

SCHOOL DISTRICT OF PEWAUKEE

Pewaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2015

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, 2015, 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.

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, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the School District of Pewaukee adopted the provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective July 1, 2014. Our opinions are not modified with respect to this matter.

As discussed in Note I, the School District of Pewaukee adopted the provisions of Statement No. 71, *Pension - Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68*, effective July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress and contributions - postemployment health care plan and single employer defined benefit pension plan and schedules of District's proportionate share of the net pension asset and contributions - Wisconsin Retirement System 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.

To the Board of Education
School District of Pewaukee

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Pewaukee's basic financial statements. The combining and individual fund financial statements, schedule of changes in assets and liabilities - pupil activity agency fund and the schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Guidelines* as listed in the table of contents are presented for purposes of additional analysis and are 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 combining and individual fund financial statements, schedule of changes in assets and liabilities - pupil activity agency fund and the schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Guidelines* are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 on our consideration of the School District of Pewaukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Pewaukee's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 30, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(Unaudited)**

The following discussion and analysis of the Pewaukee School District 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 \$617.4K from \$5.134M to \$5.752M. The fund balance is approximately 20.01% of General Fund expenditures. The original budget for 2014-15 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.

Financial activity resulted in a decrease in fund balance in the Food Service Fund (Fund 50) of \$5,783. Expenditures of \$951,452 exceeded revenues of \$945,669, resulting in a total fund balance of \$204,937 at June 30, 2015. 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 \$64,755,411 and accumulated depreciation of \$20,846,209 for a net capital asset book value of \$43,909,202. 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 2015. 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 resident student full-time equivalent (FTE) count, which is a major variable in the District's revenue limit calculation, increased by 32 students from September 2013 to September 2014. Pewaukee has experienced growth in our resident population through new developments in the community and residential turnover. The count increased from 2,578 full-time equivalent resident students to 2,610, 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 \$34,561,652. This amount includes \$27,042,990 of local revenues, \$4,833,312 of state revenues, and \$2,685,350 from other sources. Local revenues represent 78.24% of all revenue. State revenues represent 13.98% of all revenue. Due to the position of the Pewaukee School District in the state aid distribution formula we experienced a substantial increase in Equalization Aid in the 2014-15 fiscal year of 150.59%.

The District's overall financial status, as reflected in total net assets of \$28,156,213, 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 2014-15 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 Assets*.

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 Position

| | <u>6/30/2011</u> | <u>6/30/2012</u> | <u>6/30/2013</u> | <u>6/30/2014</u> | <u>6/30/2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Assets</u> | | | | | |
| Current Assets | \$24,310,623 | \$14,467,944 | \$12,313,772 | \$13,747,860 | \$16,038,463 |
| Non Current Assets | 32,733,218 | 48,019,256 | 47,408,136 | 44,283,717 | 46,528,216 |
| Total Assets | \$57,043,841 | \$62,487,200 | \$59,721,908 | \$58,031,577 | \$62,566,679 |
| <u>Deferred Outflows of Resources</u> | | | | | |
| | \$0 | \$0 | \$0 | \$0 | \$2,622,345 |
| <u>Liabilities</u> | | | | | |
| Current Liabilities | \$24,392,023 | \$13,540,094 | \$9,634,983 | \$9,382,473 | \$9,624,483 |
| Non-Current Liabilities | 16,985,718 | 31,382,929 | 29,278,154 | 27,732,537 | 27,359,221 |
| Total Liabilities | \$41,377,741 | \$44,923,023 | \$38,913,137 | \$37,115,010 | \$36,983,704 |
| <u>Deferred Inflows of Resources</u> | | | | | |
| | \$0 | \$0 | \$0 | \$0 | \$49,107 |
| <u>Net Assets</u> | | | | | |
| Net Investment in Capital Assets | \$3,710,391 | \$16,596,193 | \$18,372,341 | \$17,215,768 | \$18,394,094 |
| Restricted | 178,830 | 586,970 | 495,398 | 482,767 | 5,296,784 |
| Unrestricted | 11,776,879 | 381,014 | 1,941,032 | 3,642,457 | 4,465,335 |
| Total Net Assets | \$15,666,100 | \$17,564,177 | \$20,808,771 | \$21,340,992 | \$28,156,213 |

Statement of Net Position: (Table 2)

As of June 30, 2015, the District reported total assets of \$62.57M and total liabilities of \$36.98M. Net position amounted to \$28.16M. Fiscal Year 2014-15 is the thirteenth 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

| <u>Revenues:</u> | | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> |
|-------------------------------|--------------------------|---------------------|---------------------|---------------------|---------------------|
| Program: | Charges for Services | \$2,493,105.00 | 2,568,752 | 2,688,351 | 2,679,556 |
| | Operating Grants & Cont. | 1,935,564 | 2,069,404 | 2,028,073 | 2,032,148 |
| General: | Property & Other Taxes | 25,735,464 | 26,076,493 | 27,304,663 | 25,941,868 |
| | General State Aid | 1,243,666 | 1,814,806 | 1,642,623 | 3,829,875 |
| | Other | 111,083 | 87,762 | 84,713 | 78,205 |
| Total Revenue | | \$31,518,882 | \$32,617,217 | \$33,748,423 | \$34,561,652 |
| <u>Expenses:</u> | | | | | |
| Instruction: | Regular | 10,938,184 | 11,364,794 | 12,152,845 | 12,652,672 |
| | Vocational | 1,092,807 | 1,013,258 | 1,052,902 | 948,639 |
| | Special Education | 2,821,022 | 2,708,267 | 2,653,779 | 2,816,273 |
| | Other Instruction | 1,178,272 | 1,129,900 | 1,236,304 | 1,215,106 |
| Support: | Pupil Services | 991,511 | 1,050,876 | 1,048,615 | 1,089,816 |
| | Instructional Support | 1,120,344 | 1,395,382 | 1,862,722 | 1,937,087 |
| | Administration | 2,447,737 | 2,595,008 | 2,507,791 | 2,669,331 |
| | Buildings & Grounds | 3,133,132 | 3,022,020 | 4,176,909 | 2,851,418 |
| | Pupil Transportation | 1,078,445 | 1,169,994 | 1,192,277 | 1,282,030 |
| | Other Support Services | 1,735,083 | 1,628,170 | 2,202,503 | 2,256,745 |
| | Interest and Fees | 1,234,141 | 1,228,163 | 1,340,866 | 1,043,638 |
| | Food Service | 895,795 | 882,748 | 912,473 | 926,374 |
| | Depreciation Unallocated | 954,332 | 184,043 | 876,216 | 812,618 |
| Total Expense | | \$29,620,805 | \$29,372,623 | \$33,216,202 | \$32,501,747 |
| Change in Net Position | | \$1,898,077 | \$3,244,594 | \$532,221 | \$2,059,905 |

Revenues

- The District received \$34.56M in revenue for the 2014-15 fiscal year. Over seventy-five percent (75.06%) of the District's total revenue came from local school property tax and prior year tax charge backs. Eleven point zero eight percent (11.08%) of the total came from general state aid. The District receives approximately fourteen percent (13.86%) 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 \$2.68M 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 \$2.03M. Special Education Aid and Transportation Aid are examples of operating grants and contributions.
- General Revenues in the form of property taxes accounted for \$25.94M and general state aid for \$3.83M. Charges for services and operating grants and contributions total \$4.71M.

Expenses

- The District's total expenditures were \$32.50M for fiscal year 2014-15. Sixty three percent (63.56%) 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 \$11.84M or thirty-six percent (36.44%) 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 \$32.50M.
- The net cost of governmental activities was \$27.79M. 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

| | 2012-13 | | 2013-14 | | 2014-15 | |
|--------------------------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|
| | <u>Total Cost</u> <u>of Services</u> | <u>Net Cost</u> <u>of Services</u> | <u>Total Cost</u> <u>of Services</u> | <u>Net Cost</u> <u>of Services</u> | <u>Total Cost</u> <u>of Services</u> | <u>Net Cost</u> <u>of Services</u> |
| Regular Instruction | \$11,364,794 | \$9,684,635 | \$12,152,845 | \$10,330,245 | \$12,652,672 | \$10,755,838 |
| Vocational Instruction | 1,013,258 | 1,010,804 | 1,052,902 | 1,051,534 | 948,639 | 944,377 |
| Special Education | 2,708,267 | 1,391,220 | 2,653,779 | 1,468,812 | 2,816,273 | 1,567,069 |
| Other Instruction | 1,129,900 | 1,011,534 | 1,236,304 | 1,053,851 | 1,215,106 | 1,062,401 |
| Pupil Services | 1,050,876 | 986,862 | 1,048,615 | 1,019,703 | 1,089,816 | 1,070,999 |
| Instructional Support | 1,395,382 | 1,195,816 | 1,862,722 | 1,514,639 | 1,937,087 | 1,674,170 |
| Administration | 2,595,008 | 2,593,485 | 2,507,791 | 2,484,751 | 2,669,331 | 2,652,289 |
| Buildings and Grounds | 3,022,020 | 2,810,303 | 4,176,909 | 4,137,832 | 2,851,418 | 2,801,659 |
| Pupil Transportation | 1,169,994 | 1,066,904 | 1,192,277 | 1,086,326 | 1,282,030 | 1,182,093 |
| Other Support Services | 1,628,170 | 1,628,170 | 2,202,503 | 2,199,040 | 2,256,745 | 2,242,044 |
| Interest and Fees | 1,228,163 | 1,228,163 | 1,340,866 | 1,340,866 | 1,043,638 | 1,043,638 |
| Food Service | 882,748 | -57,472 | 912,473 | -64,037 | 926,374 | -19,152 |
| Depreciation Unallocated | 184,043 | 184,043 | 876,216 | 876,216 | 812,618 | 812,618 |
| Total | \$29,372,623 | \$24,734,467 | \$33,216,202 | \$28,499,778 | \$32,501,747 | \$27,790,043 |

General Fund Budgetary Comparison:

The District adopts a preliminary budget in May for the subsequent 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 \$617,418. 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 \$504,524 and revenues that exceeded General Fund budget by \$12,891 in addition to the planned \$100,000 surplus.

Fund Balances:

- The District shows a total for all fund balances of \$9,166,737 as of June 30, 2015. (See Note III-I. in the financial statements for the detail of total governmental fund balances.)
- \$5.75M 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 20.01% of 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.
- \$801K is in the Debt Service Fund (Fund 30), which is reserved to make the September interest payment on long-term debt.
- \$205K is in the Food Service Fund (Fund 50), which is used to fund capital equipment needs.
- \$91.1K is in the Gift Fund (Fund 21), which represents donations to the District to be spent for a specific purpose.
- \$2,318K is in the Capital Projects Fund and will be used to complete construction projects approved on Horizon Elementary School slated for Summer 2015.

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

| | <u>2010-11</u> | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Teachers | 166.29 | 165.76 | 166.25 | 172.46 | 179.05 |
| Administrators | 10.00 | 10.00 | 12.00 | 12.00 | 12.00 |
| Aides | 25.50 | 25.84 | 23.43 | 27.41 | 28.63 |
| Custodians | 20.28 | 19.82 | 18.94 | 18.13 | 18.84 |
| Secretaries | 9.87 | 10.12 | 12.08 | 11.56 | 11.69 |
| Technology Staff | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| District Assistants/Support | 10.60 | 10.60 | 16.00 | 15.44 | 16.52 |

- 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. Due to a slowing of residential development, the District has experienced a decline in enrollment during the 2005-06 and the 2006-07 fiscal years. Enrollment stabilized temporarily in 2007-08 then increased in 2008-09 and 2009-10. We anticipate enrollment to increase to 2,800 total students within five years due to the development of multiple new residential subdivisions within the District. Enrollments have increased annually, with the exception of two years, since the mid 1980's.

Table 6.1- Enrollment History 1995 - 2014

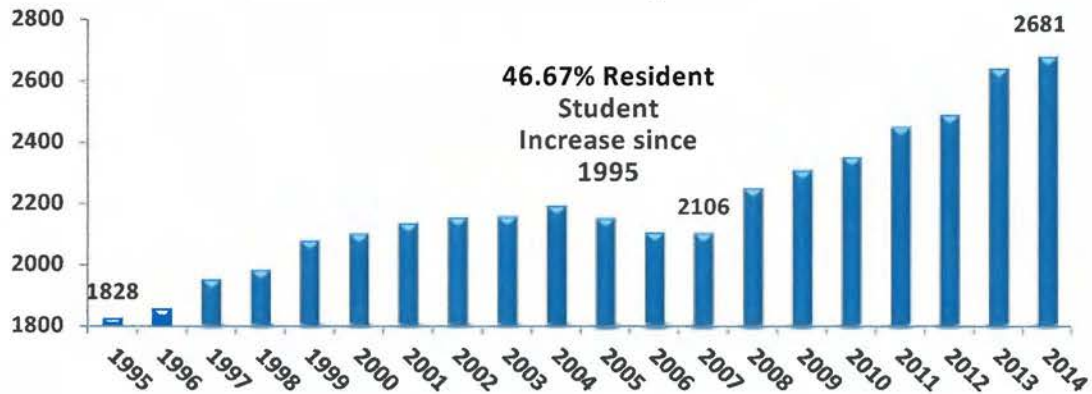
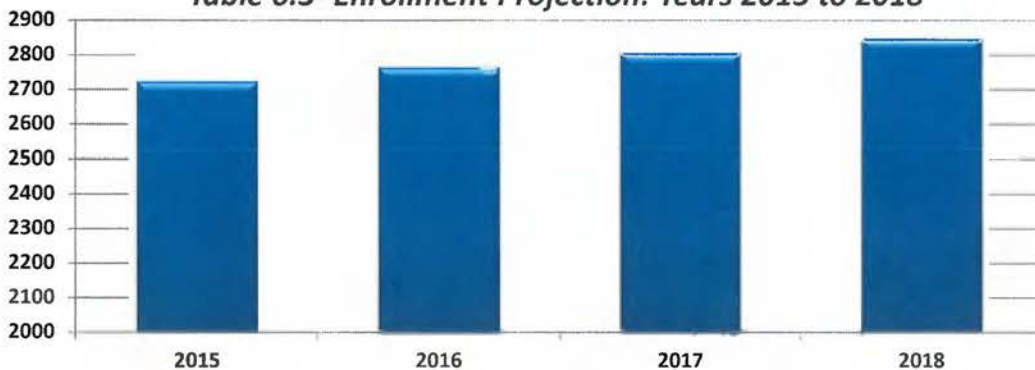


Table 6.3- Enrollment Projection: Years 2015 to 2018



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-D in the Financial Statements details the capital assets).

Long Term Debt

- As of June 30, 2015 the District had \$29.77M in long-term obligations, which includes promissory notes, general obligation bonds, and accrued compensated absences (Note III-G 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. The cost of health benefits for all District employees is increasing at a long-term average rate of 8-12% per year. 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 annually.
- The District enjoys a positive impact from the Public School Open Enrollment Program, with approximately 82 students leaving the District and 240 students entering the District. This produces a revenue gain of approximately \$1,002K 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

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF NET POSITION As of June 30, 2015

ASSETS

CURRENT ASSETS

| | |
|----------------------------|-------------------|
| Cash and investments | \$ 8,585,201 |
| Taxes receivable | 6,787,459 |
| Due from other governments | 268,188 |
| Accounts receivable | 1,905 |
| Prepaid items | 395,710 |
| Total Current Assets | <u>16,038,463</u> |

NONCURRENT ASSETS

| | |
|--------------------------------|---------------------|
| Restricted Assets | |
| Net Pension Asset | 2,619,014 |
| Land | 1,449,282 |
| Construction in progress | 1,318,273 |
| Other capital assets | 61,987,856 |
| Less: Accumulated depreciation | <u>(20,846,209)</u> |
| Net Capital Assets | <u>43,909,202</u> |
| Total Noncurrent Assets | <u>46,528,216</u> |
| Total Assets | <u>62,566,679</u> |

DEFERRED OUTFLOW OF RESOURCES

| | |
|---------------------------------------|------------------|
| Unamortized loss on refunding | 356,517 |
| Deferred outflows related to pensions | <u>2,265,828</u> |
| Total Deferred Outflows of Resources | <u>2,622,345</u> |

LIABILITIES

CURRENT LIABILITIES

| | |
|--|------------------|
| Short-term debt | 6,000,000 |
| Accounts payable and accrued expenses | 1,212,158 |
| Current portion of long-term obligations | <u>2,412,325</u> |
| Total Current Liabilities | 9,624,483 |

NONCURRENT LIABILITIES

| | |
|---|-------------------|
| Noncurrent portion of long-term obligations | <u>27,359,221</u> |
| Total Liabilities | <u>36,983,704</u> |

DEFERRED INFLOW OF RESOURCES

| | |
|--------------------------------------|---------------|
| Deferred inflows related to pensions | <u>49,107</u> |
|--------------------------------------|---------------|

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 18,394,094 |
| Restricted for debt service | 461,049 |
| Restricted for pensions | 4,835,735 |
| Unrestricted | <u>4,465,335</u> |
| Total Net Position | <u>\$ 28,156,213</u> |

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes In Net Position |
|--|----------------------|-------------------------|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Instruction | | | | |
| Regular | \$ 12,652,672 | \$ 1,762,192 | \$ 134,642 | \$ (10,755,838) |
| Special education | 2,816,273 | - | 1,249,204 | (1,567,069) |
| Vocational | 948,639 | - | 4,262 | (944,377) |
| Other | 1,215,106 | 152,705 | - | (1,062,401) |
| Total Instruction | <u>17,632,690</u> | <u>1,914,897</u> | <u>1,388,108</u> | <u>(14,329,685)</u> |
| Support Services | | | | |
| Pupil services | 1,089,816 | - | 18,817 | (1,070,999) |
| Instructional support services | 1,937,087 | - | 262,917 | (1,674,170) |
| Administration | 2,669,331 | 1,426 | 15,616 | (2,652,289) |
| Buildings and grounds | 2,851,418 | 49,759 | - | (2,801,659) |
| Pupil transportation | 1,282,030 | - | 99,937 | (1,182,093) |
| Other support services | 2,256,745 | 14,696 | 5 | (2,242,044) |
| Interest and fees | 1,043,638 | - | - | (1,043,638) |
| Food service | 926,374 | 698,778 | 246,748 | 19,152 |
| Total Support Services | <u>14,056,439</u> | <u>764,659</u> | <u>644,040</u> | <u>(12,647,740)</u> |
| Depreciation - unallocated * | 812,618 | - | - | (812,618) |
| Total Activities | <u>\$ 32,501,747</u> | <u>\$ 2,679,556</u> | <u>\$ 2,032,148</u> | <u>(27,790,043)</u> |
| General Revenues | | | | |
| Taxes | | | | |
| Property taxes: | | | | |
| General purposes | | | | 22,998,829 |
| Debt service | | | | 2,943,039 |
| State and federal aids not restricted to specific functions | | | | |
| General | | | | 3,729,716 |
| Other | | | | 100,159 |
| Investment Income | | | | 4,066 |
| Miscellaneous | | | | 74,139 |
| Total General Revenues | | | | <u>29,849,948</u> |
| Change in Net Position | | | | 2,059,905 |
| NET POSITION - BEGINNING OF YEAR (as restated) | | | | <u>26,096,308</u> |
| NET POSITION - END OF YEAR | | | | <u>\$ 28,156,213</u> |

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

SCHOOL DISTRICT OF PEWAUKEE

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2015

| | General Fund | Special Education Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Funds | Totals |
|--|----------------------|------------------------------|-------------------------|-----------------------------|-----------------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 4,757,976 | \$ - | \$ 801,480 | \$ 2,732,327 | \$ 293,418 | \$ 8,585,201 |
| Taxes receivable | 6,783,193 | - | - | - | 4,266 | 6,787,459 |
| Due from other funds | 9,585 | - | - | - | - | 9,585 |
| Due from other governments | 209,784 | 58,404 | - | - | - | 268,188 |
| Accounts receivable | 1,905 | - | - | - | - | 1,905 |
| Prepaid items | 395,710 | - | - | - | - | 395,710 |
| TOTAL ASSETS | \$ 12,158,153 | \$ 58,404 | \$ 801,480 | \$ 2,732,327 | \$ 297,684 | \$ 16,048,048 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Short-term notes payable | \$ 6,000,000 | \$ - | \$ - | \$ - | \$ - | \$ 6,000,000 |
| Accounts payable | 30,698 | - | - | 414,778 | - | 445,476 |
| Accrued payroll and related liabilities | 322,248 | 48,819 | - | - | 1,604 | 372,671 |
| Accrued interest payable | 53,579 | - | - | - | - | 53,579 |
| Due to other funds | - | 9,585 | - | - | - | 9,585 |
| Total Liabilities | 6,406,525 | 58,404 | - | 414,778 | 1,604 | 6,881,311 |
| Fund Balances | | | | | | |
| Nonspendable | 395,710 | - | - | - | - | 395,710 |
| Restricted | - | - | 801,480 | 1,366,151 | - | 2,167,631 |
| Committed | - | - | - | 951,398 | 296,080 | 1,247,478 |
| Unassigned | 5,355,918 | - | - | - | - | 5,355,918 |
| Total Fund Balances | 5,751,628 | - | 801,480 | 2,317,549 | 296,080 | 9,166,737 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 12,158,153 | \$ 58,404 | \$ 801,480 | \$ 2,732,327 | \$ 297,684 | |

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

| | |
|--|----------------------|
| The Net Pension Asset does not relate to current financial resources and is not reported in the governmental funds. | 2,619,014 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. See Note III.D. | 43,909,202 |
| Unamortized losses on refundings are deferred outflows of resources and therefore are not reported in the funds. | 356,517 |
| Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | 2,265,828 |
| Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | (49,107) |
| Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds. | (340,432) |
| 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.G. | (29,771,546) |
| NET POSITION | \$ 28,156,213 |

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

| | General Fund | Special Education Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------------|-------------------------|-----------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Local | \$ 22,967,702 | \$ - | \$ 2,943,213 | \$ 400,755 | \$ 731,320 | \$ 27,042,990 |
| Interdistrict | 1,581,558 | 35,037 | - | - | 1,426 | 1,618,021 |
| Intermediate | 3,560 | - | - | - | - | 3,560 |
| State | 4,041,598 | 781,412 | - | - | 10,302 | 4,833,312 |
| Federal | 270,663 | 483,004 | - | - | 236,446 | 990,113 |
| Other | 72,538 | - | - | - | 1,118 | 73,656 |
| Total Revenues | <u>28,937,619</u> | <u>1,299,453</u> | <u>2,943,213</u> | <u>400,755</u> | <u>980,612</u> | <u>34,561,652</u> |
| EXPENDITURES | | | | | | |
| Instruction | | | | | | |
| Regular | 11,524,670 | - | - | - | - | 11,524,670 |
| Special education | 122,250 | 2,441,385 | - | - | - | 2,563,635 |
| Vocational | 949,041 | 879 | - | - | - | 949,920 |
| Other | 1,116,259 | - | - | - | - | 1,116,259 |
| Total instruction | <u>13,712,220</u> | <u>2,442,264</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,154,484</u> |
| Support Services | | | | | | |
| Pupil services | 697,454 | 397,003 | - | - | - | 1,094,457 |
| Instructional support services | 1,680,818 | 262,159 | - | - | - | 1,942,977 |
| Administration | 2,729,457 | 2,640 | - | - | 30,569 | 2,762,666 |
| Buildings and grounds | 3,233,472 | - | - | 916,900 | - | 4,150,372 |
| Pupil transportation | 1,056,944 | 225,086 | - | - | - | 1,282,030 |
| Other support services | 2,220,424 | - | - | 1,800 | - | 2,222,224 |
| Debt service | | | | | | |
| Principal retirement | 355,440 | - | 1,910,000 | - | - | 2,265,440 |
| Interest and fiscal charges | 40,975 | - | 1,071,750 | - | - | 1,112,725 |
| Food service | - | - | - | - | 922,626 | 922,626 |
| Total support services | <u>12,014,984</u> | <u>886,888</u> | <u>2,981,750</u> | <u>918,700</u> | <u>953,195</u> | <u>17,755,517</u> |
| Non Program | 678,825 | 306,428 | - | - | - | 985,253 |
| Total Expenditures | <u>26,406,029</u> | <u>3,635,580</u> | <u>2,981,750</u> | <u>918,700</u> | <u>953,195</u> | <u>34,895,254</u> |
| Excess (deficiency) of revenues over expenditures | 2,531,590 | (2,336,127) | (38,537) | (517,945) | 27,417 | (333,602) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Long-term debt issued | - | - | - | 2,200,000 | - | 2,200,000 |
| Capital lease issued | 422,272 | - | - | - | - | 422,272 |
| Transfers in | - | 2,336,127 | - | - | 317 | 2,336,444 |
| Transfers out | (2,336,444) | - | - | - | - | (2,336,444) |
| Net Change in Fund Balances | 617,418 | - | (38,537) | 1,682,055 | 27,734 | 2,288,670 |
| FUND BALANCES - BEGINNING OF YEAR | <u>5,134,210</u> | <u>-</u> | <u>840,017</u> | <u>635,494</u> | <u>268,346</u> | <u>6,878,067</u> |
| FUND BALANCES - END 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> |

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 2,288,670

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 | 1,424,609 | |
| Depreciation expense reported in the statement of activities | (1,783,674) | |
| Net book value of assets retired | <u>(15,450)</u> | (374,515) |

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 | 2,265,440 |
| Debt issued | <u>(2,622,272)</u> |

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 | 3,307 |
| Accrued interest on debt | 16,818 |
| Change in other post-employment benefit and pension obligation | 349,770 |
| Net pension asset | (1,516,769) |
| Deferred outflows of resources related to pensions | 1,646,295 |
| Deferred inflows of resources related to pensions | <u>(49,107)</u> |

CHANGE IN NET POSITION \$ 2,059,905

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2015

| | Employee Benefit Trust Fund | | Agency Fund |
|---|--|--|-------------------|
| | <u>Post-Retirement Health Benefits</u> | | <u>Fund</u> |
| ASSETS | | | |
| Cash and investments | \$ 420,402 | | \$ 283,041 |
| LIABILITIES | | | |
| Due to student groups | \$ - | | \$ 283,041 |
| Total liabilities | - | | <u>\$ 283,041</u> |
| NET POSITION - Held in trust for employee benefits | <u>420,402</u> | | |
| Total liabilities and net position | <u>\$ 420,402</u> | | |

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND For the Year Ended June 30, 2015

| | <u>Employee Benefit Trust Fund</u> | <u>Post-Retirement Health Benefits</u> |
|-----------------------------------|--|--|
| ADDITIONS | | |
| District Contributions | \$ 740,382 | |
| Member Contributions | | 32,582 |
| Interest | | 443 |
| Total additions | | <u>773,407</u> |
| DEDUCTIONS | | |
| Benefits paid | | <u>758,495</u> |
| Change in Net Position | | 14,912 |
| NET POSITION - BEGINNING OF YEAR | | <u>405,490</u> |
| NET POSITION - END OF YEAR | | <u>\$ 420,402</u> |

SCHOOL DISTRICT OF PEWAUKEE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

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SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2012, the GASB issued Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and in November 2013, the GASB issued statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements establish the accounting and financial reporting standards for the employer share of pension plan activities that are administered through trusts and meet certain criteria as well as major employer contributions made in a fiscal year subsequent to the pension plan's measurement date. These standards were implemented July 1, 2014.

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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

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

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

Fund Financial Statements

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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.

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, 2015

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, 2015

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 revenues.

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, 2015

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, 2015, 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, 2015

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 - 2014 tax roll:

| | |
|-------------------------|------------------|
| Lien date and levy date | December 2014 |
| Tax bills mailed | December 2014 |
| Payment in full, or | January 31, 2015 |
| First installment due | January 31, 2015 |
| Second installment due | July 31, 2015 |

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

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

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

3. Prepaid Items

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

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.)

5. 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.

6. 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.

7. 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 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, 2015

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

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

7. 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 fund 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.

8. Long-Term Obligations/Conduit Debt

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.

9. 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, 2015

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.)

10. 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, 2015

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.)

10. 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. I. 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.

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 | \$ 916,176 | \$ 951,452 | \$ 35,276 |

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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

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.

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

| | Carrying Value | Statement Balances | Associated Risks |
|---|-------------------|-----------------------|-----------------------|
| Deposits | \$ 4,721,561 | \$ 5,936,243 | Custodial credit risk |
| LGIP | 4,563,965 | 4,563,965 | Credit risk |
| Athletic cash box funds | 1,400 | - | N/A |
| Petty cash | 1,718 | - | N/A |
| Total Deposits and Investments | \$ 9,288,644 | \$ 10,500,208 | |
| Reconciliation to financial statements | | | |
| Per statement of net position | | | |
| Unrestricted cash and investments | \$ 8,585,201 | | |
| Per statement of net position - fiduciary funds | | | |
| Employee Benefit Trust Fund | 420,402 | | |
| Agency Fund | 283,041 | | |
| Total Deposits and Investments | \$ 9,288,644 | | |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2015, the banks had pledged various government securities in the amount of \$5,529,225 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.

As of June 30, 2015, \$157,018 of the District's total bank balances were exposed to custodial credit risk as follows:

| | |
|--------------------------------|--------------------------|
| Uninsured and uncollateralized | <u>\$ 157,018</u> |
| Total | <u><u>\$ 157,018</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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

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

B. RECEIVABLES

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

C. RESTRICTED ASSETS

Restricted assets have been reported in connection with the net pension asset balances since these balances must be used to fund employee benefits.

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, 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 | 1,449,282 | 1,318,273 | - | 2,767,555 |
| Capital assets being depreciated | | | | |
| Buildings | 56,383,799 | 43,537 | - | 56,427,336 |
| Land improvements | 4,411,006 | - | 12,700 | 4,398,306 |
| Furniture, equipment & vehicles | 1,194,515 | 62,799 | 95,100 | 1,162,214 |
| Total Capital Assets Being Depreciated | 61,989,320 | 106,336 | 107,800 | 61,987,856 |
| Total Capital Assets | 63,438,602 | 1,424,609 | 107,800 | 64,755,411 |
| Less: Accumulated depreciation for | | | | |
| Buildings | (16,449,692) | (1,547,452) | - | (17,997,144) |
| Land improvements | (1,804,884) | (185,754) | 12,700 | (1,977,938) |
| Furniture, equipment & vehicles | (900,309) | (50,468) | 79,650 | (871,127) |
| Total Accumulated Depreciation | (19,154,885) | (1,783,674) | 92,350 | (20,846,209) |
| Net Capital Assets Being Depreciated | 42,834,435 | (1,677,338) | 15,450 | 41,141,647 |
| Total Governmental Activities Capital Assets, Net of Accumulated Depreciation | \$ 44,283,717 | \$ (359,065) | \$ 15,450 | \$ 43,909,202 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

| | | |
|--|----|-------------------------|
| Instruction | | |
| Regular instruction | \$ | 759,021 |
| Vocational | | 4,420 |
| Other | | 86,279 |
| Support Services | | |
| Buildings and grounds | | 59,293 |
| Food service | | 4,634 |
| Other support services | | 13,872 |
| Unallocated | | <u>856,155</u> |
| Total Governmental Activities Depreciation Expense | \$ | <u><u>1,783,674</u></u> |

E. 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:

| Receivable Fund | Payable Fund | Amount |
|---|------------------------|--------------------|
| General Fund | Special Education Fund | \$ 9,585 |
| Less: Fund eliminations | | <u>(9,585)</u> |
| Total Internal Balances - District-Wide Statement of Net Position | | <u><u>\$ -</u></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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

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

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

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 | \$ 2,336,127 | Operating subsidy Expenses for consulting/legal for health insurance consortium |
| Package Cooperative Program Fund | General Fund | <u>317</u> | |
| Total - Fund Financial Statements | | 2,336,444 | |
| Less: Fund eliminations | | <u>(2,336,444)</u> | |
| Total Transfers - District-wide Financial Statements | | <u>\$ -</u> | |

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

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

F. TAX AND REVENUE ANTICIPATION NOTES PAYABLE

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.

The District's short-term debt activity for the year ended June 30, 2015, was as follows:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Ending Balance</u> |
|--------------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| Tax and Revenue Anticipation Note | \$ 6,400,000 | \$ 6,000,000 | \$ 6,400,000 | \$ 6,000,000 |
| Totals | <u>\$ 6,400,000</u> | <u>\$ 6,000,000</u> | <u>\$ 6,400,000</u> | <u>\$ 6,000,000</u> |

The current tax and revenue anticipation note is due on September 25, 2015 and has an interest rate of 1.000%. Total short-term interest expended during the year was \$27,874.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

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

G. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2015, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Bonds and Notes Payable | | | | | |
| General obligation debt | \$ 26,185,000 | \$ 2,200,000 | \$ 1,910,000 | \$ 26,475,000 | \$ 2,126,000 |
| (Discounts)/Premiums | <u>882,952</u> | <u>-</u> | <u>120,176</u> | <u>762,776</u> | <u>-</u> |
| Sub-totals | <u>27,067,952</u> | <u>2,200,000</u> | <u>2,030,176</u> | <u>27,237,776</u> | <u>2,126,000</u> |
| Other Liabilities | | | | | |
| Vested compensated absences | 111,333 | - | 3,307 | 108,026 | - |
| Capital leases | 537,550 | 422,272 | 355,440 | 604,382 | 286,325 |
| Net OPEB obligation | 1,724,231 | 379,393 | 727,715 | 1,375,909 | - |
| Net pension obligation | <u>446,901</u> | <u>11,219</u> | <u>12,667</u> | <u>445,453</u> | <u>-</u> |
| Total Other Liabilities | <u>2,820,015</u> | <u>812,884</u> | <u>1,099,129</u> | <u>2,533,770</u> | <u>286,325</u> |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 29,887,967</u> | <u>\$ 3,012,884</u> | <u>\$ 3,129,305</u> | <u>\$ 29,771,546</u> | <u>\$ 2,412,325</u> |

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2015, was \$238,193,273. Total general obligation debt outstanding at year end was \$26,475,000.

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, 2015

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

G. 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, 2015 |
|---|---------------|----------------|----------------|-----------------------|-----------------------|
| General Obligation Debt | 7/1/05 | 3/1/21 | 5-5.25% | \$ 13,945,000 | \$ 9,185,000 |
| General Obligation QSCP Notes | 11/16/09 | 9/15/19 | 0% | 500,000 | 280,000 |
| General Obligation Promissory Notes | 4/8/10 | 3/1/19 | 2-3.75% | 1,515,000 | 615,000 |
| 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 | 3/1/22 | 1.5-2% | 4,025,000 | 1,770,000 |
| General Obligation Promissory Notes | 4/15/15 | 3/1/24 | 2.1% | 2,200,000 | <u>2,200,000</u> |
| Total Governmental Activities - General Obligation Debt | | | | | <u>\$ 26,475,000</u> |

Debt service requirements to maturity are as follows:

| <u>Years</u> | Governmental Activities General Obligation Debt | |
|--------------|--|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 2,126,000 | \$ 1,032,878 |
| 2017 | 2,326,000 | 955,295 |
| 2018 | 2,426,000 | 865,465 |
| 2019 | 2,156,000 | 770,925 |
| 2020 | 2,061,000 | 678,900 |
| 2021-2025 | 7,255,000 | 2,319,400 |
| 2026-2030 | 6,610,000 | 1,120,200 |
| 2031 | <u>1,515,000</u> | <u>60,600</u> |
| Totals | <u>\$ 26,475,000</u> | <u>\$ 7,803,663</u> |

Capital Leases

Refer to Note III. H.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

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

G. 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.

H. LEASE DISCLOSURES

Lessee - Capital Leases

In September 2012, September 2013, and August 2014, the District acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$1,164,755, 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, 2015, are as follows:

| <u>Years</u> | <u>Governmental Activities</u> | | |
|--------------|--------------------------------|------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
| 2016 | \$ 286,325 | \$ 16,151 | \$ 302,476 |
| 2017 | 211,160 | 8,765 | 219,925 |
| 2018 | <u>106,897</u> | <u>3,111</u> | <u>110,008</u> |
| Totals | <u>\$ 604,382</u> | <u>\$ 28,027</u> | <u>\$ 632,409</u> |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

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

I. NET POSITION/FUND BALANCES

Net position reported on the district-wide statement of net position at June 30, 2015, includes the following:

Governmental Activities

| | |
|---|----------------------|
| Net Investment in Capital Assets | |
| Land | \$ 1,449,282 |
| Construction in progress | 1,318,273 |
| Other capital assets, net of accumulated depreciation | 41,141,647 |
| Less: Long-term debt outstanding | (26,475,000) |
| Plus: Unspent capital related debt proceeds | 1,366,151 |
| Plus: Unamortized loss on refunding | 356,517 |
| Less: Unamortized debt premium | <u>(762,776)</u> |
| Total Net Investment in Capital Assets | <u>18,394,094</u> |
| Restricted | |
| Debt Service | 461,049 |
| Pensions | <u>4,835,735</u> |
| Total Restricted | <u>5,296,784</u> |
| Unrestricted | <u>4,465,335</u> |
| Total Governmental Activities Net Position | <u>\$ 28,156,213</u> |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

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

I. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2015, include the following:

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor funds | Totals |
|------------------------------|--------------|----------------------|--------------------------|-------------------|--------------|
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 395,710 | \$ - | \$ - | \$ - | \$ 395,710 |
| Restricted for: | | | | | |
| Debt Service | - | 801,480 | - | - | 801,480 |
| Capital projects | - | - | 1,366,151 | - | 1,366,151 |
| Committed to: | | | | | |
| Capital projects | - | - | 951,398 | - | 951,398 |
| Food Service | - | - | - | 204,937 | 204,937 |
| Track and field improvements | - | - | - | 91,143 | 91,143 |
| Unassigned: | 5,355,918 | - | - | - | 5,355,918 |
| Total Fund Balances | \$ 5,751,628 | \$ 801,480 | \$ 2,317,549 | \$ 296,080 | \$ 9,166,737 |

J. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which require the District to record the District's proportionate share of the net pension asset (liability) of the Employee's Retirement System and record pension expense as of the Employee's Retirement System actuarial valuation. The details of this restatement are as follows:

| | |
|---|-------------------|
| Net Position - June 30, 2014 (as reported) | \$ 21,340,992 |
| Add: Net pension asset - cost sharing plan | 4,135,783 |
| Add: Deferred outflows of resources related to pensions | 619,533 |
| Net Position - June 30, 2014 (as restated) | \$ 26,096,308 |

As a result of the restatement, the change in net position for 2014 increased by \$4,755,316.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Summary of Significant Accounting Policies

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.

General Information about the Pension Plan

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2005 | 2.6% | 7% |
| 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 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. 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 \$1,049,432 in contributions from the district.

Contribution rates as of June 30, 2015 are:

| <u>Employee Category</u> | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General (including teachers) | 6.8% | 6.8% |
| Executives & Elected Officials | 7.7% | 7.7% |
| Protective with Social Security | 6.8% | 9.5% |
| Protective without Social Security | 6.8% | 13.1% |

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

At June 30, 2015, the District reported an asset of \$2,619,014 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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 asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 0.10662550%, which was a decrease of 0.00172290% from its proportion measured as of December 31, 2013.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended June 30, 2015 , the District recognized pension expense of \$990,179.

At June 30, 2015, 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 | \$ 379,676 | \$ - |
| Changes in assumptions | - | - |
| Net differences between projected and actual earnings on pension plan investments | 1,268,253 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 49,107 |
| Employer contributions subsequent to the measurement date | 617,899 | - |
| Total | \$ 2,265,828 | \$ 49,107 |

\$617,899 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. 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 |
|---------------------|----------------------------------|----------------------------------|
| 2016 | \$ 403,624 | \$ 11,196 |
| 2017 | 403,624 | 11,196 |
| 2018 | 403,624 | 11,196 |
| 2019 | 403,624 | 11,196 |
| 2020 | 33,433 | 4,323 |
| Thereafter | - | - |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | December 31, 2013 |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2014 |
| 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% - 5.8% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments* | 2.1% |

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

| Asset Class | Long-Term Real Rate of Return | Target Allocation |
|----------------------------|----------------------------------|-------------------|
| US Equities | 5.3% | 21% |
| International Equities | 5.7 | 23% |
| Fixed Income | 1.7 | 36% |
| Inflation Sensitive Assets | 2.3 | 20% |
| Real Estate | 4.2 | 7% |
| Private Equity/Debt | 6.9 | 7% |
| Multi-Asset | 3.9 | 6% |
| Cash | 0.9% | -20% |

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 (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension 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:

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

| | 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>\$7,388,689</u> | <u>\$(2,619,014)</u> | <u>\$(10,522,694)</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://legis.wisconsin.gov/lab/> and reference report number 15-11.

At June 30, 2015, the district reported a payable to the pension plan of \$346,214, 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.

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 | 17,876 |
| Adjustment to annual required contribution | (55,099) |
| Annual pension cost | 11,219 |
| Contributions made | (12,667) |
| Change in net pension obligation | (1,448) |
| Net Pension Obligation - Beginning of Year | 446,901 |
| Net Pension Obligation - End of Year | \$ 445,453 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for June 30, 2015 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, 2013 | \$ 146,968 | 0% | \$ 307,309 |
| June 30, 2014 | 139,592 | 0% | 446,901 |
| June 30, 2015 | 11,219 | 0% | 445,453 |

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.

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, 2015, was 10 years.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

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 collective bargaining agreements and state that eligible retirees and their spouses receive lifetime healthcare insurance at established contribution rates. 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.

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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2015

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Plan Contribution Information

Member of the plan consisted of the following at , 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 financed 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 | | 77,590 |
| Adjustment to annual required contribution | | <u>(105,853)</u> |
| Annual OPEB cost | | 379,393 |
| Contributions made | | <u>(727,715)</u> |
| Decrease in net OPEB obligation | | (348,322) |
| Net OPEB Obligation - Beginning of Year | | <u>1,724,231</u> |
| Net OPEB Obligation - End of Year | \$ | <u>1,375,909</u> |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2015

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 2015 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, 2013 | \$ 787,050 | 104 % | \$ 2,052,977 |
| June 30, 2014 | 471,254 | 170 % | 1,724,231 |
| June 30, 2015 | 379,393 | 192 % | 1,375,909 |

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, was as follows:

| | | |
|---|-----------|------------------|
| Actuarial accrued liability (AAL) | \$ | 3,565,295 |
| Actuarial value of plan assets | | 405,490 |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>\$</u> | <u>3,159,805</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, 2015

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, 2015, 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. 72, Fair Value Measurement and Application*
- > *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > *Statement No. 74, Financial Reporting and Postemployment Benefit Plans Other Than Pension Plans*
- > *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- > *Statement No. 77, Tax Abatement Disclosures*

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

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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, 2015

| | Original Budget Amounts | Final Budget Amounts | Actual | Variance with Final Budget |
|---------------------------------------|----------------------------|-------------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Local | \$ 22,908,454 | \$ 22,955,629 | \$ 22,967,702 | \$ 12,073 |
| Interdistrict | 1,592,400 | 1,581,550 | 1,581,558 | 8 |
| Intermediate | 10,694 | 3,594 | 3,560 | (34) |
| State | 4,004,200 | 4,042,873 | 4,041,598 | (1,275) |
| Federal | 179,564 | 269,590 | 270,663 | 1,073 |
| Other | 54,416 | 71,492 | 72,538 | 1,046 |
| Total Revenues | <u>28,749,728</u> | <u>28,924,728</u> | <u>28,937,619</u> | <u>12,891</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular | 11,710,539 | 11,630,071 | 11,524,670 | 105,401 |
| Special education | 121,644 | 128,644 | 122,250 | 6,394 |
| Vocational | 968,624 | 957,303 | 949,041 | 8,262 |
| Other | 1,150,960 | 1,128,038 | 1,116,259 | 11,779 |
| Total Instruction | <u>13,951,767</u> | <u>13,844,056</u> | <u>13,712,220</u> | <u>131,836</u> |
| Support Services | | | | |
| Pupil services | 735,256 | 716,406 | 697,454 | 18,952 |
| Instructional support services | 1,664,558 | 1,695,375 | 1,680,818 | 14,557 |
| Administration | 2,822,811 | 2,764,519 | 2,729,457 | 35,062 |
| Buildings and grounds | 2,910,570 | 3,236,467 | 3,233,472 | 2,995 |
| Pupil transportation | 1,022,400 | 1,058,000 | 1,056,944 | 1,056 |
| Other support services | 2,295,405 | 2,287,544 | 2,220,424 | 67,120 |
| Debt service | | | | |
| Principal retirement | 355,440 | 355,440 | 355,440 | - |
| Interest and fiscal charges | 40,976 | 40,976 | 40,975 | 1 |
| Total Support Services | <u>11,847,416</u> | <u>12,154,727</u> | <u>12,014,984</u> | <u>139,743</u> |
| Non-Program | | | | |
| General tuition payments | 678,832 | 663,232 | 661,157 | 2,075 |
| Other non-program | 28,000 | 19,000 | 17,668 | 1,332 |
| Total Non-Program | <u>706,832</u> | <u>682,232</u> | <u>678,825</u> | <u>3,407</u> |
| Total Expenditures | <u>26,506,015</u> | <u>26,681,015</u> | <u>26,406,029</u> | <u>274,986</u> |
| Excess of revenues over expenditures | 2,243,713 | 2,243,713 | 2,531,590 | 287,877 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital lease issued | 422,272 | 422,272 | 422,272 | - |
| Transfers out | (2,565,985) | (2,565,985) | (2,336,444) | 229,541 |
| Net Change in Fund Balances | <u>\$ 100,000</u> | <u>\$ 100,000</u> | 617,418 | <u>\$ 517,418</u> |
| FUND BALANCES - BEGINNING OF YEAR | | | 5,134,210 | |
| FUND BALANCES - END OF YEAR | | | <u>\$ 5,751,628</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, 2015

| | Original and Final Budget Amounts | Actual | Variance with Final Budget |
|---|---|------------------|-------------------------------|
| REVENUES | | | |
| Interdistrict | \$ 45,000 | \$ 35,037 | \$ (9,963) |
| State | 780,000 | 781,412 | 1,412 |
| Federal | 551,916 | 483,004 | (68,912) |
| Total Revenues | <u>1,376,916</u> | <u>1,299,453</u> | <u>(77,463)</u> |
| EXPENDITURES | | | |
| Instruction | | | |
| Special education | 2,556,597 | 2,441,385 | 115,212 |
| Vocational | 2,000 | 879 | 1,121 |
| Total Instruction | <u>2,558,597</u> | <u>2,442,264</u> | <u>116,333</u> |
| Support Services | | | |
| Pupil services | 425,959 | 397,003 | 28,956 |
| Instructional support services | 284,375 | 262,159 | 22,216 |
| Administration | 3,000 | 2,640 | 360 |
| Buildings and grounds | - | - | - |
| Pupil transportation | 241,229 | 225,086 | 16,143 |
| Total Support Services | <u>954,563</u> | <u>886,888</u> | <u>67,675</u> |
| Non-Program | | | |
| General tuition payments | 429,500 | 306,428 | 123,072 |
| Total Expenditures | <u>3,942,660</u> | <u>3,635,580</u> | <u>307,080</u> |
| Excess (deficiency) of revenues over expenditures | (2,565,744) | (2,336,127) | 229,617 |
| OTHER FINANCING SOURCES | | | |
| Transfer from General Fund | 2,565,744 | 2,336,127 | (229,617) |
| Net Change in Fund Balances | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| FUND BALANCES - BEGINNING OF YEAR | | - | |
| FUND BALANCES - END OF YEAR | | <u>\$ -</u> | |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FUNDING PROGRESS
As of June 30, 2015

| 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, 2015

| Fiscal Year Ending | Annual Required Contributions | Annual Contributions | Percentage Contributed | Net OPEB Obligation |
|--------------------|-------------------------------|----------------------|------------------------|---------------------|
| 6/30/13 | \$ 818,955 | \$ 815,627 | 100% | \$ 2,052,977 |
| 6/30/14 | 504,905 | 800,000 | 158% | 1,724,231 |
| 6/30/15 | 407,656 | 727,715 | 179% | 1,375,909 |

SCHOOL DISTRICT OF PEWAUKEE

**SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET
AND CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**

For the Year Ended June 30, 2015

| <u>Fiscal Year Ending</u> | <u>Proportion of the Net Pension Asset</u> | <u>Proportionate Share of the Net Pension Asset</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of Covered Payroll</u> |
|-------------------------------|--|---|----------------------------|--|---|
| 6/30/15 | 0.10662550% | \$ 2,619,014 | \$ 14,983,365 | 17.48% | 102.74% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM

For the Year Ended June 30, 2015

| <u>Fiscal Year Ending</u> | <u>Contractually Required Contributions</u> | <u>Contributions in Relation to the Contractually Required Contributions</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|-------------------------------|---|--|---|----------------------------|---|
| 6/30/15 | \$ 1,049,432 | \$ 1,049,432 | \$ - | \$ 14,983,365 | 7.00% |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended June 30, 2015

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, 2015

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-------------------------|------------------|--|--|
| | Food Service Fund | Trust Fund | Package Cooperative Program Fund | |
| ASSETS | | | | |
| Cash and investments | \$ 202,275 | \$ 91,143 | \$ - | \$ 293,418 |
| Accounts receivable | 4,266 | - | - | 4,266 |
| TOTAL ASSETS | \$ 206,541 | \$ 91,143 | \$ - | \$ 297,684 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accrued payroll and related liabilities | \$ 1,604 | \$ - | \$ - | \$ 1,604 |
| Total Liabilities | 1,604 | - | - | 1,604 |
| Fund Balances | | | | |
| Committed | 204,937 | 91,143 | - | 296,080 |
| Total Fund Balances | 204,937 | 91,143 | - | 296,080 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 206,541 | \$ 91,143 | \$ - | \$ 297,684 |

SCHOOL DISTRICT OF PEWAUKEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2015

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-------------------------|---------------|--|--|
| | Food Service Fund | Trust Fund | Package Cooperative Program Fund | |
| REVENUES | | | | |
| Local | \$ 697,820 | \$ 33,500 | \$ - | \$ 731,320 |
| Interdistrict | - | - | 1,426 | 1,426 |
| State | 10,302 | - | - | 10,302 |
| Federal | 236,446 | - | - | 236,446 |
| Other | 1,101 | 17 | - | 1,118 |
| Total Revenues | 945,669 | 33,517 | 1,426 | 980,612 |
| EXPENDITURES | | | | |
| Support Services | | | | |
| Administration | 28,826 | - | 1,743 | 30,569 |
| Food service | 922,626 | - | - | 922,626 |
| Total support services | 951,452 | - | 1,743 | 953,195 |
| Total Expenditures | 951,452 | - | 1,743 | 953,195 |
| Excess (deficiency) of Revenues Over Expenditures | (5,783) | 33,517 | (317) | 27,417 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | - | - | 317 | 317 |
| Total Other Financing Sources | - | - | 317 | 317 |
| Net Change in Fund Balances | (5,783) | 33,517 | - | 27,734 |
| FUND BALANCES - BEGINNING OF YEAR | 210,720 | 57,626 | - | 268,346 |
| FUND BALANCES - END OF YEAR | \$ 204,937 | \$ 91,143 | \$ - | \$ 296,080 |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
PUPIL ACTIVITY AGENCY FUND
For the Year Ended June 30, 2015

| | Balance 6/30/14 | Additions | Deductions | Balance 6/30/15 |
|------------------------------|--------------------|--------------|--------------|--------------------|
| ASSETS | | | | |
| Cash and investments | \$ 256,772 | \$ 1,033,980 | \$ 1,007,711 | \$ 283,041 |
| LIABILITIES | | | | |
| Due to student organizations | | | | |
| High School | \$ 175,250 | \$ 706,674 | \$ 662,971 | \$ 218,953 |
| Middle School | 25,060 | 101,288 | 99,761 | 26,587 |
| Horizon Elementary School | 36,369 | 82,114 | 91,339 | 27,144 |
| Lake Elementary School | 20,093 | 143,904 | 153,640 | 10,357 |
| TOTAL LIABILITIES | \$ 256,772 | \$ 1,033,980 | \$ 1,007,711 | \$ 283,041 |

SINGLE AUDIT

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

| Awarding Agency/Pass-Through Agency/Award Description | Federal Catalog Number | Pass Through Agency | Program or Award Amount | Accrued Receivable 7/1/2014 | Expenditures | | Receipts | | Accrued Receivable 6/30/2015 |
|---|------------------------|---------------------|-------------------------|-----------------------------|--------------|-------|------------------------|-------------|------------------------------|
| | | | | | Grantor | Local | Grantor Reimbursements | Local Share | |
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | |
| <u>ESEA Title 1-A Basic Grant</u> | | | | | | | | | |
| 84.010 | | | | | | | | | |
| July 1, 2013 - June 30, 2014 | | WI DPI | \$ 153,892 | \$ 30,401 | \$ - | \$ - | \$ 30,401 | \$ - | \$ - |
| July 1, 2014 - June 30, 2015 | | WI DPI | 138,540 | - | 137,185 | - | 110,067 | - | 27,118 |
| Special Education Cluster | | | | | | | | | |
| <u>PL 94-142 IDEA Flow Thru</u> | | | | | | | | | |
| 84.027 | | | | | | | | | |
| July 1, 2013 - June 30, 2014 | | WI DPI | 552,138 | 133,704 | - | - | 133,704 | - | - |
| July 1, 2014 - June 30, 2015 | | WI DPI | 597,873 | - | 385,792 | - | 349,037 | - | 36,755 |
| <u>PL 99-457 Preschool Entitlement</u> | | | | | | | | | |
| 84.173 | | | | | | | | | |
| July 1, 2013 - June 30, 2014 | | WI DPI | 29,593 | 11,253 | - | - | 11,253 | - | - |
| July 1, 2014 - June 30, 2015 | | WI DPI | 18,628 | - | 18,385 | - | 15,802 | - | 2,583 |
| Total Special Education Cluster | | | | 144,957 | 404,177 | - | 509,796 | - | 39,338 |
| <u>ESEA Title II-A Teacher/Principal</u> | | | | | | | | | |
| 84.367 | | | | | | | | | |
| July 1, 2013 - June 30, 2014 | | WI DPI | 32,982 | - | - | - | - | - | - |
| July 1, 2014 - June 30, 2015 | | WI DPI | 28,408 | - | 25,536 | - | 25,536 | - | - |
| Total U.S. Department of Education | | | | 175,358 | 566,898 | - | 675,800 | - | 66,456 |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2015

| Awarding Agency/Pass-Through Agency/Award Description | Federal Catalog Number | Pass Through Agency | Program or Award Amount | Accrued Receivable 7/1/2014 | Expenditures | | Receipts | | Accrued Receivable 6/30/2015 |
|---|------------------------|---------------------|-------------------------|-----------------------------|--------------|------------|------------------------|-------------|------------------------------|
| | | | | | Grantor | Local | Grantor Reimbursements | Local Share | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | | | |
| <u>Medical Assistance</u> | 93.778 | | | | | | | | |
| July 1, 2014 - June 30, 2015 | | WI DHS | \$ 171,153 | \$ 5,935 | \$ 171,153 | \$ - | \$ 158,022 | \$ - | \$ 19,066 |
| Total U.S. Department of Health and Human Services | | | | 5,935 | 171,153 | - | 158,022 | - | 19,066 |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | |
| <u>Donated Food Program</u> | 10.555 | | | | | | | | |
| July 1, 2014 - June 30, 2015 | | WI DPI | 63,158 | - | 63,158 | - | 63,158 | - | - |
| <u>National School Lunch</u> | 10.555 | | | | | | | | |
| July 1, 2013 - June 30, 2014 | | WI DPI | 178,468 | 7,774 | - | - | 7,774 | - | - |
| July 1, 2014 - June 30, 2015 | | | 173,288 | - | 173,288 | 715,006 | 173,288 | 715,006 | - |
| Total U.S. Department of Agriculture | | | | 7,774 | 236,446 | 715,006 | 244,220 | 715,006 | - |
| U.S. DEPARTMENT OF COMMERCE | | | | | | | | | |
| Malcolm Baldrige National Quality Award | 11.013 | N/A | | | | | | | |
| July 1, 2014 - June 30, 2015 | | | 43,646 | - | 15,616 | - | 13,646 | - | 1,970 |
| Total Federal Awards | | | | \$ 189,067 | \$ 990,113 | \$ 715,006 | \$ 1,091,688 | \$ 715,006 | \$ 87,492 |

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, 2015

| <u>Awarding Agency/Pass-Through Agency/Award Description</u> | <u>State ID Number</u> | <u>Revenues</u> |
|--|------------------------|---------------------|
| WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION | | |
| <u>Entitlement Programs</u> | | |
| Major Programs | | |
| Special Education & School Age Parents | 255.101 | \$ 781,412 |
| Equalization Aid (receivable of \$58,714) | 255.201 | <u>3,344,741</u> |
| Total Major Programs | | <u>4,126,153</u> |
| Nonmajor Programs | | |
| State School Lunch Aid | 255.102 | 10,302 |
| Common School Fund Library Aid | 255.103 | 98,682 |
| Pupil Transportation Aid | 255.107 | 75,312 |
| Peer Review & Mentoring Grant | 255.301 | 20,050 |
| Educator Effective Evaluation Systems | 255.940 | 15,680 |
| Per Pupil Aid | 255.945 | 384,975 |
| Career and Technical Education Incentive | 255.950 | <u>2,000</u> |
| Total State Awards | | <u>\$ 4,733,154</u> |

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, 2015

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 accounting records for some 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. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and the *State Single Audit Guidelines*.

NOTE 3 – ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$3,057,986 for the year ended June 30, 2015.

NOTE 4 – 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 there were no findings.

NOTE 5 – 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 |

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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, 2015, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee's basic financial statements and have issued our report thereon dated November 30, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Vinson Krause, LLP

Milwaukee, Wisconsin
November 30, 2015

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, *OMB Circular A-133*, 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 or the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. 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 our opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 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 2015-001 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 OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Vinson Krown, LLP

Milwaukee, Wisconsin
November 30, 2015

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SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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 and State Awards

| | | | |
|---|------------------|-----|---------------------------------|
| Internal control over compliance | | | |
| Material weakness(es) identified? | _____ | yes | <u> X </u> no |
| Significant deficiency(ies) identified? | <u> X </u> | yes | <u> </u> none reported |

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 .510(a) of OMB Circular A-133? | <u> X </u> | yes | <u> </u> no |
|---|------------------|-----|----------------------|

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

| | |
|---------|-----------|
| Federal | \$300,000 |
| State | \$100,000 |

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

Identification of major federal programs:

CFDA NUMBER (S)

Name of Federal Program or Cluster

| | |
|--------|--|
| 84.027 | Special Education Cluster |
| 84.173 | IDEA - PL 94-142 Flowthrough |
| 93.778 | IDEA - PL 99-457 Preschool entitlement |
| | Medical Assistance Program |

Identification of major state programs:

State Identification Number

Name of State Program or Cluster

| | |
|---------|--|
| 255.101 | Special Education & School Age Parents |
| 255.201 | Equalization Aid |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2015

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 2015-001: Timecard approval

| | |
|------------------------------|---|
| <i>Programs -</i> | 84.027 / 84.173 - Special Education Cluster |
| <i>Criteria -</i> | Timecards should be reviewed and approved by appropriate personnel. |
| <i>Condition -</i> | The timecard of one employee selected in our sample was not reviewed and approved. |
| <i>Questioned Costs -</i> | Unknown. |
| <i>Context -</i> | A sample of 19 payroll transactions were selected. Timecards were examined for review and approval by appropriated personnel for hourly employees of which there were 6 included in the sample. |
| <i>Effect -</i> | The District could pay employees for hours not worked. |
| <i>Recommendation -</i> | The District should evaluate their process for the review and approval of timecards and modify the process to ensure that all timecards are reviewed and approved by appropriate personnel. |
| <i>District's Response -</i> | Procedures for approving and paying time cards were reviewed. Responsible personnel were reminded of the importance of approving time cards before they are submitted to payroll. Payroll was reminded to review all time cards for approvals and to return any unapproved time cards. We performed our own audit of all time cards paid during a 3 month period and found no other exceptions. We feel the exception found during the audit was an isolated incident and no further action is needed at this time. |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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

November 30, 2015