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

Baker Tilly Vinson Krone, LLP

Milwaukee, Wisconsin
December 7, 2016

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SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section I: Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	yes	<u> X </u> no
Significant deficiency(ies) identified?	_____	yes	<u> X </u> none reported
Noncompliance material to the financial statements?	_____	yes	<u> X </u> no

Federal or State Awards

Internal control over major programs:			
Material weakness(es) identified?	_____	yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u>	yes	_____

Type of auditor's report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance?	_____	yes	<u> X </u> no

Dollar threshold used to distinguish between Type A and Type B programs	
Federal	\$750,000
State	\$250,000

Auditee qualified as low-risk auditee?			
Federal	<u> X </u>	yes	_____ no
State	<u> X </u>	yes	_____ no

Identification of major federal programs:

<u>CFDA NUMBER (S)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster
84.173	Special Education - Grants to States
	Special Education - Preschool Grants

Identification of major state programs:

<u>State Identification Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education & School Age Parents
255.107	Pupil Transportation Aid
255.201	Equalization Aid

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2016

Section II: Financial Statement Findings

There are no findings that are required to be reported.

Section III: Federal and State Award Findings and Questioned Costs

Finding 2016-001: Payments to an individual without the appropriate DPI license

<i>Programs -</i>	255.101 - Special Education and School Age Parents
<i>Criteria -</i>	Expenditures for occupational therapy should be made to individuals with proper DPI licenses.
<i>Condition -</i>	Payments for occupational therapy services were made to a vendor that did not have the appropriate DPI license.
<i>Questioned Costs -</i>	Unknown.
<i>Context -</i>	The finding appears to be an isolated instance, as the vendor was previously licensed and the vendor and the District thought the license was renewed. The sample was not a statistically valid sample.
<i>Effect -</i>	Payments charged to special education could be made to vendors that are not appropriately licensed.
<i>Recommendation -</i>	We recommend that the District implement a process to review vendors for valid DPI licenses prior to contracting services with vendors.
<i>District's Response -</i>	The Pewaukee School District has reviewed the circumstances which led to the vendor not renewing the proper license. Our contract clearly indicates the responsibility of the vendor to maintain proper licensure. In this case the renewal was not completed due to complications in the processing of the renewal by the vendor. We have modified our procedures for ensuring contractual compliance as a result to require a copy of the valid license to be provided to the District prior to performing services on an annual basis.

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section IV: Other Issues

- 1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

- 2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
Department of Public Instruction _____ X _____ yes _____ no

- 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? _____ X _____ yes _____ no

Name and signature of partner

John A. Knepel
John A. Knepel, CPA, Partner

Date of report

December 7, 2016