

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2016

SCHOOL DISTRICT OF CHILTON

TABLE OF CONTENTS

JUNE 30, 2016

Page

3-5 Independent Auditors' Report

BASIC FINANCIAL STATEMENTS

District-Wide Financial Statements

6 Statement of Net Position

7 Statement of Activities

Fund Financial Statements

8 Balance Sheet - Governmental Funds

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

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

11 Statement of Fiduciary Net Position - Fiduciary Funds

12 Statement of Changes in Fiduciary Net Position - Fiduciary Funds

13-29 Notes to the Basic Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION

30 Budgetary Comparison Schedule for the General Fund - Budget and Actual

31 Notes to Required Supplementary Information on Budgetary Accounting and
Control

32 Schedule of Funding Progress - Post Employment Healthcare

33 Wisconsin Retirement System Schedules

OTHER SUPPLEMENTARY INFORMATION

34 Combining Balance Sheet - Nonmajor Governmental Funds

35 Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances - Nonmajor Governmental Funds

36 Schedule of Changes in Assets and Liabilities - Agency Funds

37 Schedule of Expenditures of Federal Awards

SCHOOL DISTRICT OF CHILTON
TABLE OF CONTENTS - Continued
JUNE 30, 2016

Page

OTHER SUPPLEMENTARY INFORMATION - Continued

- 38 Schedule of State Financial Assistance
- 39 Notes to the Schedule of Expenditures of Federal Awards and State
Financial Assistance

OTHER REPORTS

- 40-41 Independent Auditors' 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*
- 42-43 Independent Auditors' Report on Compliance For Each Major State Program and
on Internal Control over Compliance Required by the Wisconsin Department
of Public Instruction
- 44-46 Summary of Auditors' Results

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Chilton
Chilton, 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 Chilton as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District of Chilton'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 relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of funding progress - post employment healthcare, and Wisconsin Retirement System schedules, 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. 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Chilton's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of changes in assets and liabilities - agency funds are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, schedule of changes in assets and liabilities - agency funds, schedule of expenditures of federal awards, and the schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the School District of Chilton'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 Chilton's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin
December 15, 2016

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**BASIC
FINANCIAL STATEMENTS**

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**DISTRICT-WIDE
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON
STATEMENT OF NET POSITION
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments	\$ 4,221,863
Receivables	
Accounts	36,269
Taxes	1,618,548
Receivable from external parties	123,597
Due from other governments	521,513
Prepaid expenses	345,058
Unconditional promise to give	924,002
Capital assets (net of accumulated depreciation)	
Capital assets not being depreciated	135,622
Capital assets being depreciated	<u>28,185,621</u>
TOTAL ASSETS	<u>36,112,093</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Wisconsin Retirement System pension	<u>3,883,578</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
	<u>39,995,671</u>
 LIABILITIES	
Accounts payable	109,633
Accrued liabilities	
Payroll, payroll taxes, insurance	1,154,771
Interest	129,488
Due to other governments	14,670
Due to student organization	165,345
Deposits payable	1,191
Unearned revenue	24,511
Current portion of long-term obligations	1,887,811
Noncurrent portion of long-term obligations	<u>16,702,860</u>
TOTAL LIABILITIES	<u>20,190,280</u>
 DEFERRED INFLOWS OF RESOURCES	
Revenue on refunding	138,750
Wisconsin Retirement System pension	<u>1,585,914</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,724,664</u>
 NET POSITION	
Net investment in capital assets	10,419,279
Restricted for	
Debt service	572,056
Capital projects	884,227
Other activities	1,559,319
Unrestricted	<u>4,645,846</u>
TOTAL NET POSITION	<u>18,080,727</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
	<u>\$ 39,995,671</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSES)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular instruction	\$ 5,095,518	\$ 43,629	\$ -	\$ (5,051,889)
Vocational instruction	561,471	12,912	-	(548,559)
Special instruction	832,924	11,451	503,078	(318,395)
Other instruction	742,128	81,445	-	(660,683)
Total instruction	<u>7,232,041</u>	<u>149,437</u>	<u>503,078</u>	<u>(6,579,526)</u>
Support services				
Pupil services	457,133	-	-	(457,133)
Instructional staff services	1,084,338	1,774	87,029	(995,535)
General administration services	386,848	-	-	(386,848)
Building administration services	689,819	6,084	1,319	(682,416)
Business services	3,293,251	367,425	285,708	(2,640,118)
Central services	41,188	-	-	(41,188)
Insurance	116,619	-	-	(116,619)
Interest and other	513,794	-	-	(513,794)
Other support services	5,200	-	-	(5,200)
Community services	125,367	13,176	-	(112,191)
Total support services	<u>6,713,557</u>	<u>388,459</u>	<u>374,056</u>	<u>(5,951,042)</u>
Non-program transactions	500,837	-	-	(500,837)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 14,446,435</u>	<u>\$ 537,896</u>	<u>\$ 877,134</u>	<u>(13,031,405)</u>
General revenue				
Taxes				
Property taxes 5,695,824				
Other taxes 2,923				
State and federal aids not restricted to specific functions				
General 7,383,914				
Interest and investment earnings 32,384				
Miscellaneous 1,137,518				
Total general revenue <u>14,252,563</u>				
CHANGE IN NET POSITION 1,221,158				
NET POSITION - BEGINNING OF YEAR <u>16,859,569</u>				
NET POSITION - END OF YEAR <u>\$ 18,080,727</u>				

The accompanying notes are an integral part of these statements.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**FUND
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	GENERAL FUND	REFERENDUM	CAPITAL PROJECTS		TOTAL	TOTAL
		APPROVED DEBT SERVICE FUND	CAPITAL EXPANSION	OTHER CAPITAL PROJECTS	NONMAJOR GOV'T FUNDS	TOTAL GOV'T FUNDS
ASSETS						
Cash and investments	\$ 2,447,922	\$ 450,589	\$ 736,543	\$ 116,098	\$ 470,711	\$ 4,221,863
Receivables						
Accounts	5,648	-	-	30,569	52	36,269
Taxes	1,618,548	-	-	-	-	1,618,548
Due from other funds	128,135	-	-	-	-	128,135
Due from other governments	502,201	-	-	-	19,312	521,513
Prepaid expenses	76,295	-	-	-	-	76,295
TOTAL ASSETS	4,778,749	450,589	736,543	146,667	490,075	6,602,623
LIABILITIES						
Accounts payable	109,389	-	-	-	244	109,633
Accrued payroll liabilities	1,147,987	-	-	-	6,784	1,154,771
Due to other funds	-	-	-	-	4,538	4,538
Due to other governments	-	-	-	-	14,670	14,670
Due to student organization	165,345	-	-	-	-	165,345
Deposits payable	-	-	-	-	1,191	1,191
Unearned revenue	3,494	-	-	-	21,017	24,511
TOTAL LIABILITIES	1,426,215	-	-	-	48,444	1,474,659
FUND BALANCES						
Nonspendable	76,295	-	-	-	-	76,295
Restricted	-	450,589	736,543	146,667	122,484	1,456,283
Committed	-	-	-	-	50,899	50,899
Assigned	55,731	-	-	-	268,248	323,979
Unassigned	3,220,508	-	-	-	-	3,220,508
TOTAL FUND BALANCES	3,352,534	450,589	736,543	146,667	441,631	5,127,964
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,778,749	\$ 450,589	736,543	146,667	\$ 490,075	

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

Long-term receivables are not current financial resources and are not reported in the fund statements.	924,002
Prepaid other post employment benefit obligations are not current financial resources and are not reported in the fund statements.	268,763
Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:	
Governmental capital asset	\$ 45,059,734
Governmental accumulated depreciation	<u>(16,738,491)</u> 28,321,243
Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements.	2,297,664
Long-term liabilities are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:	
General obligation debt	\$(17,852,326)
Revenue on refunding	(138,750)
Accrued interest on general obligation debt	(129,488)
WRS liability	<u>(738,345)</u> (18,858,909)
Total net position - governmental activities	\$ 18,080,727

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	GENERAL FUND	REFERENDUM	CAPITAL PROJECTS		TOTAL	TOTAL
		APPROVED DEBT SERVICE FUND	CAPITAL EXPANSION	OTHER CAPITAL PROJECTS	NONMAJOR GOV'T FUNDS	GOV'T FUNDS
REVENUES						
Property taxes	\$ 3,159,351	\$ 2,141,177	\$ 116,563	\$ -	\$ 281,656	\$ 5,698,747
Other local sources	321,151	189,316	5,385	9,456	383,389	908,697
Interdistrict sources	762,113	-	-	-	11,804	773,917
Intermediate sources	47,845	-	-	-	-	47,845
State sources	7,484,647	-	-	-	36,198	7,520,845
Federal sources	465,210	-	-	-	250,810	716,020
Other sources	28,184	4,616	-	77,996	310	111,106
TOTAL REVENUES	12,268,501	2,335,109	121,948	87,452	964,167	15,777,177
EXPENDITURES						
Current						
Instruction						
Regular instruction	4,780,816	-	-	-	-	4,780,816
Vocational instruction	529,953	-	-	-	-	529,953
Special instruction	796,123	-	-	-	-	796,123
Other instruction	672,033	-	-	-	23,160	695,193
Total instruction	6,778,925	-	-	-	23,160	6,802,085
Support services						
Pupil services	441,692	-	-	-	-	441,692
Instructional staff services	895,745	-	-	-	5,275	901,020
General administration services	350,116	-	-	-	-	350,116
Building administration services	658,681	-	-	-	-	658,681
Business services	1,881,604	-	128,008	-	577,303	2,586,915
Insurance	116,619	-	-	-	-	116,619
Other support services	5,199	-	-	-	-	5,199
Community services	-	-	-	-	122,691	122,691
Total support services	4,349,656	-	128,008	-	705,269	5,182,933
Non-program transactions	475,883	-	-	-	24,954	500,837
Debt service						
Principal	-	1,790,000	-	-	-	1,790,000
Interest	-	425,785	-	-	101,158	526,943
Other	-	59,350	-	-	-	59,350
Total debt service	-	2,275,135	-	-	101,158	2,376,293
Capital outlay	194,985	-	-	3,356,792	36,008	3,587,785
TOTAL EXPENDITURES	11,799,449	2,275,135	128,008	3,356,792	890,549	18,449,933
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	469,052	59,974	(6,060)	(3,269,340)	73,618	(2,672,756)
OTHER FINANCING (USES) SOURCES						
Net transfer (to) from other funds	(17,822)	-	-	-	17,822	-
Sale of capital assets	50	-	-	-	3,075	3,125
Issuance of long-term debt	-	-	-	5,620,000	-	5,620,000
Premium on debt issued	-	97,534	-	-	-	97,534
TOTAL OTHER FINANCING (USES) SOURCES	(17,772)	97,534	-	5,620,000	20,897	5,720,659
NET CHANGE IN FUND BALANCE	451,280	157,508	(6,060)	2,350,660	94,515	3,047,903
FUND BALANCE - BEGINNING OF YEAR	2,901,254	293,081	742,603	(2,203,993)	347,116	2,080,061
FUND BALANCE - END OF YEAR	\$ 3,352,534	\$ 450,589	\$ 736,543	\$ 146,667	\$ 441,631	\$ 5,127,964

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds \$ 3,047,903

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in fund statements	\$ 3,587,785	
Less noncapitalized outlay	(75,021)	
Depreciation expense reported in the statement of activities	(958,859)	
Net book value of capital assets disposed	<u>23,655</u>	
Amount by which capital outlays are greater than depreciation in the current period		2,577,560

Unconditional promises to give are reported as revenue in the governmental funds when received. In the statement of activities, revenue is reported when the promise to give is received. The amount of unconditional promises to give received in the current year is: (127,185)

The amount of a loan is reported in the governmental funds as a source of financing. In the statement of net position however, loans are not reported as a financing source, but rather constitute a long-term liability. The amount of loans reported in the governmental funds statement is: (5,620,000)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by: (2,480)

Certain revenues are unearned in the governmental funds because they are not available to pay current period expenditures. In the statement of activities these are recorded as revenue in the current year. Other unearned revenue recognized in the governmental funds (9,179)

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources changes: (410,426)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. Amount of long-term debt principal payments in the current year is: 1,790,000

In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as it accrues.

Amount of interest and other debt costs paid during the current period is	\$ 586,293	
Amount of interest and other debt costs accrued during the current period is	<u>(611,328)</u>	
Interest paid is less than interest accrued by:		<u>(25,035)</u>

Change in net position - governmental activities \$ 1,221,158

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>AGENCY FUND</u>	<u>TRUST FUND</u>	
	STUDENT ACTIVITY	PRIVATE PURPOSE	EMPLOYEE BENEFIT
ASSETS			
Cash	\$ 31,984	\$ 240,270	\$ 525,872
TOTAL ASSETS	<u>31,984</u>	<u>240,270</u>	<u>525,872</u>
LIABILITIES			
Due to other funds	-	-	123,597
Due to student organizations	31,984	-	-
Unearned revenue	-	-	5,757
TOTAL LIABILITIES	<u>31,984</u>	<u>-</u>	<u>129,354</u>
NET POSITION			
Nonspendable	-	228,097	-
Net position held in trust	-	12,173	396,518
TOTAL LIABILITIES AND NET POSITION	<u>\$ 31,984</u>	<u>\$ 240,270</u>	<u>\$ 525,872</u>

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	TRUST FUND	
	PRIVATE PURPOSE	EMPLOYEE BENEFIT
ADDITIONS		
Investment income	\$ -	\$ 9,848
Contributions	300	115,060
TOTAL ADDITIONS	300	124,908
 DEDUCTIONS		
Disbursements	7,100	115,060
Investment loss	2,592	9,115
TOTAL DEDUCTIONS	9,692	124,175
 CHANGE IN NET POSITION	 (9,392)	 733
NET POSITION - BEGINNING OF YEAR	249,662	395,785
NET POSITION - END OF YEAR	\$ 240,270	\$ 396,518

The accompanying notes are an integral part of these statements.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies

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

Reporting Entity - The School District of Chilton is organized as a common school district. The District, governed by a five member elected school board, operates grades K through 12 and is comprised of all or parts of nine taxing districts.

The District's basic financial statements do not include any components units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the District has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the District's financial accountability for a legally separate organization: the District is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis Of Presentation

District-Wide Statements

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

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

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Financial Statements

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

The District reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the District's primary operating fund.

Referendum Approved Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

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

The District has three fiduciary funds which account for assets held as an agent for various student organizations, an employee benefit trust and a private purpose trust.

Measurement Focus and Basis of Accounting

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

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

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues.

Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Cash and Investments - The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts, such as the debt service fund.

Investments are stated at fair value, if applicable, 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 municipal accounting funds is allocated based on average investment balances.

Property Tax Levy - Under Wisconsin law, personal property taxes and first and second installment real estate taxes are collected by municipal treasurers who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Third installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes. Taxes collected by the township are made in two installments, the first by the town, and the second by the county treasurer.

The District's property taxes are levied on or before November 1 on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31, and a final payment no later than the following July 31. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15, and by the 20th each subsequent month thereafter. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real estate property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2015 tax levy is used to finance operations of the District's fiscal year ended June 30, 2016. All property taxes are considered due on January 1, when an enforceable lien may be assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

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

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

Prepaid Items - Prepaid items represent payments made by the District for which benefits extend beyond June 30. A nonspendable fund balance has been recognized for these non-liquid assets (prepaid items) to signify that a portion of fund balance is not available for other subsequent expenditures.

Due To/From Other Funds - 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. The amounts reported on the statement of net position for receivable/payable from external parties represents amount due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Capital Assets - Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are listed below. Capital assets under the capitalization threshold below are included if purchased prior to July 1, 2015.

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$5,000	Straight-line	25-50 years
Land improvements	\$5,000	Straight-line	20 years
Furniture and equipment	\$5,000	Straight-line	5-20 years
Computer and related technology	\$5,000	Straight-line	5 years

Debt Premiums and Discounts - In the government-wide financial statements, debt premiums and discounts are amortized over the life of the debt. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, premiums and discounts are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Vested Employee Benefits

Compensated Absences - The District's vacation and sick pay policy does not allow accumulated vacation pay benefits or accumulated sick pay benefits to vest. Unused accumulated benefits are forfeited upon retirement or termination of employment.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

Retirement Plans - District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

Post Employment Benefits - The District provides varying amounts of payment of health insurance to retired employees depending on age and years of experience. An estimate of the future benefits is recognized as a liability in the statement of assets.

Pensions - 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.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The District has one item that qualifies for reporting in this category. It is the Wisconsin Retirement System pension reported in the government-wide statement of net position. The Wisconsin Retirement System pension results from changes in the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has two types of items, revenue on refunding and Wisconsin Retirement System pension, which qualify for reporting in this category. Revenue on refunding arises under the accrual basis of accounting. The revenue on refunding is reported in the statement of net position and is amortized over the shorter of the life of the refunded or refunding debt. The Wisconsin Retirement System pension results from changes in the pension plan.

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

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications - The District classifies its fund equity as follows: 1) nonspendable fund balance consists of equity that is not in a spendable form or is legally or

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the District itself, using its highest level of decision making authority - Board of Education policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Board of Education has authorized the District Administrator to assign fund balances through its fund balance policy and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the District's policy to record the net loss against committed fund balance, then assigned fund balance and lastly to unassigned fund balance (GASB 54 default for not having a policy). The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

NOTE 2 - Cash and Investments

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government investment pool administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund. No significant violations of these restrictions occurred during the year.

As of June 30, 2016, the District had the following investment:

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
State of Wisconsin Investment Pool	Less than one year	\$ 375
Certificate of deposit	More than one year	<u>1,017</u>
Total		<u><u>\$ 1,392</u></u>

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At June 30, 2016, the Pool's fair value was 100 percent of book value.

Determining Fair Value - The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurement:

- 1) State of Wisconsin Local Government Investment Pool fair value is determined monthly by the Pool's investment board based on published market quotations (level 2 inputs).

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 2 - Cash and Investments - Continued

Income Allocation - Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment.

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to those which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The District has an investment policy that does not further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has an investment policy that does not further limit its investment choices. The State of Wisconsin Local Government Investment Pool is not rated.

Custodial Credit Risk - Custodial credit is the risk that, in the event of a financial institution failure, the District's deposits may not be returned. The District does have a policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2016, \$3,533,015 of the District's bank balance of \$4,297,452 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by securities held by the bank in the bank's name. \$113,419 was uninsured and uncollateralized.

NOTE 3 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 46,510	\$ -	\$ -	\$ 46,510
Construction in progress	<u>2,204,042</u>	<u>89,112</u>	<u>(2,204,042)</u>	<u>89,112</u>
Total capital assets not being depreciated	<u>2,250,552</u>	<u>89,112</u>	<u>(2,204,042)</u>	<u>135,622</u>
Capital assets being depreciated:				
Land improvements	1,445,762	-	-	1,445,762
Buildings and improvements	32,351,395	4,689,733	-	37,041,128
Equipment	<u>5,529,550</u>	<u>937,961</u>	<u>(30,289)</u>	<u>6,437,222</u>
Total capital assets being depreciated	<u>39,326,707</u>	<u>5,627,694</u>	<u>(30,289)</u>	<u>44,924,112</u>
Less accumulated depreciation for:				
Land improvements	(959,750)	(65,945)	-	(1,025,695)
Buildings and improvements	(10,450,422)	(655,435)	-	(11,105,857)
Equipment	<u>(4,423,404)</u>	<u>(237,479)</u>	<u>53,944</u>	<u>(4,606,939)</u>
Total accumulated depreciation	<u>(15,833,576)</u>	<u>(958,859)</u>	<u>53,944</u>	<u>(16,738,491)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>23,493,131</u>	<u>4,668,835</u>	<u>23,655</u>	<u>28,185,621</u>
Capital assets, net of accumulated depreciation	<u>\$ 25,743,683</u>	<u>\$ 4,757,947</u>	<u>\$ (2,180,387)</u>	<u>\$ 28,321,243</u>

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 3 - Capital Assets - Continued

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$	120,594
Vocational instruction		7,097
Special education instruction		2,081
Other instruction		19,617
Instructional staff services		5,555
General administration services		2,611
Building administration services		4,647
Business services		755,469
Central services		41,188
Total	<u>\$</u>	<u>958,859</u>

The District does not capitalize interest on general fixed asset projects.

NOTE 4 - Long-Term Obligations

Long-term obligations of the District are as follows:

	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due Within One Year
Bonds payable	\$ 13,795,000	\$ -	\$ (1,790,000)	\$ 12,005,000	\$ 1,840,000
Notes payable	-	5,620,000	-	5,620,000	-
Premium	177,603	97,534	(47,811)	227,326	47,811
Wisconsin Retirement System					
Net Pension Liability	-	738,345	-	738,345	-
Total	<u>\$ 13,972,603</u>	<u>\$ 6,455,879</u>	<u>\$ (1,837,811)</u>	<u>\$ 18,590,671</u>	<u>\$ 1,887,811</u>

Interest cost incurred during the year totaled \$513,794 and total interest paid during the year aggregated \$586,293.

General Obligation Debt - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The general obligation debt is expected to be repaid with general property taxes. General obligation debt at June 30, 2016 is comprised of the following individual issues:

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Bonds	2/17/15	2%	4/1/20	\$ 5,170,000
Bonds	11/15/10	4%	4/1/22	6,835,000
Notes	7/13/15	2.25-3%	4/1/25	5,620,000
Total				<u>\$ 17,625,000</u>

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016

NOTE 4 - Long-Term Obligations - Continued

General Obligation Debt Limit Calculation - The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$493,273,368. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes, follows:

Debt limit (10 percent of \$493,273,368)	\$ 49,327,337
Amount available in debt service fund	572,056
Deduct long-term debt applicable to debt margin	<u>(17,625,000)</u>
Margin of indebtedness	<u>\$ 32,274,393</u>

Maturities of Long-Term Obligations - Aggregate cash flow requirements for the retirement of long-term principal and interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,840,000	\$ 517,950	\$ 2,357,950
2018	1,890,000	469,350	2,359,350
2019	1,945,000	419,350	2,364,350
2020	2,000,000	367,650	2,367,650
2021	2,215,000	314,350	2,529,350
2022-2025	<u>7,735,000</u>	<u>484,875</u>	<u>8,219,875</u>
	<u>\$17,625,000</u>	<u>\$ 2,573,525</u>	<u>\$20,198,525</u>

NOTE 5 - Wisconsin Retirement System

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

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

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

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016

NOTE 5 - Wisconsin Retirement System - Continued

unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

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

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

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

During the reporting period, the WRS recognized \$445,176 in contributions from the employer.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 5 - Wisconsin Retirement System - Continued

Contribution rates as of June 30, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
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, 2016, the District reported a liability (asset) of \$783,345 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (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, 2015, the District's proportion was 0.04543718%, which was an increase of 0.0008423% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$880,818.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 122,592	\$ 1,553,835
Changes in assumptions	516,579	-
Net differences between projected and actual earnings on pension plan investments	3,015,479	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	32,079
Employer contributions subsequent to the measurement date	228,928	-
Total	\$ 3,883,578	\$ 1,585,914

\$228,928 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 5 - Wisconsin Retirement System - Continued

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 948,253	\$ 385,410
2018	948,253	385,410
2019	948,253	385,410
2020	793,363	379,916
2021	16,528	49,768

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

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

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

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

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:

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016

NOTE 5 - Wisconsin Retirement System - Continued

Retirement Funds Asset Allocation Targets and Expected Returns
 As of December 31, 2015

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Core Fund	100%	100%	7.9%	5%

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

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

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

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

	1% Decrease 6.2%	Current Single Discount Rate Assumption 7.2%	1% Increase 8.2%
District's proportionate share of the net pension liability (asset)	\$ 5,178,768	\$ 738,345	\$ (2,729,704)

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016

NOTE 5 - Wisconsin Retirement System - Continued

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

Payables to the Pension Plan - The District reported a payable of \$103,875 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 6 - Interfund Balances and Activity

Interfund receivable and payable balances on June 30, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Employee benefit trust	\$ 123,597
General	Cooperative program	<u>4,538</u>
		<u>\$ 128,135</u>

The above balance resulted from the timing differences 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. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

Interfund transfers at June 30, 2016 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Cooperative program	\$ 21,095
Cooperative program	General	<u>3,273</u>
		<u>\$ 24,368</u>

Generally, transfers are used to move revenue from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - Post Employment Benefits Other Than Pensions

Plan Description - The District, through its substantive commitment to provide other post employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain post retirement healthcare benefits to former employees who meet retirement eligibility requirements and continue retiree medical coverage for a specified period. The District is under contractual obligation to provide these healthcare benefits. Because the Plan consists solely of the District's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy - Premiums under the Plan for post employment healthcare benefits are funded by retirees via co-pays paid to the District in accordance with rates established by the District

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2016

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

and from the District itself from the appropriate governmental funds on a pay-as-you-go basis. The District may make additional contributions as determined by management. For the year ended June 30, 2016, contribution rates for Plan members were zero to \$1,935 per participant per month and zero to \$4,731 from the District, depending on the type of retiree plan. Plan members receiving benefits paid \$56,775 and the District paid \$23,580 for current year premiums due.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the 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 of 30 years. The following illustrates the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	113,790
Interest on net OPEB obligation		(14,918)
Adjustment to annual required contribution		<u>18,668</u>
Annual OPEB cost		117,540
Contributions made		<u>(115,060)</u>
Increase in net OPEB obligation		2,480
Net OPEB asset - beginning of year		<u>(271,243)</u>
Net OPEB asset - end of year	\$	<u><u>(268,763)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset are as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of <u>Annual OPEB Cost Contributed</u>	Net OPEB Obligation - <u>End of Year</u>
6/30/14	\$ 117,741	92.45%	\$ (276,908)
6/30/15	\$ 117,617	95.18%	\$ (271,243)
6/30/16	\$ 117,540	97.89%	\$ (268,763)

Funding Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date, the Plan was funded in the amount of \$369,011 or 29% of the actuarial accrued liability (AAL). The AAL for benefits equaled \$1,274,169, resulting in an unfunded actuarial accrued liability (UAAL) of \$905,158. The covered payroll (annual payroll of active employees covered by the Plan) equaled \$4,587,880, and the ratio of the UAAL to the covered payroll is 20%.

Actuarial Methods and Assumptions - Actuarial valuations of the Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the Plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members. Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of unknown legal or contractual funding limitations on the pattern of cost

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

sharing between the employer and plan members in the future. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and assets.

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial valuation, dated July 1, 2013, used the unit credit cost method. The assumptions and methods used in the valuation were: value of assets-fair market value, 5.5% investment return, 3% per annum salary increases, 10% - 5% medical healthcare cost trend rate, 4% dental healthcare cost trend rate and level dollar amortization method over 30 years with open period.

NOTE 8 - Fund Balances and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable		
General	Prepaid expenses	\$ 76,295
Restricted		
Non-referendum debt service	Principal and interest	\$ 121,467
Referendum debt service	Principal and interest	\$ 450,589
Capital expansion Long term capital improvement trust	DPI regulation	\$ 736,543
Other capital projects	DPI regulation	\$ 1,017
Committed		
Community service Engler center	Specific expenses	\$ 23,572
Food service	Specific expenses	\$ 27,327
Assigned		
General	Specific expenses	\$ 55,731
Food service	Specific expenses	\$ 268,248
 <u>Governmental Activities</u>		
Restricted		
Debt service funds	DPI regulation	\$ 572,056
Capital expansion	DPI regulation	\$ 884,227
Other activities	Wisconsin Retirement System pension	\$1,559,319

The District has adopted a minimum fund balance policy in the amount of 20 - 25% of general fund expenditures be maintained for working capital purposes.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 9 - Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the District's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from coverage in the prior year.

NOTE 10 - Commitments and Contingencies

The District has a service agreement with Cooperative Education Service Agency No. 7 for services to be provided to the District in 2016-2017. Expected costs are \$304,763.

On June 1, 2015 the District entered into an estimated \$5,670,000 performance contract for energy efficiency upgrades to various district buildings. There is \$109,539 remaining to be completed on this contract.

The District has a transportation agreement with estimated costs for the following school years:

2016-2017	\$	382,329
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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's attorney that the likelihood is remote that any such claims or proceedings will have a material effect on the District's financial position or results of operations.

NOTE 11 - Limitation of School District Revenue

Wisconsin statutes limit the amount of revenue school districts may derive from general school aids and property taxes. The limitation does not apply to revenue needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or by a referendum prior to August 12, 1993 and (b) a referendum on or after August 12, 1993.

NOTE 12 - Unconditional Promises to Give

Unconditional promises to give as of June 30, 2016 are as follows:

Receivable in less than one year	\$ 185,000
Receivable in one to five years	<u>925,000</u>
Total unconditional promises to give receivable	1,110,000
Less discounts to net present value at 5.5%	<u>(185,998)</u>
Net unconditional promises to give receivable	<u><u>\$ 924,002</u></u>

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**REQUIRED
SUPPLEMENTARY INFORMATION**

SCHOOL DISTRICT OF CHILTON
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGETED AMOUNTS			FINAL BUDGETED AMOUNTS			ACTUAL AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	SPECIAL			SPECIAL			SPECIAL			
	GENERAL	EDUCATION	TOTAL	GENERAL	EDUCATION	TOTAL	GENERAL	EDUCATION	TOTAL	
REVENUES										
Property taxes	\$3,169,584	\$ -	\$3,169,584	\$3,159,428	\$ -	\$3,159,428	\$3,159,351	\$ -	\$3,159,351	\$ (77)
Other local sources	168,000	-	168,000	276,700	-	276,700	321,151	-	321,151	44,451
Interdistrict sources	717,460	-	717,460	617,047	-	617,047	762,113	-	762,113	145,066
Intermediate sources	31,530	66,000	97,530	28,530	66,000	94,530	21,344	26,501	47,845	(46,685)
State sources	7,334,653	210,000	7,544,653	7,271,241	210,000	7,481,241	7,279,270	205,377	7,484,647	3,406
Federal sources	171,503	254,908	426,411	171,503	252,113	423,616	182,559	282,651	465,210	41,594
Other sources	17,000	-	17,000	71,000	-	71,000	28,184	-	28,184	(42,816)
TOTAL REVENUES	11,609,730	530,908	12,140,638	11,595,449	528,113	12,123,562	11,753,972	514,529	12,268,501	144,939
EXPENDITURES										
Current										
Instruction										
Regular instruction	4,903,964	-	4,903,964	4,896,203	-	4,896,203	4,780,816	-	4,780,816	115,387
Vocational instruction	523,183	-	523,183	531,131	-	531,131	529,953	-	529,953	1,178
Special instruction	-	773,012	773,012	-	742,346	742,346	-	796,123	796,123	(53,777)
Other instruction	717,636	-	717,636	712,102	-	712,102	671,193	840	672,033	40,069
Total instruction	6,144,783	773,012	6,917,795	6,139,436	742,346	6,881,782	5,981,962	796,963	6,778,925	102,857
Support services										
Pupil services	236,586	207,694	444,280	243,757	209,052	452,809	237,093	204,599	441,692	11,117
Instructional staff services	857,105	21,806	878,911	876,053	21,806	897,859	875,375	20,370	895,745	2,114
General administration services	369,022	-	369,022	373,916	-	373,916	350,116	-	350,116	23,800
Building administration services	668,501	-	668,501	660,593	-	660,593	658,681	-	658,681	1,912
Business services	1,864,231	38,550	1,902,781	2,017,044	38,550	2,055,594	1,848,543	33,061	1,881,604	173,990
Insurance	101,000	-	101,000	111,675	-	111,675	116,619	-	116,619	(4,944)
Other support services	5,000	-	5,000	5,000	-	5,000	5,199	-	5,199	(199)
Total support services	4,101,445	268,050	4,369,495	4,288,038	269,408	4,557,446	4,091,626	258,030	4,349,656	207,790
Non-program transactions	483,735	130,005	613,740	304,526	148,200	452,726	324,412	151,471	475,883	(23,157)
Capital outlay	224,500	-	224,500	216,500	-	216,500	194,985	-	194,985	21,515
TOTAL EXPENDITURES	10,954,463	1,171,067	12,125,530	10,948,500	1,159,954	12,108,454	10,592,985	1,206,464	11,799,449	309,005
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	655,267	(640,159)	15,108	646,949	(631,841)	15,108	1,160,987	(691,935)	469,052	453,944
OTHER FINANCING SOURCES (USES)										
Transfer (to) / from other funds	(655,267)	640,159	(15,108)	(646,949)	631,841	(15,108)	(709,757)	691,935	(17,822)	(2,714)
Sale of capital assets	-	-	-	-	-	-	50	-	50	50
TOTAL OTHER FINANCING SOURCES (USES)	(655,267)	640,159	(15,108)	(646,949)	631,841	(15,108)	(709,707)	691,935	(17,772)	(2,664)
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	451,280	-	451,280	451,280
FUND BALANCE - BEGINNING OF YEAR	2,901,254	-	2,901,254	2,901,254	-	2,901,254	2,901,254	-	2,901,254	-
FUND BALANCE - END OF YEAR	\$2,901,254	\$ -	\$2,901,254	\$2,901,254	\$ -	\$2,901,254	\$3,352,534	\$ -	\$3,352,534	\$ 451,280

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
JUNE 30, 2016

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by a Board of Education resolution.

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

1. Based upon requests from District staff, the District Administration recommends budget proposals to the Board of Education.
2. The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
3. A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
4. Pursuant to the budget hearing, the Board of Education may make alterations to the proposed budget.
5. After the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
6. Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance.
7. Encumbrance accounting is not used.
8. Budgets are adopted on a basis consistent with generally accepted accounting principles.

NOTE 2 - Excess of Actual Expenditure Over Budget - The following functions had an excess of actual expenditures over budget.

General / Special Education	Special instruction	\$ 53,777
General / Special Education	Insurance	4,944
General / Special Education	Other support services	199
General / Special Education	Non-program transactions	23,157
General / Special Education	Transfer to other funds	2,714

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE
JUNE 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2014						
7/1/13	\$ 369,011	\$ 1,274,169	\$ 905,158	29.0%	\$ 4,316,266	21.0%
2015						
7/1/13	369,011	1,274,169	905,158	29.0%	5,643,878	16.0%
2016						
7/1/13	369,011	1,274,169	905,158	29.0%	4,587,880	19.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 113,790	\$ 108,854	95.7%
2015	113,790	111,952	98.4%
2016	113,790	115,060	101.1%

SCHOOL DISTRICT OF CHILTON
WISCONSIN RETIREMENT SYSTEM SCHEDULES
JUNE 30, 2016

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.04543718%	0.04459488%
Proportionate share of the net pension liability (asset)	\$ 738,345	\$ (1,095,372)
Covered payroll	\$ 6,546,708	\$ 6,322,226
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	11.28%	-17.33%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 445,176	\$ 442,556
Contributions in relation to the contractually required contribution	(445,176)	(442,556)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,546,708	\$ 6,322,226
Contributions as a percentage of covered payroll	6.80%	7.00%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred with the fiscal year.

The District implemented the Government Accounting Standards Board Statement No. 68 for the year ended June 30, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 preceding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2016

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

Changes of assumptions - there were no changes in the assumptions.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**OTHER
SUPPLEMENTARY INFORMATION**

SCHOOL DISTRICT OF CHILTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	SPECIAL REVENUE FUNDS				NON-REFERENDUM DEBT SERVICE	LONG TERM CAPITAL IMPROVEMENT TRUST	TOTAL NONMAJOR GOV'T FUNDS
	FOOD SERVICE	COMMUNITY SERVICE	ENGLER CENTER	COOPERATIVE PROGRAM			
ASSETS							
Cash and investments	\$ 291,346	\$ 28,363	\$ 28,518	\$ -	\$ 121,467	\$ 1,017	\$ 470,711
Receivables							
Accounts	52	-	-	-	-	-	52
Due from other governments	-	-	-	19,312	-	-	19,312
TOTAL ASSETS	<u>291,398</u>	<u>28,363</u>	<u>28,518</u>	<u>19,312</u>	<u>121,467</u>	<u>1,017</u>	<u>490,075</u>
LIABILITIES							
Accounts payable	-	140	-	104	-	-	244
Accrued payroll liabilities	2,133	4,651	-	-	-	-	6,784
Due to other funds	-	-	-	4,538	-	-	4,538
Due to other governments	-	-	-	14,670	-	-	14,670
Deposits payable	-	-	1,191	-	-	-	1,191
Unearned revenue	21,017	-	-	-	-	-	21,017
TOTAL LIABILITIES	<u>23,150</u>	<u>4,791</u>	<u>1,191</u>	<u>19,312</u>	<u>-</u>	<u>-</u>	<u>48,444</u>
FUND BALANCES							
Restricted	-	-	-	-	121,467	1,017	122,484
Committed	-	23,572	27,327	-	-	-	50,899
Assigned	268,248	-	-	-	-	-	268,248
TOTAL FUND BALANCES	<u>268,248</u>	<u>23,572</u>	<u>27,327</u>	<u>-</u>	<u>121,467</u>	<u>1,017</u>	<u>441,631</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 291,398</u>	<u>\$ 28,363</u>	<u>\$ 28,518</u>	<u>\$ 19,312</u>	<u>\$ 121,467</u>	<u>\$ 1,017</u>	<u>\$ 490,075</u>

SCHOOL DISTRICT OF CHILTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS				NON-REFERENDUM DEBT SERVICE	LONG TERM	TOTAL
	FOOD SERVICE	COMMUNITY SERVICE	ENGLER CENTER	COOPERATIVE PROGRAM		CAPITAL IMPROVEMENT TRUST	NONMAJOR GOV'T FUNDS
REVENUES							
Property taxes	\$ -	\$ 88,887	\$21,036	\$ -	\$ 171,733	\$ -	\$ 281,656
Other local sources	369,281	12,701	625	-	765	17	383,389
Interdistrict	-	-	-	11,804	-	-	11,804
State sources	9,202	-	-	26,996	-	-	36,198
Federal sources	250,810	-	-	-	-	-	250,810
Other sources	310	-	-	-	-	-	310
TOTAL REVENUES	629,603	101,588	21,661	38,800	172,498	17	964,167
EXPENDITURES							
Current							
Instruction							
Other instruction	-	-	-	23,160	-	-	23,160
Support service							
Instructional staff services	-	-	-	5,275	-	-	5,275
Business services	565,390	4,049	-	7,864	-	-	577,303
Community services	-	101,657	21,034	-	-	-	122,691
Total support services	565,390	105,706	21,034	13,139	-	-	705,269
Non-program transactions	-	-	-	20,323	4,631	-	24,954
Debt service							
Interest	-	-	-	-	101,158	-	101,158
Capital outlay	35,580	-	428	-	-	-	36,008
TOTAL EXPENDITURES	600,970	105,706	21,462	56,622	105,789	-	890,549
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,633	(4,118)	199	(17,822)	66,709	17	73,618
OTHER FINANCING SOURCES							
Net transfer (to) from other funds	-	-	-	17,822	-	-	17,822
Sale of capital assets	3,075	-	-	-	-	-	3,075
TOTAL OTHER FINANCING SOURCES	3,075	-	-	17,822	-	-	20,897
NET CHANGE IN FUND BALANCE	31,708	(4,118)	199	-	66,709	17	94,515
FUND BALANCES - BEGINNING OF YEAR	236,540	27,690	27,128	-	54,758	1,000	347,116
FUND BALANCES - END OF YEAR	\$ 268,248	\$ 23,572	\$27,327	\$ -	\$ 121,467	\$ 1,017	\$ 441,631

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> <u>JULY 1, 2015</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
ASSETS				
Cash and investments	\$ 39,268	\$ 64,352	\$ (71,636)	\$ 31,984
TOTAL ASSETS	<u>\$ 39,268</u>	<u>\$ 64,352</u>	<u>\$ (71,636)</u>	<u>\$ 31,984</u>
LIABILITIES				
Due to student organizations Middle / High	\$ 39,268	\$ 64,352	\$ (71,636)	\$ 31,984
TOTAL LIABILITIES	<u>\$ 39,268</u>	<u>\$ 64,352</u>	<u>\$ (71,636)</u>	<u>\$ 31,984</u>

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Awarding Agency Pass-Through Agency Award Description	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CATALOG NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED RECEIVABLE (UNEARNED REVENUE) JULY 1, 2015	REVENUES GRANTOR REIMBURSE- MENTS	EXPENDITURES	ACCRUED RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2016	SUBRECIPIENT PASS-THROUGH EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE								
Wisconsin Department of Public Instruction								
School Breakfast Program		10.553						
July 1, 2015 - June 30, 2016	None		N/A	\$ -	\$ 37,836	\$ 37,836	\$ -	\$ -
Food Distribution		10.555						
July 1, 2015 - June 30, 2016	None		N/A	-	37,717	37,717	-	-
National School Lunch Program		10.555						
July 1, 2015 - June 30, 2016	None		N/A	-	175,257	175,257	-	-
Total Child Nutrition Cluster				-	250,810	250,810	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				-	250,810	250,810	-	-
U.S. DEPARTMENT OF EDUCATION								
Wisconsin Department of Public Instruction								
Title IA - Grants to Local Educational Agencies		84.010						
July 1, 2015 - June 30, 2016	A141-00000-081085		\$ 139,692	-	120,825	139,154	18,329	-
Title II-A - Improving Teacher Quality State Grants		84.367						
July 1, 2015 - June 30, 2016	A365-00000-081085		24,363	-	24,363	24,363	-	-
Special Education - Grants to States (IDEA Part B)		84.027						
July 1, 2014 - June 30, 2015	2015-1085-730-341		N/A	290,156	290,156	-	-	-
July 1, 2015 - June 30, 2016	A341-00000-081085		261,818	-	110,291	257,958	147,667	-
Special Education - Preschool Grants (IDEA Part B)		84.173						
July 1, 2015 - June 30, 2016	A347-00000-081085		9,856	-	9,686	9,686	-	-
Total Special Education Cluster				290,156	410,133	267,644	147,667	-
Title III-A - Immigrant State Grants		84.365						
July 1, 2015 - June 30, 2016	A391-00000-081085		11,367	-	10,488	11,367	879	-
Cooperative Educational Service Agency No. 6		84.048						
Career and Technical Education - Basic Grants to States								
July 1, 2015 - June 30, 2016	None		N/A	-	6,714	6,714	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION				290,156	572,523	449,242	166,875	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Wisconsin Department of Health Services								
Medical Assistance		93.778						
July 1, 2014 - June 30, 2015	None		N/A	7,244	7,244	-	-	-
July 1, 2015 - June 30, 2016	None		N/A	-	22,537	22,682	145	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				7,244	29,781	22,682	145	-
TOTAL FEDERAL AWARDS				\$ 297,400	\$ 853,114	\$ 722,734	\$ 167,020	\$ -

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	PASS-THROUGH		RECEIVABLE			RECEIVABLE		SUBRECIPIENT PASS-THROUGH EXPENDITURES
	ENTITY IDENTIFYING NUMBER	STATE I.D. NUMBER	(UNEARNED REVENUE) JULY 1, 2015	REVENUE GRANTOR REIMBURSEMENTS	EXPENDITURES	(UNEARNED REVENUE) JUNE 30, 2016		
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Wisconsin Department of Public Instruction								
Special Education and School Age Parents	LEA-100	255.101	\$ -	\$ 220,429	\$ 220,429	\$ -	\$ -	-
State School Lunch Aid	LEA-107	255.102	-	6,263	6,263	-	-	-
Common School Fund Library Aid	LEA-104	255.103	-	60,033	60,033	-	-	-
General Transportation Aid	LEA-102	255.107	-	25,696	25,696	-	-	-
Equalization Aid	LEA-116	255.201	120,114	6,954,514	6,956,496	122,096	-	-
Alcohol and Drug Abuse	LEA-143	255.306	992	992	-	-	-	-
School Breakfast Program	LEA-108	255.344	-	2,940	2,940	-	-	-
DPI Financial Literacy School Projects	LEA-139	255.350	1,963	1,963	-	-	-	-
Educator Effectiveness Evaluation System	LEA-154	255.940	-	8,080	8,080	-	-	-
Per Pupil Aid	LEA-113	255.945	-	-	166,350	166,350	-	-
Career and Technical Education Incentive	LEA-151	255.950	-	6,101	6,101	-	-	-
Wrightstown Community School District								
Peer Review and Mentoring	None	255.301	8,000	8,000	-	-	-	-
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			131,069	7,295,011	7,452,388	288,446	-	-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Cooperative Educational Services Agency No. 7								
Youth Apprenticeship Grant	None	445.112	-	-	1,100	1,100	-	-
WISCONSIN DEPARTMENT OF ADMINISTRATION								
Technology for Educational Achievement (TEACH)	None	None	-	8,925	26,996	18,071	20,322	-
WISCONSIN DEPARTMENT OF NATURAL RESOURCES								
Payment in Lieu of Taxes	None	None	-	31,269	31,269	-	-	-
WISCONSIN DEPARTMENT OF REVENUE								
Exempt Computer Aid	None	None	13,578	13,578	25,245	25,245	-	-
TOTAL STATE FINANCIAL ASSISTANCE			\$ 144,647	\$ 7,348,783	\$ 7,536,998	\$ 332,862	\$ 20,322	-

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Chilton. The information in these schedules is presented in accordance with the requirements of Uniform Guidance and *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable and are limited as to reimbursement.

NOTE 3 - Special Education and School Age Parents Program

2015-2016 eligible costs under the State Special Education Program are \$834,509.

NOTE 4 - Food Distribution Program

Non-monetary assistance is reported in the schedule of federal awards at the fair market value of the commodities received and used.

NOTE 5 - 10% De Minimis Cost Rate

Elected not to use.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

OTHER REPORTS



**INDEPENDENT AUDITORS' 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Chilton as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District of Chilton's basic financial statements and have issued our report thereon dated December 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District of Chilton'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 Chilton's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of Chilton'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. We did identify certain deficiencies in internal control, 2016-001, 2016-002, and 2016-003 described in the accompanying summary of audit results that we consider to be significant deficiencies.

Compliance and Other Matters

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

School District of Chilton's Response to Findings

The School District of Chilton's response to the findings identified in our audit is described in the accompanying summary of audit results. The School District of Chilton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

HAWKINS ASH CPAS, LLP

A handwritten signature in black ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Manitowoc, Wisconsin
December 15, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

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

Report on Compliance for Each Major State Program

We have audited the School District of Chilton's compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the School District of Chilton's major state programs for the year ended June 30, 2016. The School District of Chilton's major state programs are identified in the accompanying summary of auditors' results.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of Chilton's major state programs based on our audit of the types of 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; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements 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 state program occurred. An audit includes examining, on a test basis, evidence about the School District of Chilton'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 state program. However, our audit does not provide a legal determination of the School District of Chilton's compliance.

Opinion on Each Major State Program

In our opinion, the School District of Chilton 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 state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the School District of Chilton 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 Chilton's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 state program and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of Chilton'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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
December 15, 2016

SCHOOL DISTRICT OF CHILTON
SUMMARY OF AUDITORS' RESULTS
 JUNE 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Noncompliance material to the financial statements?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

State Assistance

Internal control over financial reporting:		
Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with <i>Wisconsin Public School District Manual</i> ?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.201	Equalization Aid

Section II - Financial Statement Findings and Questioned Costs

2016-001 - Segregation of Duties

Program: District-Wide

Criteria: Segregation of accounting duties is necessary for adequate internal control.

Condition: Separation of accounting duties for adjusting journal entries, cash receipts, cash disbursements and payroll is currently limited to obtain an adequate internal control system.

Questioned Costs: Not applicable.

Context: The number of personnel limits the separation of accounting duties.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Systemic problem.

Prior Year Finding: This was a prior year audit finding numbered 2015-001.

Recommendation: Management should monitor the accounting internal controls or hire additional personnel to be able to properly separate accounting duties.

Management's Response: This weakness is impractical to entirely correct due to the limited resources and personnel available to our District. We will continue to use other controls, where practical, to compensate for this limitation.

2016-002 - Preparation of Financial Statements

Program: District-Wide

Criteria: Adequate internal controls necessitate personnel to have knowledge and training which would enable them to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: Personnel cannot prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding numbered 2015-002.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

2016-003 - Significant Audit Adjustments

Program: District-Wide

Criteria: Generally accepted accounting principles.

Condition: Significant audit adjustments were required to prevent the District's financial statements from being misstated.

Questioned Costs: Not applicable.

Context: Internal controls did not identify that an adjustment should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Information: Isolated instances.

Prior Year Finding: This was a prior year audit finding numbered 2015-003.

Recommendation: Improve the District's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect significant adjustments.

Management's Response: The District will incorporate financial reporting internal controls to detect significant adjustments, prevent misstated financial statements and increase the accuracy of the interim financial reports used by management.

Section III - State Award Findings and Questioned Costs

None

Section IV - Prior Year Findings

2015-001 Segregation of Duties - Repeat. Initially occurred 6/30/12.

2015-002 Preparation of Financial Statements - Repeat. Initially occurred 6/30/11.

2015-003 Significant Audit Adjustments - Repeat. Initially occurred 6/30/15.