

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2016

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## Independent Auditors' Report

To the School Board  
Cedarburg School District  
Cedarburg, Wisconsin

### Report on Financial Statements

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

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 an opinion 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 of 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 previously 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 District 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 management's discussion and analysis and required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Wisconsin State Single Audit Guidelines, and are also not a required part of the basic financial statements.

The financial information listed in the table of contents as other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 06, 2016, on our consideration of the District'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. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

December 06, 2016  
Milwaukee, Wisconsin

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016

To the Board of Education  
Cedarburg School District

The discussion and analysis of the School District of Cedarburg's financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on the school district's financial performance as a whole. It should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

At the close of fiscal 2016, the assets of the District exceeded liabilities by \$31,628,935 (*net position*). For the year, net position increased by \$243,585.

Total governmental activities revenues were \$35,716,111; including \$21,702,979 of property and other taxes, \$9,242,452 of federal and state unrestricted aid, \$96,746 of miscellaneous revenues, \$2,365,639 of grants and contributions, and \$2,308,295 of charges for services. Total governmental activities expenditures were \$35,472,526; including \$20,664,478 for direct instruction.

The following events took place during fiscal 2016:

- A conservative approach to the budgeting process continues to place the District in a positive financial position. A budget forecasting model is used in the budget development process which reviews two years of historical data, and looks at current year budgeted data to provide budget projections for an additional four years. The Personnel and Finance Committee met monthly to discuss the budget development process. Changes to revenue and expenditure estimates were tracked on a Budget Projection and Reconciliation spreadsheet.
- The solid financial position of the District allowed for continuing maintenance and upgrade of the physical plant. In 2015-16, the District continued its program of roof repairs, boiler replacements and equipment updates. The final phase of the District Office HVAC renovation project was completed. At the High School, the Varsity Tennis Court project was started with completion slated for 2016-17. An upgraded District-wide phone system was installed by the Technology department as well as individual phones replaced throughout the District.
- The District retained its Aa1 rating from Moody's Investors Service. This high bond rating is an indicator of strong financial stability and enables the District to borrow at lower rates whereby a savings would be realized, should borrowing be needed.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
(Continued)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Position and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

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

*Required supplementary information* further explains and supports the financial statements by including a comparison of the District's budget data for the year.

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

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Management Discussion & Analysis**

June 30, 2016

(Continued)

**Major Features of the District-wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position.</li> <li>• Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet.</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position.</li> <li>• Statement of Changes in Fiduciary Net Position.</li> </ul>
Basis of accounting and measurement focus	<p>Accrual accounting.</p> <p>Economic resources focus.</p>	<p>Modified accrual accounting.</p> <p>Current financial resources focus.</p>	<p>Accrual accounting.</p> <p>Economic resources focus.</p>
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
(Continued)

**DISTRICT WIDE STATEMENTS**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Position reports all assets and liabilities available to support District activities. The two district-wide statements report the District's *net position* and how they have changed. Net position, the District's assets plus deferred outflow of resources less liabilities and deferred inflows of resources, are one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has two kinds of funds:

- *Governmental funds* – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
(Continued)

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2016 compared to 2015.

**Table 1**  
**Condensed Statement of Net Position**  
*(In thousands of dollars)*

	<u>2015</u>	<u>2016</u>	<u>Percentage Change 2015-16</u>
<b>Assets</b>			
Current and other assets	\$ 10,515	\$ 10,466	-0.47%
Net pension asset	3,090	---	-100.00%
Capital assets	<u>27,785</u>	<u>27,059</u>	-2.61%
Total assets	41,389	37,525	-9.34%
<b>Deferred Outflow of Resources</b>			
Unamortized loss on refunding	1,005	736	-26.77%
Outflows related to pensions	<u>2,681</u>	<u>10,754</u>	301.11%
Total deferred outflow of resources	3,686	11,490	211.72%
<b>Liabilities</b>			
Long-term liabilities	10,302	10,591	2.81%
Other liabilities	<u>3,388</u>	<u>2,542</u>	-24.97%
Total liabilities	13,690	13,133	-4.07%
<b>Deferred Inflow of Resources</b>			
Deferred inflows related to pensions	<u>---</u>	<u>4,254</u>	100.00%
Total deferred inflow of resources	---	4,254	100.00%
<b>Net Position</b>			
Net Investment in capital assets	17,023	17,786	4.48%
Restricted	6,395	5,482	-14.28%
Unrestricted	<u>7,967</u>	<u>8,361</u>	4.95%
Total net position	<u>\$ 31,385</u>	<u>\$ 31,629</u>	0.78%

Note: Totals may not add due to rounding

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
(Continued)

Table 2 provides summarized operating results and their impact on net position.

**Table 2**  
**Changes in Net Position from Operating Results**  
*(In thousands of dollars)*

	<u>2015</u>	<u>2016</u>	<u>Percentage Change 2015-16</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 2,503	\$ 2,308	-7.79%
Operating grants & contributions	2,402	2,336	-2.75%
Capital grants & contributions	30	30	0.00%
General revenues			
Property and other taxes	21,453	21,703	1.17%
State and federal unrestricted aid	9,020	9,242	2.46%
Other	69	97	40.58%
Total Revenues	35,477	35,716	0.67%
<b>Expenses</b>			
Instruction	19,106	20,664	8.16%
Pupil & instructional services	3,290	3,409	3.62%
Administration, central & support services	3,923	4,378	11.60%
Maintenance & operations	3,308	3,428	3.63%
Transportation	1,110	1,117	0.63%
Interest on debt	461	448	-2.82%
Food service	757	732	-3.30%
Community services	96	105	9.38%
Other	1,173	1,194	1.79%
Total Expenses	33,224	35,472	6.77%
<b>Change in net position</b>	\$ 2,254	\$ 244	

Note: Totals may not add due to rounding

The District relies primarily on property taxes (60.8% of total governmental revenues) and state and federal unrestricted aid (25.9%) to fund governmental activities.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
(Continued)

Table 3 presents the cost of the major district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2016	2015-16	2015	2016	2015-16
<b>Expenses</b>						
Instruction	19,106	20,664	13.58%	15,301	17,127	11.93%
Pupil & Instructional Services	3,290	3,409	8.88%	3,171	3,281	3.47%
Admin, Central & Support Serv.	3,923	4,378	16.57%	3,923	4,378	11.60%
Maintenance & Operations	3,308	3,428	6.32%	3,230	3,343	3.50%
Transportation	1,110	1,117	0.63%	1,067	1,080	1.22%
Interest on Debt	461	448	-2.82%	461	448	-2.82%
Food Service	757	732	-3.30%	(96)	(120)	-25.00%
Community Services	96	105	9.38%	59	66	11.86%
Unallocated Depreciation	1,173	1,194	1.79%	1,173	1,194	1.79%
	<u>33,224</u>	<u>35,472</u>	11.27%	<u>28,289</u>	<u>30,799</u>	8.87%

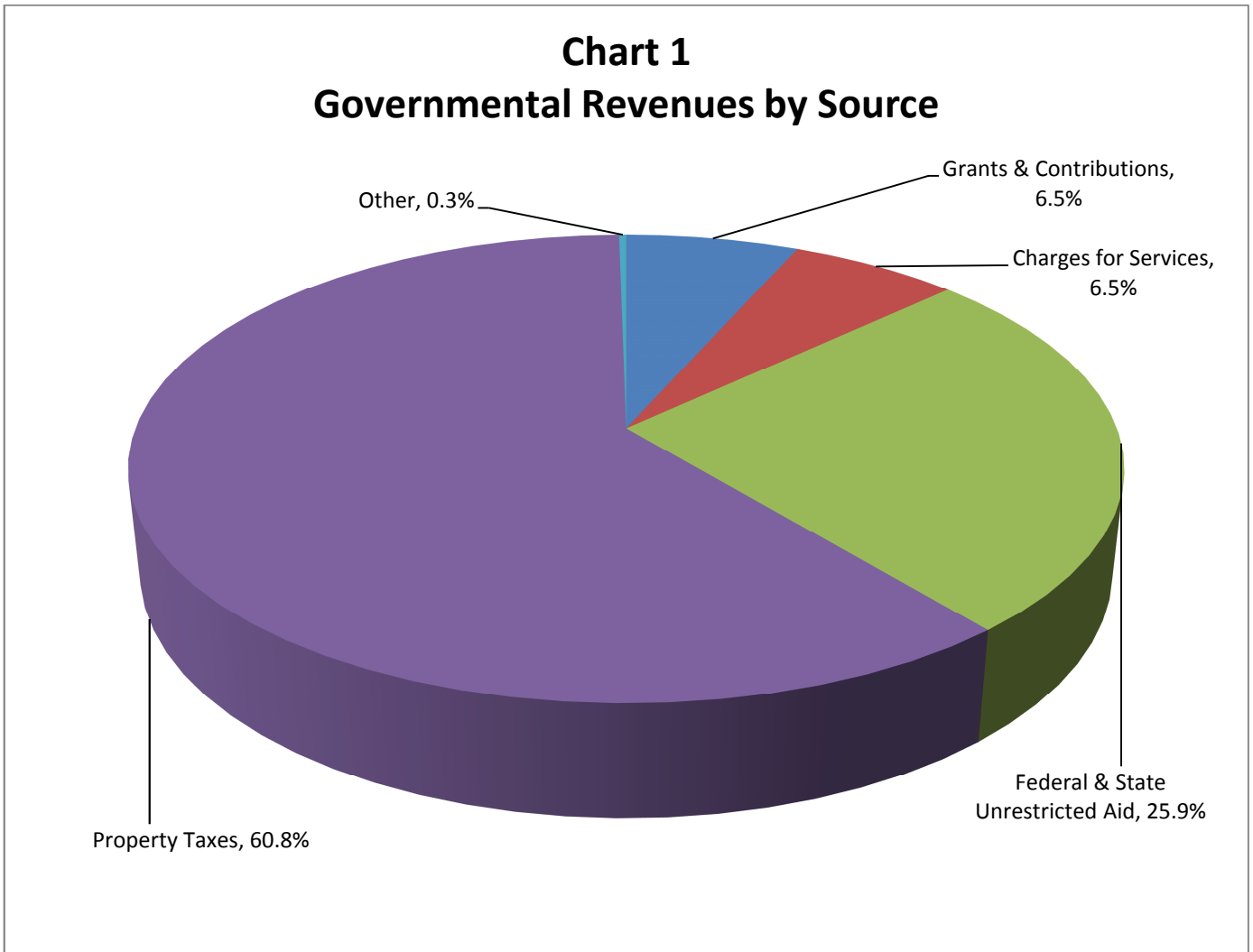
Note: totals may not add due to rounding.

The cost of all governmental activities in 2015-16 was \$35,472,526. Individuals who directly participated or benefited from a program offering paid for \$2,308,295 of costs. Federal and state governments and other organizations subsidized certain programs with grants and contributions of \$2,365,639. The net cost of governmental activities \$30,798,592 was financed by general revenues of the District (\$21,702,979 property and other taxes, \$9,242,452 federal and state unrestricted aid and \$96,746 other).

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
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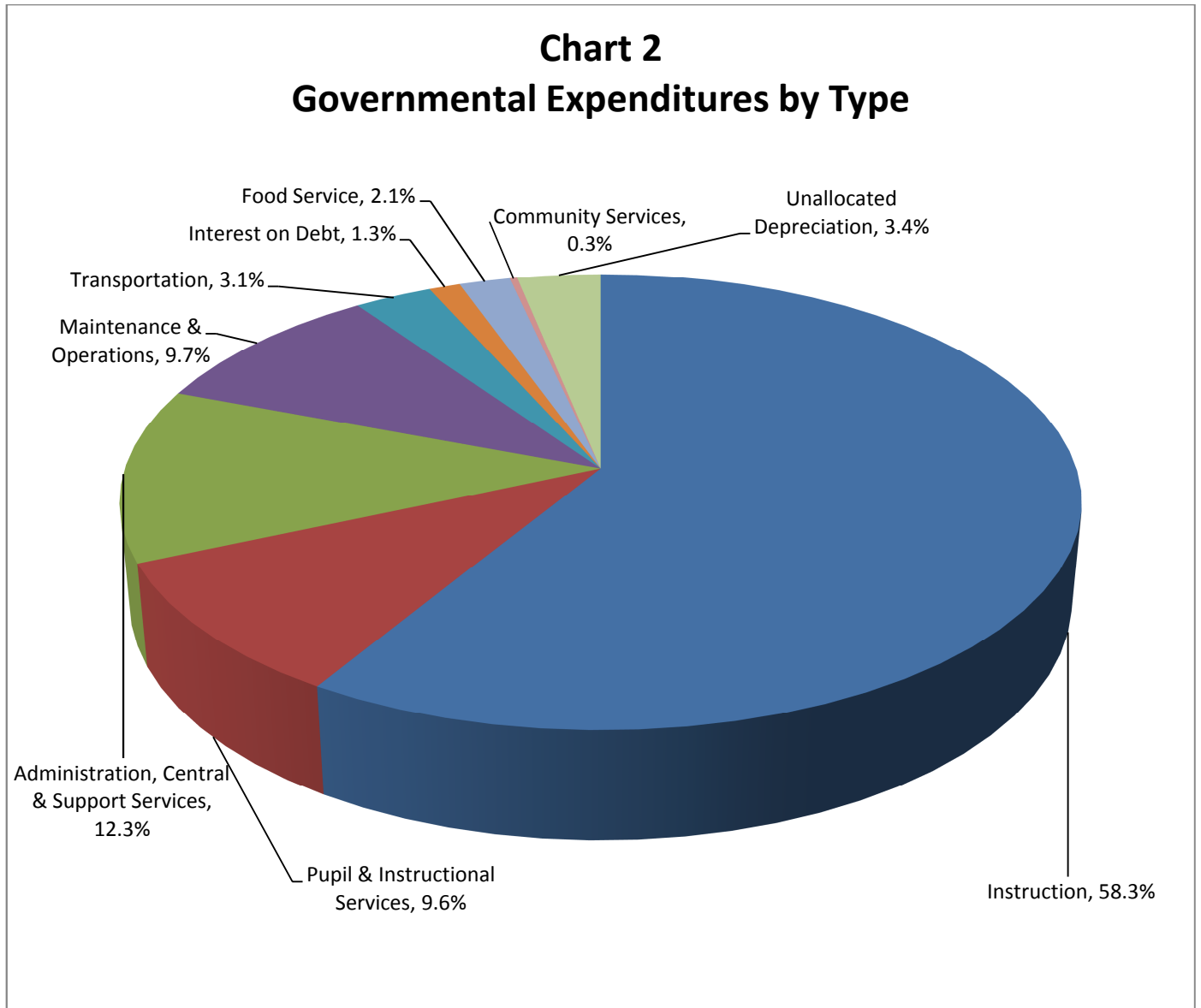
The composition of governmental revenues by source is illustrated below in Chart 1.



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
(Continued)

The composition of governmental expenditures by type is illustrated below in Chart 2.



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
(Continued)

**FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS**

The District prepares a preliminary budget in June for the subsequent year (beginning July 1<sup>st</sup>), consistent with current state statutes and regulations. This preliminary budget is approved in July and presented at the District's Budget Hearing in August. In October, the budget is amended and a final tax levy is approved, when official enrollment, certification of general state aid and equalized value is received. Additional budget revisions may be made during the fiscal year to reflect modifications in state and federal grants and other changes to the budget.

The District completed the year with a total governmental fund balance of \$9,750,807 up from last year's ending fund balance of \$8,940,022.

- The general fund had an increase in fund balance of \$401,359. This is due to several factors. The District continued to budget for a planned positive fund balance for its 2016-17 bonus retention program in the amount of \$137,250. In addition, a fund balance commitment was passed by the Board in the amount of \$225,097 to cover District expenses on the High School Varsity Tennis Court project. The remaining unexpended funds included positive balances in utilities, transportation, strategic wellness, and legal expense which were set aside to cover an anticipated 2016-17 budget shortfall due to the City of Cedarburg no longer paying their ½ share of the Varsity Tennis Court project.
- The debt service fund had an increase of \$290,567. This increase is due to the district levying a certain amount in anticipation of paying off debt early in the future. The fund balance of the debt service fund will fluctuate each year based on the amount of the first payment due the next fiscal year.
- The food service program increased its fund balance by \$119,318.
- The community service fund had a \$4,834 increase in its fund balance.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Management Discussion & Analysis**  
June 30, 2016  
(Continued)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2016, the District had invested \$51,516,484 in capital assets, including buildings; sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$24,457,041. Asset acquisitions for governmental activities totaled \$718,696. The District recognized depreciation expense of \$1,194,315. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

**Table 4**  
**Capital Assets**  
*(Net of depreciation, in thousands of dollars. Differences due to rounding.)*

	<u>2015</u>	<u>2016</u>	<b>Percentage Change <u>2015-16</u></b>
Land	\$ 340	\$ 340	0.00%
Building & Improvements	46,403	46,565	0.35%
Furniture & Equipment	4,365	4,611	5.64%
Accumulated depreciation	<u>(23,323)</u>	<u>(24,457)</u>	4.86%
Net Capital Assets	<u>\$ 27,785</u>	<u>\$ 27,059</u>	-2.61%

**Long-term Debt**

At year-end the District had \$10,010,000 in bonds payable outstanding – a decrease of \$1,755,000 (14.92%) from fiscal 2015. This decrease resulted from repayments of principal. The District also had a \$2,507 obligation for compensated absences. (Detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

**Table 5**  
**Outstanding Long-term Obligations**  
*(In thousands of dollars. Differences due to rounding.)*

	<u>2015</u>	<u>2016</u>	<b>Percentage Change <u>2015-16</u></b>
General obligation bonds and notes	\$ 11,765	\$ 10,010	-14.92%
Compensated absences	<u>4</u>	<u>3</u>	-25.00%
Net long-term obligations	<u>\$ 11,819</u>	<u>\$ 10,013</u>	-15.28%

General Obligation debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

## **CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

### **Management Discussion & Analysis**

June 30, 2016

(Continued)

#### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

Currently known circumstances that will impact the District's financial status in the future include:

- Membership increased by 87 FTEs in 2016-17 due to the introduction of a 4K program and a rise in resident students. Open enrollment in and out numbers also increased leading to a net gain of 39 students in the open enrollment surplus. A rise in membership and open enrollment will lead to more revenue, but the District will also need to keep an eye on the impact of more students in the District and the demand that puts on resources.
- The District has been approved for a 4K grant that will provide additional revenue in 2016-17 and 2017-18. These funds will help offset some of the startup and ongoing costs of the program.
- The District was fortunate to receive a zero percent increase in its health insurance rates for 2017. A wellness assessment program is scheduled to start in the fall of 2016 in an effort to help maintain low renewal rates in the future.
- A large LED light project will start in 2016-17 and is set to finish at the end of the 2017-18 fiscal year. When completed, the District anticipates an annual utility savings of \$250,000. The initial investment in the program will be \$1,200,000 spread over two fiscal years.
- The District will be using \$450,000 of its general fund balance in 2016-17 to renovate tennis courts at the High School.
- The District will continue to monitor the progress of the 2017-19 biennial budget from the State since the allocation of funds to public education has a large impact on finances each year.
- The current state budget continues to provide challenges for school districts with changes to school funding of private school vouchers, special education and new fiscal requirements. The careful review and management of changes will impact how and the extent to which the Cedarburg School District is able to continue providing outstanding results for its students.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ben Irwin, Director of Business Services, Cedarburg School District, (262) 376-6100, W68 N611 Evergreen Blvd., Cedarburg, WI 53012.



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Statement of Net Position**  
June 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash and equivalents	\$ 2,884,414
Investments	2,021,533
Taxes receivable	4,593,351
Accounts receivable	43,567
Due from employee benefits trust	1,076
Due from agency fund	1,184
Due from other governments	811,026
Prepaid expense	109,839
<b>Total current assets</b>	<b>10,465,990</b>
<b>Capital assets:</b>	
Nondepreciable	352,263
Depreciable, net of accumulated depreciation	26,707,180
<b>Total capital assets</b>	<b>27,059,443</b>
<b>Total assets</b>	<b>37,525,433</b>
<b>Deferred Outflow of Resources:</b>	
Deferred outflows related to pensions	10,754,262
Unamortized loss on refunding	736,175
<b>Total deferred outflow of resources</b>	<b>11,490,437</b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable	245,706
Withholdings and related fringes payable	442,829
Accrued interest	51,912
Deposits payable	10,000
Unearned revenues	16,648
Current portion of long-term debt	1,775,000
<b>Total current liabilities</b>	<b>2,542,095</b>
<b>Noncurrent liabilities:</b>	
Long-term obligations	8,237,507
Net pension liability	2,017,114
Accrued liability for other post-employment benefits	284,230
Accrued liability for retirement stipends	52,181
<b>Total noncurrent liabilities</b>	<b>10,591,032</b>
<b>Total liabilities</b>	<b>13,133,127</b>
<b>Deferred Inflow of Resources:</b>	
Deferred inflows related to pensions	4,253,808
<b>Net Position:</b>	
Net investment in capital assets	17,785,618
Restricted for:	
WRS pension	4,483,340
Debt service	382,779
Food service	533,714
Other activities	82,495
Unrestricted	8,360,989
<b>Total net position</b>	<b>\$ 31,628,935</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Statement of Activities**

Year Ended June 30, 2016

	<u>Program Revenues</u>				<b>Net</b>
					<b>(Expenses)</b>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<b>Revenues and</b>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<b>Changes in</b>
			<u>Contributions</u>	<u>Contributions</u>	<b>Net Position</b>
<b>Governmental activities:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 14,583,116	\$ 1,425,670	\$ 312,742	\$ ---	\$ (12,844,704)
Special education instruction	3,800,801	9,230	1,697,814	---	(2,093,757)
Vocational instruction	979,010	---	---	---	(979,010)
Other instruction	1,301,551	91,915	---	---	(1,209,636)
<b>Total instruction</b>	<b>20,664,478</b>	<b>1,526,815</b>	<b>2,010,556</b>	<b>---</b>	<b>(17,127,107)</b>
<b>Support services:</b>					
Pupil services	1,534,581	---	---	---	(1,534,581)
Instructional staff services	1,874,500	---	128,170	---	(1,746,330)
Administration services	2,792,603	---	---	---	(2,792,603)
Operation and maintenance of plant	3,428,327	54,450	---	30,000	(3,343,877)
Pupil transportation	1,116,737	---	36,603	---	(1,080,134)
Central services	1,072,844	---	---	---	(1,072,844)
Other support services	512,986	---	---	---	(512,986)
Community services	100,409	34,881	---	---	(65,528)
Food service	732,240	692,149	160,310	---	120,219
Interest on debt	448,506	---	---	---	(448,506)
Unallocated depreciation	1,194,315	---	---	---	(1,194,315)
<b>Total support services</b>	<b>14,808,048</b>	<b>781,480</b>	<b>325,083</b>	<b>30,000</b>	<b>(13,671,485)</b>
<b>Total school district</b>	<b>\$ 35,472,526</b>	<b>\$ 2,308,295</b>	<b>\$ 2,335,639</b>	<b>\$ 30,000</b>	<b>(30,798,592)</b>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					19,412,977
Property taxes, levied for debt service					2,220,253
Property taxes, levied for specific purposes					66,600
Other taxes					3,149
Federal and state aid not restricted to specific purposes:					
General					8,776,601
Other					465,851
Interest and investment earnings					9,742
Loss on asset retirement					(18,172)
Special Item: Lawsuit settlement with WEA Trust					46,835
Miscellaneous					58,341
					<u>58,341</u>
<b>Changes in net position</b>					<b>243,585</b>
<b>Net position - beginning of year</b>					<b><u>31,385,350</u></b>
<b>Net position - end of year</b>					<b><u>\$ 31,628,935</u></b>

The accompanying notes to financial statements  
are an integral part of these statements.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Balance Sheet**  
**Governmental Funds**  
 June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and equivalents	\$ 1,894,543	\$ ---	\$ 989,871	\$ 2,884,414
Investments	2,020,783	---	750	2,021,533
Taxes receivable	4,593,351	---	---	4,593,351
Accounts receivable	6,355	---	37,212	43,567
Due from other funds	215,000	---	---	215,000
Due from employee benefits trust	1,076	---	---	1,076
Due from agency fund	1,184	---	---	1,184
Due from other governments	807,443	---	3,583	811,026
Prepaid expense	76,438	---	33,401	109,839
<b>Total assets</b>	<b>\$ 9,616,173</b>	<b>\$ ---</b>	<b>\$ 1,064,817</b>	<b>\$ 10,680,990</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 242,258	\$ ---	\$ 3,448	\$ 245,706
Withholdings and related fringes payable	442,280	---	549	442,829
Due to other funds	---	215,000	---	215,000
Deposits payable	10,000	---	---	10,000
Unearned revenues	13,037	---	3,611	16,648
<b>Total liabilities</b>	<b>707,575</b>	<b>215,000</b>	<b>7,608</b>	<b>930,183</b>
<b>Fund Balances:</b>				
Nonspendable	76,438	---	33,401	109,839
Restricted	---	---	965,587	965,587
Committed	593,842	---	---	593,842
Assigned	---	---	58,221	58,221
Unassigned	8,238,318	(215,000)	---	8,023,318
<b>Total fund balances</b>	<b>8,908,598</b>	<b>(215,000)</b>	<b>1,057,209</b>	<b>9,750,807</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,616,173</b>	<b>\$ ---</b>	<b>\$ 1,064,817</b>	<b>\$ 10,680,990</b>

The accompanying notes to financial statements  
 are an integral part of these statements.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**

June 30, 2016

**Total fund balances - governmental funds** \$ 9,750,807

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of the assets	\$ 51,516,484	
Accumulated depreciation	<u>(24,457,041)</u>	
		27,059,443

The District's proportionate share of the WRS net pension liability is recorded as a noncurrent liability on the statement of net position, but is not reported in the governmental funds. (2,017,114)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 6,500,454

Long-term debt, and related items, are not due and payable in the current period and therefore are not reported in the governmental funds. Debt and related items at year-end consists of:

Bonds payable	10,010,000	
Accrued liability for other post employment benefits	284,230	
Accrued liability for retirement stipends	52,181	
Unamortized loss on refunding	(736,175)	
Compensated absences	<u>2,507</u>	
		(9,612,743)

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. (51,912)

**Total net position - governmental activities** \$ 31,628,935

The accompanying notes to financial statements  
are an integral part of these statements.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Governmental Funds**

Year Ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 19,960,248	\$ 30,000	\$ 3,065,880	\$ 23,056,128
Interdistrict payments within Wisconsin	1,058,877	---	---	1,058,877
Intermediate sources	16,919	---	---	16,919
State	10,504,262	---	6,949	10,511,211
Federal	832,611	---	153,361	985,972
Other	58,341	---	---	58,341
<b>Total revenues</b>	<b>32,431,258</b>	<b>30,000</b>	<b>3,226,190</b>	<b>35,687,448</b>
 <b>Expenditures:</b>				
<b>Instruction:</b>				
Current	19,281,988	---	57,771	19,339,759
Interdistrict	400,050	---	---	400,050
Capital outlay	11,868	---	10,685	22,553
<b>Support Services:</b>				
Current	11,910,220	---	846,812	12,757,032
Capital outlay	485,767	---	1,276	487,043
Debt service	9,678	---	1,930,220	1,939,898
<b>Total expenditures</b>	<b>32,099,571</b>	<b>---</b>	<b>2,846,764</b>	<b>34,946,335</b>
<b>Excess of revenues over expenditures</b>	<b>331,687</b>	<b>30,000</b>	<b>379,426</b>	<b>741,113</b>
 <b>Special Items:</b>				
Insurance proceeds for wind damage	22,837	---	---	22,837
Lawsuit settlement with WEA Trust	46,835	---	---	46,835
<b>Total special items</b>	<b>69,672</b>	<b>---</b>	<b>---</b>	<b>69,672</b>
 <b>Net change in fund balances</b>	 <b>401,359</b>	 <b>30,000</b>	 <b>379,426</b>	 <b>810,785</b>
 <b>Fund Balances (Deficit) - Beginning of year</b>	 <b>8,507,239</b>	 <b>(245,000)</b>	 <b>677,783</b>	 <b>8,940,022</b>
 <b>Fund Balances (Deficit) - End of year</b>	 <b>\$ 8,908,598</b>	 <b>\$ (215,000)</b>	 <b>\$ 1,057,209</b>	 <b>\$ 9,750,807</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**  
Year Ended June 30, 2016

**Total net change in fund balances - governmental funds** **\$ 810,785**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.

Depreciation expense	\$ (1,194,315)	
Capital outlays	<u>509,596</u>	(684,719)

In the statement of activities, losses on the disposal of assets are shown; whereas, in the governmental funds only the proceeds on the disposal (if any) are shown.

Insurance proceeds for wind damage	(22,837)	
Loss on asset disposal	<u>(18,172)</u>	(41,009)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds payable	1,620,000	
Promissory note	<u>135,000</u>	1,755,000

In the statement of activities, post-employment benefits are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used.

(44,642)

In the statement of activities, retirement stipends are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used.

(2,270)

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used.

District pension contributions	1,175,291	
Cost of benefits earned net of employee contributions	<u>(2,462,976)</u>	(1,287,685)

Amortization reduces the balance of the respective liabilities and deferred outflows. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.

Unamortized discount on debt issuance	(1,638)	
Unamortized loss on refunding	<u>(268,315)</u>	(269,953)

In the statement of activities compensated absences and retirement stipends are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used.

1,733

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due.

6,345

**Change in net position of governmental activities** **\$ 243,585**

The accompanying notes to financial statements  
are an integral part of these statements.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Statement of Fiduciary Net Position**

June 30, 2016

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>	<u>Agency</u> <u>Fund</u>
<b>Assets:</b>			
Cash and equivalents	\$ 26,261	\$ 542,012	\$ 290,742
Investments	---	---	1,455
<b>Total assets</b>	<u>26,261</u>	<u>542,012</u>	<u>292,197</u>
<b>Liabilities:</b>			
Due to student groups	---	---	291,013
Due to other funds	---	1,076	1,184
<b>Total liabilities</b>	<u>---</u>	<u>1,076</u>	<u>292,197</u>
<b>Net Position:</b>			
Restricted	26,261	540,936	---
<b>Total net position</b>	<u>\$ 26,261</u>	<u>\$ 540,936</u>	<u>\$ ---</u>

**Statement of Changes in Fiduciary Net Position**

Year Ended June 30, 2016

	<u>Private</u> <u>Purpose Trusts</u>	<u>Employee</u> <u>Benefit Trusts</u>
<b>Additions:</b>		
Interest	\$ 22	\$ 443
Gifts	25,256	---
Contributions to employee benefit trust	---	967,894
<b>Total additions</b>	<u>25,278</u>	<u>968,337</u>
<b>Deductions:</b>		
Trust fund disbursements	37,818	873,689
<b>Total deductions</b>	<u>37,818</u>	<u>873,689</u>
<b>Change in net position</b>	(12,540)	94,648
<b>Net position - June 30, 2015</b>	<u>38,801</u>	<u>446,288</u>
<b>Net position - June 30, 2016</b>	<u>\$ 26,261</u>	<u>\$ 540,936</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Cedarburg School District ("District") is organized as a unified school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the District are discussed below.

**B. Component Units**

GAAP require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

**C. 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 have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

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

**C. Basis of Presentation (Continued)**

**Fund Financial Statements**

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

*General Fund* - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. It is also used to account for activities associated with providing educational programs for students with disabilities.

*Capital Projects Fund* – This fund accounts for the financial resources of the District to be used for capital expenditures related to buildings and sites.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for employee post-employment benefits in an employee benefit trust fund and for scholarships in a private purpose trust fund.

**D. 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. Non-exchange 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.

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 resources 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.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

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

**E. Cash and equivalents**

The District's cash is considered to be cash on hand, money markets and demand deposits. Cash balances for individual funds are pooled unless maintained in segregated accounts.

**F. Investments**

The District has adopted GASB Statement No. 72, *Fair Value Measurement and Application*; investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

As discussed in Footnote 2, the District categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. Valuation methodologies used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2016.

*Local Government Investment Pool (LGIP):* The LGIP is part of the State of Wisconsin Investment Fund (SIF). Per the SIF, the carrying value of securities depends on asset class and maturity date. Repurchase agreements and non-negotiable certificates of deposit are carried at cost. Short-term debt investments with remaining maturities up to ninety days are carried at amortized cost. All short-term investments with remaining maturities of over ninety days are carried at market value. SIF compiles fair values from third party pricing services which use matrix pricing models to estimate a security's fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Adjustments necessary to record investments at fair value are recorded in the statement of activities, statements of revenues, expenditures and changes in fund balances and statement of changes in fiduciary net position as increases or decreases in investment income.

Investment balances for individual funds are pooled unless maintained in segregated accounts.

The District has adopted *GASB Statement No. 79, Certain External Investment Pools and Pool Participants*, which allows participants in qualifying investment pools to elect to use an amortized cost exception to fair value measurement. This District's investment in the Wisconsin Investment Series Cooperative is valued at amortized cost.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

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

**G. Receivables and Payables**

Property taxes are recognized as revenues in the year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Washington and Ozaukee County purchase the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

All accounts receivable are shown 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 such allowance would not be material.

**H. Interfund Transactions**

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2016 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
None			
Due to/from:			
Trust disbursements	General	Employee Benefits	\$ 1,076
Operations	General	Agency Fund	1,184
Funding of projects	General	Capital Projects	<u>215,000</u>
			<u>\$ 217,260</u>

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

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

**I. Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

Capitalization thresholds (the dollar value 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 as follows:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Buildings	\$ 25,000	Straight-line	20 - 50 years
Equipment and furniture	5,000	Straight-line	5 - 20 years

**J. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports a deferred outflow of resources for its deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources related to the net pension liability. More detailed information can be found in Note 7.

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, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District also reports deferred inflows of resources related to the net pension liability. More detailed information can be found in Note 7.

**K. Net Position**

The GASB has established standards for reporting deferred outflows and inflows of resources and net position. Under GASB, the District classifies net position in the government wide financial statements as follows:

- Net Investment in Capital Assets – includes the District’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement for those assets.
- Restricted Net Position – includes balances that have limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted Net Position – the residual balances that do not fall into the other two categories

The District applies restricted resources when expense is incurred for purposes for which both a restricted and unrestricted net position are available.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

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

**L. Fund Balances**

The GASB has defined the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent either because they are not in spendable form and cannot be converted to cash or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, the School Board has authorized the Director of Business Services to assign funds. The intent of the assigned funds may change with appropriate approvals as decided by the Director of Business Services.
- *Unassigned* - the residual classification for the General Fund (fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund), and deficit fund balances within other funds.

*Order of Fund Balance Spending Policy:* The District has established the following order of spending when various funding sources exist: (1) Restricted, (2) Committed, (3) Assigned, (4) Unassigned.

**M. Sick Pay and Vacation**

Teachers are granted ten paid sick days per year, cumulative to seventy-five days. Non-teachers are granted up to ten sick days per year, cumulative to seventy-five days. Unused sick pay is not paid out upon retirement or termination of employment.

Full-time twelve-month employees are granted up to four weeks paid vacation per year. The number of vacation weeks an employee is eligible for depends on years of full-time service. Vacation days may not accumulate from year to year.

As of June 30, 2016, there is one employee that retired before the above policies were adopted. As a result, that employee is eligible for payout of unused accumulated sick days under the previous policy. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

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

**N. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**O. Other Assets**

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance represent payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient.

**P. 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 to 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.

The WRS adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68 and No. 73 during the year ended December 31, 2015. Statement No. 82 addressed the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions. The adjustment to the beginning balances was not significant to the District and therefore no prior period adjustment was made.

**Q. Subsequent Events**

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (December 06, 2016). Except for the information in Note 3 regarding short-term borrowing and Note 11 regarding payment on contingent liability and construction commitments, there were no subsequent events that required recognition or disclosure.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**2. Cash and Equivalents and Investments**

Cash and equivalents and investments as shown on the District's statement of net position are subject to the following risks:

	<b>Custodial Balance</b>	<b>Carrying Amount</b>	<b>Risks</b>
<b>Cash and equivalents:</b>			
Demand deposits	\$ 4,660,346	\$ 3,221,142	Custodial
Money market	520,937	520,937	Custodial
Petty cash	---	1,350	
<b>Investment:</b>			
State of Wisconsin Local Government Investment Pool	2,010,610	2,010,610	Custodial and interest rate
Wisconsin Investment Series Coop	12,378	12,378	Interest rate, credit and custodial
<b>Total cash and investments</b>	<b>\$ 7,204,271</b>	<b>\$ 5,766,417</b>	

**Reconciliation to Financial Statements:**

**Per statement of net position:**

Cash and equivalents	\$ 2,884,414
Investments	2,021,533

**Per statement of fiduciary net position:**

Cash and equivalents	859,015
Investments	1,455
<b>Total cash and investments</b>	<b>\$ 5,766,417</b>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits in each local and area bank and the State of Wisconsin Local Government Investment Pool ("LGIP") are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual districts. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

**Custodial Risk:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and investments were \$5,766,417 at June 30, 2016 and the bank's carrying value was \$7,204,271, of which \$1,050,000 was fully insured, \$4,531,283 was collateralized by pledged securities and \$1,622,988 was uninsured. The District does not have a policy on custodial risk.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk. All investments have a maturity date of less than one year.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**2. Cash and Investments (Continued)**

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by assignment of a rating by a nationally recognized rating organization. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk. The District's investment in WISC has a AAA rating as of June 30, 2016.

The LGIP does not have a credit quality rating. It is part of the SIF and is managed by the State of Wisconsin Investment Board. The District has no regulatory oversight for the LGIP. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF is audited annually by the State of Wisconsin Legislative Audit Bureau, an independent auditor. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. Participants in LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2016, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

A separate financial report for the SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from the State of Wisconsin Investment Board, P.O. Box 7842, Madison, WI 53707.

The District has investments in WISC consisting of Cash Management Series Construction Fund (CMS). The CMS has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental Cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law. Investment income is distributed to participants based on their relative participation during the period. Participants in WISC have the right to withdraw their funds in total on one day's notice.

A separate financial report for WISC is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**2. Cash and Equivalents and Investments (Continued)**

The District categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

The following summarizes the classification of investments within the statement of net position by classification and method of valuation in accordance with the requirements of accounting principles generally accepted in the United States of America for the year ending June 30, 2016:

<u>Description</u>	<u>Fair Value Measurement</u>					<u>Exempt from Disclosure</u>
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>		
Investment pools:						
LGIP	\$ 2,010,610	\$ ---	\$ 2,010,610	\$ ---	\$ ---	---
WISC	12,378	---	---	---	---	12,378
	<u>\$ 2,022,988</u>	<u>\$ ---</u>	<u>\$ 2,010,610</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>12,378</u>

WISC is exempt from fair value disclosure due to investments being valued at amortized cost.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**3. Short-Term Notes Payable**

Short-term notes payable at June 30, 2016 are as follows:

<u>Balance</u>		<u>Balance</u>
<u>June 30, 2015</u>	<u>Additions</u>	<u>June 30, 2016</u>
\$	---	\$
	2,000,000	\$
	-	2,000,000
		\$
		---

The note was dated November 10, 2015 due March 30, 2016, with an interest rate of 1.0%. Interest for the year ended June 30, 2016 was \$7,778. The note was for general district operation. Subsequent to year end, the board approved entering into a new note in the amount of \$1,800,000.

**4. Capital Assets**

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

	<u>Balance</u>		<u>Balance</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>June 30, 2016</u>
Capital assets not being depreciated:			
Sites	\$ 339,600	\$ ---	\$ 339,600
Construction in progress	209,100	12,663	209,100
Capital assets being depreciated:			
Buildings and improvements	46,193,594	436,264	46,552,893
Equipment	4,365,590	269,769	4,611,328
Total capital assets being depreciated	50,559,184	706,033	51,164,221
Less accumulated depreciation	23,322,713	1,194,315	24,457,041
Total capital assets being depreciated, net of accumulated depreciation	27,236,471	(488,282)	26,707,180
Capital assets, net of accumulated depreciation	\$ 27,785,171	\$ (475,619)	\$ 27,059,443

All depreciation expense was charged to unallocated depreciation.

**5. Long-Term Liabilities**

Long-term Liabilities of the District are as follows:

<u>Type</u>	<u>Balance</u>		<u>Balance</u>	<u>Amounts</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>June 30, 2016</u>	<u>due within one year</u>
G.O. Bonds	\$ 11,630,000	\$ ---	\$ 1,620,000	\$ 1,775,000
G.O. Promissory Note	135,000	---	135,000	---
Compensated absences	4,240	---	1,733	2,507
<b>Total</b>	\$ 11,769,240	\$ ---	\$ 1,756,733	\$ 1,755,000

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**5. Long-Term Liabilities (Continued)**

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2016 on long-term liabilities was \$174,770 and \$168,425, respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

General obligation debt at June 30, 2016 is comprised of the following individual issues:

Description	Issue Dates	Interest Rates (%)	Dates of Maturity	Balance June 30, 2016
\$13,860,000 G.O. refunding bond	12/4/12	0.35 – 2.85%	9/1/25	\$ 10,010,000

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,206,204,907. 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% of \$2,206,204,907)	\$ 220,620,491
Deduct long-term debt applicable to debt margin	10,010,000
Margin of indebtedness	<u>\$ 210,610,491</u>

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

Year Ended June 30,	Principal	Interest	Total
2017	\$ 1,775,000	\$ 155,735	\$ 1,930,735
2018	1,795,000	139,760	1,934,760
2019	1,815,000	119,118	1,934,118
2020	1,845,000	92,800	1,937,800
2021	1,880,000	60,513	1,940,513
2022-2025	900,000	60,585	960,585
<b>Totals</b>	<u>\$ 10,010,000</u>	<u>\$ 628,511</u>	<u>\$ 10,638,511</u>

Certain outstanding debt of the District has been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts. The principal and interest amounts in escrow provide cash flows sufficient to pay principal and interest of the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. The balance of defeased bonds outstanding at June 30, 2016 is \$17,865,000.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**6. Fund Balances**

As of June 30, 2016, fund balance components other than unassigned fund balances consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Prepaid expense	\$ 76,438	\$ ---	\$ ---	\$ ---
Teacher bonus compensation	---	---	137,250	---
Strategic wellness program	---	---	20,000	---
Tennis court project	---	---	212,434	---
Offset reduction in revenue due to declining enrollment			224,158	
Special revenue trust	---	82,495	---	---
Food service:				
Prepaid expense	33,401	---	---	---
Food service program	---	500,313	---	---
Debt service	---	382,779	---	---
Community service	---	---	---	58,221
Total	\$ 109,839	\$ 965,587	\$ 593,842	\$ 58,221

The capital projects fund had a deficit fund balance at June 30, 2016 of \$215,000. This deficit will be financed through future revenues of the fund.

**7. Defined Benefit Pension Plan**

**Plan Description**

The Wisconsin Retirement System (“WRS”) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found 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.

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

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**7. Defined Benefit Pension Plan (Continued)**

**Benefits Provided**

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 are 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.

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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 (Calendar year 2015), the WRS recognized \$1,175,291 in contributions from the employer.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**7. Defined Benefit Pension Plan (Continued)**

**Contributions (Continued)**

Contribution rates as of June 30, 2016 are:

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

**Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources**

At June 30, 2016, the District reported a liability of \$2,017,114 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.1241%, which was a decrease of 0.0017% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,462,976.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 345,776	\$ 4,244,983
Changes in assumptions	1,411,261	---
Net difference between projected and actual earnings on pension plan investments	8,273,375	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,422	8,825
Employer contributions subsequent to the measurement date	695,428	---
<b>Total</b>	<u>\$ 10,754,262</u>	<u>\$ 4,253,808</u>

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**7. Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources (continued)**

\$695,428 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 and inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflow of Resources</b>
2017	\$ 2,613,928	\$ 1,029,429
2018	2,613,928	1,029,429
2019	2,613,927	1,029,429
2020	2,171,901	1,029,430
2021	45,150	136,091

**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.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Destination Target Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equities	27.0%	23.0%	7.6%	4.7%
International Equities	24.5	22.0	8.5	5.6
Fixed Income	27.5	37.0	4.4	1.6
Inflation Sensitive Assets	10.0	20.0	4.2	1.4
Real Estate	7.0	7.0	6.5	3.6
Private Equity/Debt	7.0	7.0	9.4	6.5
Multi-Asset	4.0	4.0	6.7	3.8
Total core fund	107.0%	120%	7.4	4.5
 <b>Variable Fund Asset Class</b>				
U.S. Equities	70.0%	70.0%	7.6%	4.7%
International Equities	30.0	30.0	8.5	5.6
Total Variable Fund	100.0%	100.0%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast 2.75% Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

*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:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase To Discount Rate (8.20%)</u>
District's proportionate share of the net pension (asset) liability	\$ 14,148,079	\$ 2,017,114	\$ (7,457,385)



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**7. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

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

Payables to the pension plan at June 30, 2016 were \$429,479. This represents contributions earned as of June 30, 2016, but for which payment was not remitted to the pension plan until subsequent to year-end.

**8. Cedarburg School District Post-Employment Benefits**

The following information conforms to the requirements of Governmental Accounting Standards Board (GASB).

**Description of Plan**

The District offers voluntary retirement benefits to its teachers hired before October 1, 2011 and administrators who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit (OPEB), the latter commonly referred to as an implicit rate subsidy.

Employees participating in the OPEB benefit consisted of the following at July 1, 2015 the date of the latest actuarial valuation:

Retirees	54
Active	265
Number of participating employees	<u>319</u>

The District also provides the superintendent and teachers who have met the age and years of service requirements with a stipend (supplemental pension) benefit upon their retirement.

**Funding Policy**

**OPEB**

The District is required to provide contributions on a pay-as-you-go basis. Active plan members are not required to contribute toward these benefits. The Board of Education has established an irrevocable Employee Benefit Trust for funding the other postemployment benefit liability. Payments are expended in the general fund and the revenue is recorded in the Employee Benefit Trust Fund. For the year ended June 30, 2016, the District contributed \$920,112 into the trust. For fiscal year 2016, the District paid \$646,631 to eligible retirees. In addition, the District had an implicit rate subsidy that it "funded" for fiscal year 2016 in the amount of \$227,058.

**Stipend (Supplemental Pension)**

The District is required to provide contributions on a pay-as-you-go basis. Active plan members are not required to contribute toward these benefits. The District has not established a trust to fund these liabilities. For the year ended June 30, 2016, the District paid \$119,585 for the benefit of retirees.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**8. Cedarburg School District Post-Employment Benefits (Continued)**

**Annual OPEB and Stipend Costs and Recognized Obligation**

The District's annual other post-employment benefit (OPEB) and stipend costs (expenses) are calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years for OPEB and six years for stipend costs.

The following table shows the components of the District's annual OPEB and stipend costs for the year, the amount actually contributed to the plan, and changes in the District's net OPEB and stipend obligations:

	<u>OPEB</u>	<u>Stipend</u>	<u>Total</u>
Annual required contribution (ARC)	\$ 968,363	\$ 129,384	\$ 1,097,747
Interest on net OPEB/stipend obligation	11,979	1,996	13,975
Adjustment to ARC	(15,588)	(9,525)	(25,113)
Annual OPEB/ stipend cost	964,754	121,855	1,086,609
Contributions made	(920,112)	(119,585)	(1,039,697)
Change in net OPEB/stipend obligation	44,642	2,270	46,912
Net OPEB/stipend obligation – beginning of year	239,588	49,911	289,499
Net OPEB/stipend obligation – end of year	\$ 284,230	\$ 52,181	\$ 336,411

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent three years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 1,280,718	99%	\$ 218,679
2015	1,280,691	98%	239,588
2016	964,754	95%	284,230

The District's annual stipend (supplement pension costs), the percentage of annual supplemental pension costs contributed to the plan, and the net supplemental pension benefits obligation for the most recent three years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual Stipend Cost</u>	<u>Percentage Contributed</u>	<u>Net Stipend Obligation</u>
2014	\$ 79,057	346%	\$ 120,924
2015	81,990	187%	49,911
2016	121,855	98%	52,181

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**8. Cedarburg School District Post-Employment Benefits (Continued)**

**Funding Status**

A schedule of funding progress as of the most recent actuarial valuation is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
July 1, 2015						
OPEB	\$ 446,288	\$ 8,109,754	\$ 7,663,466	5.5%	\$ 18,149,084	42.2%
Stipend	---	562,908	562,908	0.0%	18,149,084	3.1%

The schedule of funding progress, presented as required supplementary information following the notes to the 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.

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

**Actuarial Methods and Assumptions**

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

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/15
Actuarial cost method	Entry age normal – level % of salary
Amortization method	30 (OPEB) and 6 (Stipend) year open level dollar
Remaining amortization period	30 years (OPEB), 6 years (Stipend)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00% (OPEB), 4.00% (Stipend)
Medical care trend*	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Dental care trend*	Level at 5.00%
* implicit in this rate is an assumed rate of inflation of 3.00%	

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**9. Limitation on School District Revenues**

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

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

**10. Risk Management**

The Cedarburg School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles.

**11. Commitments and Contingencies**

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2016, are not likely to have a material adverse impact on the District's financial position.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Teachers and administrators who are employed by the District as of June 30, 2016 are eligible to receive a bonus if they return to the District the following school year. In September 2016 the District paid out \$400,831 in bonuses and related benefits. Due to payments being contingent on the teacher returning the next fiscal year, this has not been accrued on the financial statements.

During the year ending June 30, 2016, the District approved reconstructing tennis courts at an estimated cost of \$450,194. At June 30, 2016, The District has paid \$12,663 on this project.

Subsequent to year-end, the District began a LED light conversion project. The project will take several years and is estimated to cost \$1.2 million.

**12. Leases**

The District leases multiple copiers. Payments on these leases for the year ended June 30, 2016 totaled \$75,939. Future minimum payments under these leases are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 99,795
2018	86,563
2019	70,616
2020	<u>18,435</u>
Total	\$ <u>275,409</u>

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Financial Statements**  
June 30, 2016  
(Continued)

**13. Effect of New Accounting Standards on Financial Statements**

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

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*
- Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*
- Statement No. 81, *Irrevocable Split Interest Agreements*
- Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73*

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

**14. GASB Statement No. 73, *Accounting and Financial Reporting for Pensions***

The Government Accounting Standards Board has issued Statement No. 73 which will require the District to accrue their total unfunded pension (stipend) liability on their statement of net position, effective for the year ending June 30, 2017. GASB Statement No. 73 defines the liability as the actuarial present value of projected benefits. This statement will have a material effect on the District's pension (stipend) liability compared to what is accrued under current standards. As of July 1, 2015 (the most recent actuarial study) the District's total actuarial accrued pension (stipend) liability was \$562,908.

**15. GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions***

The Government Accounting Standards Board has issued Statement No. 75 which will require the District to accrue their net unfunded OPEB liability on their statement of net position, effective for the year ending June 30, 2018. GASB Statement No. 75 defines the liability as the actuarial present value of projected benefit payments that is attributable to past periods of employee service. As of July 1, 2015 (the most recent actuarial study) the District's total actuarial accrued OPEB liability, was \$8,109,754.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Local	\$ 19,950,846	\$ 19,960,361	\$ 19,960,248	\$ (113)
Interdistrict payments within Wisconsin	1,055,600	1,055,600	1,049,647	(5,953)
Intermediate sources	16,681	17,394	16,343	(1,051)
State	9,400,772	9,428,942	9,445,372	16,430
Federal	229,237	229,237	211,693	(17,544)
Other	44,000	44,000	55,675	11,675
<b>Total revenues</b>	<u>30,697,136</u>	<u>30,735,534</u>	<u>30,738,978</u>	<u>3,444</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Current	16,087,937	16,156,635	15,833,435	323,200
Interdistrict	378,400	378,400	364,553	13,847
Capital outlay	---	---	6,838	(6,838)
<b>Support Services:</b>				
Current	10,990,783	11,373,116	10,801,075	572,041
Capital outlay	393,209	443,520	485,767	(42,247)
Debt service	17,000	17,000	9,678	7,322
<b>Total expenditures</b>	<u>27,867,329</u>	<u>28,368,671</u>	<u>27,501,346</u>	<u>867,325</u>
<b>Excess of revenues over expenditures</b>	<u>2,829,807</u>	<u>2,366,863</u>	<u>3,237,632</u>	<u>870,769</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	<u>(3,065,345)</u>	<u>(3,065,345)</u>	<u>(2,905,945)</u>	159,400
<b>Total other financing sources (uses)</b>	<u>(3,065,345)</u>	<u>(3,065,345)</u>	<u>(2,905,945)</u>	159,400
<b>Special Items:</b>				
Insurance proceeds for wind damage	---	---	22,837	22,837
Lawsuit settlement with WEA Trust	---	---	46,835	46,835
<b>Total special items</b>	<u>---</u>	<u>---</u>	<u>69,672</u>	<u>69,672</u>
<b>Net change in fund balances</b>	(235,538)	(698,482)	401,359	1,099,841
<b>Fund Balances - Beginning of year</b>	<u>8,507,239</u>	<u>8,507,239</u>	<u>8,507,239</u>	---
<b>Fund Balances - End of year</b>	<u>\$ 8,271,701</u>	<u>\$ 7,808,757</u>	<u>\$ 8,908,598</u>	<u>\$ 1,099,841</u>

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Information.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Budgetary Comparison Schedule**

**Special Education Fund**

Year Ended June 30, 2016

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Interdistrict payments within Wisconsin	\$ 9,420	\$ 9,420	\$ 9,230	\$ (190)
Intermediate sources	---	---	576	576
State	1,055,290	1,055,290	1,058,890	3,600
Federal	744,910	744,910	620,918	(123,992)
Other	---	---	2,666	2,666
<b>Total revenues</b>	<u>1,809,620</u>	<u>1,809,620</u>	<u>1,692,280</u>	<u>(117,340)</u>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Current	3,609,892	3,624,312	3,448,553	175,759
Interdistrict	45,000	45,300	35,497	9,803
Capital outlay	20,000	5,210	5,030	180
<b>Support Services:</b>				
Current	1,200,073	1,200,143	1,109,145	90,998
<b>Total expenditures</b>	<u>4,874,965</u>	<u>4,874,965</u>	<u>4,598,225</u>	<u>276,740</u>
<b>Deficiency of revenues under expenditures</b>	<u>(3,065,345)</u>	<u>(3,065,345)</u>	<u>(2,905,945)</u>	<u>159,400</u>
<b>Other Financing Sources:</b>				
Operating transfers in	<u>3,065,345</u>	<u>3,065,345</u>	<u>2,905,945</u>	<u>(159,400)</u>
<b>Total other financing sources</b>	<u>3,065,345</u>	<u>3,065,345</u>	<u>2,905,945</u>	<u>(159,400)</u>
<b>Net change in fund balances</b>	---	---	---	---
<b>Fund Balances - Beginning of year</b>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Fund Balances - End of year</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Information.



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Schedule of Proportionate Share of the Net Pension Asset (Liability)**  
Year Ended June 30, 2016

Wisconsin Retirement System  
Last 10 Fiscal Years\*

	<b>District's proportion of the net pension asset (liability)</b>	<b>District's proportionate share of the net pension asset (liability)</b>	<b>District's covered- employee payroll</b>	<b>Net pension asset (liability) as a percentage of employee payroll</b>	<b>Plan fiduciary net position as a percentage of total pension asset (liability)</b>
2016	0.1241%	\$ (2,017,114)	\$ 17,227,425	11.71%	98.20%
2015	0.1258%	3,089,553	17,081,788	18.09%	102.74%

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

\*GASB Pronouncement 68 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

**Schedule of Contributions**  
Year Ended June 30, 2016

Wisconsin Retirement System  
Last 10 Fiscal Years\*

	<b>Contractually required contributions</b>	<b>Contributions in relation to the contractually required contributions</b>	<b>Contribution deficiency (excess)</b>	<b>District's covered- employee payroll</b>	<b>Contributions as a percentage of covered- employee payroll</b>
2016	\$ 1,175,291	\$ 1,175,291	\$ ---	\$ 17,227,425	6.82%
2015	1,209,267	1,209,267	---	17,081,788	7.08%

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

\*GASB Pronouncement 68 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Information.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Schedule of Funding Progress**

Year Ended June 30, 2016

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>Post-Employment Healthcare</u>						
July 1, 2011	\$ 91,971	\$ 10,423,986	\$ 10,332,015	0.9%	\$ 17,959,944	57.5%
July 1, 2013	265,794	9,172,653	8,906,859	2.9%	17,848,235	49.9%
July 1, 2015	446,288	8,109,754	7,663,466	5.5%	18,149,084	42.2%
<u>Supplemental Pension</u>						
July 1, 2011	\$ ---	\$ 1,065,416	\$ 1,065,416	0.0%	\$ 17,959,944	5.9%
July 1, 2013	---	825,478	825,478	0.0%	17,848,235	4.6%
July 1, 2015	---	562,908	562,908	0.0%	18,149,084	3.1%

1. The data presented in this schedule was taken from the calculation prepared by the report issued by the actuary, except the covered payroll data which was supplied by the District.

**Schedule of Employer Contributions**

Year Ended June 30, 2016

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
<u>Post-Employment Healthcare</u>			
2011	\$ 1,192,540	\$ 1,138,043	95.4%
2012	1,262,060	1,262,060	100.0%
2013	1,262,060	1,097,100	86.9%
2014	1,288,800	1,280,000	99.3%
2015	1,288,800	1,259,782	97.7%
2016	968,363	920,112	95.0%
<u>Supplemental Pension</u>			
2011	\$ 137,698	\$ 89,971	65.3%
2012	105,241	208,000	197.6%
2013	105,241	191,333	181.8%
2014	83,812	273,828	326.7%
2015	83,812	153,003	182.6%
2016	129,384	119,585	92.4%

See Independent Auditors' Report and Accompanying Notes to Required Supplementary Information.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Required Supplemental Information**  
June 30, 2016

**Note A – Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the differences between revenues, expenditures, and other financing sources (uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below

	<u>General Fund</u>	<u>Special Education Fund</u>
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 30,738,978	\$ 1,692,280
Reclassification of special education	1,692,280	(1,692,280)
Total revenues (GAAP)	32,431,258	---
<b>Expenditures</b>		
Actual amounts (budgetary basis)	27,501,346	4,598,225
Reclassification of special education	4,598,225	(4,598,225)
Total expenditures (GAAP)	32,099,571	---
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	3,237,632	(2,905,945)
Reclassification of special education	(2,905,945)	2,905,945
Excess of revenues over (under) expenditures (GAAP)	331,687	---
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(2,905,945)	2,905,945
Reclassification of special education	2,905,945	(2,905,945)
Total other financing sources (uses) (GAAP)	---	---
<b>Special Items</b>		
Actual amounts (budgetary basis)	69,672	---
Reclassification of special education	---	---
Total special items (GAAP)	69,672	---
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis and GAAP)	401,359	---
<b>Fund Balance – Beginning of year</b>		
Actual amounts (budgetary basis and GAAP)	8,507,239	---
<b>Fund Balance – End of year</b>		
Actual amounts (budgetary basis and GAAP)	\$ 8,908,598	\$ ---

See Independent Auditors' Report.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Required Supplemental Information**  
June 30, 2016  
(Continued)

**Note B – Excess of Actual Expenditures Over Budget in Individual Funds**

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2016:

<u>General:</u>	
Vocational curriculum	\$ 14,620
Pupil services	8,524
Other support services	25,483
Other non-program transactions	20,682
 <u>Special education:</u>	
Other non-program transactions	17,341

The excess expenditures were funded with existing fund balance.

**Note C – Wisconsin Retirement System**

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

*Changes of assumptions.* According to the WRS there were no changes in the assumptions.

See Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2016

	<b>Special Revenue <u>Trust</u></b>	<b>Debt <u>Service</u></b>	<b>Food <u>Service</u></b>	<b>Community <u>Service</u></b>	<b><u>Total</u></b>
<b>Assets:</b>					
Cash and equivalents	\$ 83,240	\$ 382,029	\$ 462,015	\$ 62,587	\$ 989,871
Investments	---	750	---	---	750
Accounts receivable	---	---	35,395	1,817	37,212
Due from other governments	---	---	3,583	---	3,583
Prepaid expense	---	---	33,401	---	33,401
<b>Total assets</b>	<b>\$ 83,240</b>	<b>\$ 382,779</b>	<b>\$ 534,394</b>	<b>\$ 64,404</b>	<b>\$ 1,064,817</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 745	\$ ---	\$ 680	\$ 2,023	\$ 3,448
Withholdings and related fringes payable	---	---	---	549	549
Unearned revenues	---	---	---	3,611	3,611
<b>Total liabilities</b>	<b>745</b>	<b>---</b>	<b>680</b>	<b>6,183</b>	<b>7,608</b>
<b>Fund Balances:</b>					
Nonspendable	---	---	33,401	---	33,401
Restricted	82,495	382,779	500,313	---	965,587
Assigned	---	---	---	58,221	58,221
<b>Total fund balances</b>	<b>82,495</b>	<b>382,779</b>	<b>533,714</b>	<b>58,221</b>	<b>1,057,209</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 83,240</b>	 <b>\$ 382,779</b>	 <b>\$ 534,394</b>	 <b>\$ 64,404</b>	 <b>\$ 1,064,817</b>

See Independent Auditors' Report.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Nonmajor Governmental Funds**

Year Ended June 30, 2016

	<b>Special Revenue <u>Trust</u></b>	<b>Debt <u>Service</u></b>	<b>Food <u>Service</u></b>	<b>Community <u>Service</u></b>	<b><u>Total</u></b>
<b>Revenues:</b>					
Local	\$ 51,016	\$ 2,220,787	\$ 692,524	\$ 101,553	\$ 3,065,880
State	---	---	6,949	---	6,949
Federal	---	---	153,361	---	153,361
<b>Total revenues</b>	<b>51,016</b>	<b>2,220,787</b>	<b>852,834</b>	<b>101,553</b>	<b>3,226,190</b>
<b>Expenditures:</b>					
Instruction:					
Current	57,771	---	---	---	57,771
Capital outlay	10,685	---	---	---	10,685
Support Services:					
Current	17,853	---	732,240	96,719	846,812
Capital outlay	---	---	1,276	---	1,276
Debt service	---	1,930,220	---	---	1,930,220
<b>Total expenditures</b>	<b>86,309</b>	<b>1,930,220</b>	<b>733,516</b>	<b>96,719</b>	<b>2,846,764</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(35,293)</b>	<b>290,567</b>	<b>119,318</b>	<b>4,834</b>	<b>379,426</b>
<b>Net change in fund balances</b>	<b>(35,293)</b>	<b>290,567</b>	<b>119,318</b>	<b>4,834</b>	<b>379,426</b>
<b>Fund Balances - Beginning of year</b>	<b>117,788</b>	<b>92,212</b>	<b>414,396</b>	<b>53,387</b>	<b>677,783</b>
<b>Fund Balances - End of year</b>	<b>\$ 82,495</b>	<b>\$ 382,779</b>	<b>\$ 533,714</b>	<b>\$ 58,221</b>	<b>\$ 1,057,209</b>

See Independent Auditors' Report.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Agency Fund - Schedule of Changes in Assets and Liabilities**

June 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/16</u>
<b>Assets:</b>				
Cash and equivalents	\$ 263,260	\$ 623,791	\$ 596,309	\$ 290,742
Investments	1,451	4	---	1,455
<b>Total assets</b>	<u>\$ 264,711</u>	<u>\$ 623,795</u>	<u>\$ 596,309</u>	<u>\$ 292,197</u>
<b>Liabilities:</b>				
Due to student groups:				
Cedarburg High School	\$ 195,592	\$ 513,924	\$ 491,906	\$ 217,610
Webster Middle School	66,790	108,687	102,074	73,403
Due to other funds	2,329	1,184	2,329	1,184
<b>Total liabilities</b>	<u>\$ 264,711</u>	<u>\$ 623,795</u>	<u>\$ 596,309</u>	<u>\$ 292,197</u>

See Independent Auditors' Report.



**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Schedule of Expenditures of State Awards**

Year Ended June 30, 2016

<b>Awarding Agency</b>	<b>State</b>	<b>Pass-Through</b>	<b>Accrued or</b>		<b>State</b>	<b>Accrued or</b>		
<b>Pass-Through Agency</b>	<b>I.D.</b>	<b>Entity Identifying</b>	<b>(Unearned)</b>		<b>Disbursements/</b>	<b>(Unearned)</b>	<b>Subrecipient</b>	
<b>Award Description</b>	<b>Number</b>	<b>Number</b>	<b>Revenue at</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Revenue at</b>	<b>Awards</b>	
			<b>7/1/15</b>			<b>6/30/16</b>		
<b>Wisconsin Department of Public Instruction</b>								
Special education and school-age parents **	255.101	451015-100	\$ ---	\$ 1,052,902	\$ 1,052,902	\$ ---	\$ ---	
State school lunch	255.102	451015-107	---	6,949	6,949	---	---	
Common school fund library aid	255.103	451015-104	---	128,170	128,170	---	---	
Pupil transportation	255.107	451015-102	---	36,603	36,603	---	---	
Equalization aids	255.201	451015-116	145,159	9,369,661	9,378,543	154,041	---	
High cost special education	255.210	451015-119	---	5,988	5,988	---	---	
Educator effectiveness grant	255.940	451015-154	---	18,320	18,320	---	---	
Per pupil adjustment aid	255.945	451015-113	---	---	427,950	427,950	---	
Career and technical education incentive grant	255.950	451015-151	---	19,827	19,827	---	---	
Passed through Hamilton School District:								
Peer review and mentoring	255.301	672420-141	---	---	12,500	12,500	---	
Passed through CESA 1:								
Transit special ed, school-age parents	255.101	749901-100	---	430	576	146	---	
<b>Total Wisconsin Department of Public Instruction</b>			<b>145,159</b>	<b>10,638,850</b>	<b>11,088,328</b>	<b>594,637</b>	<b>---</b>	
<b>Total state assistance</b>			<b>\$ 145,159</b>	<b>\$ 10,638,850</b>	<b>\$ 11,088,328</b>	<b>\$ 594,637</b>	<b>\$ ---</b>	

\*\* total DPI aidable expenditures for the year ended June 30, 2016 were \$4,023,172.

See Independent Auditors' Report and  
accompanying notes to schedules of expenditures of federal and state awards.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2016

Awarding Agency Pass-Through Agency <u>Award Description</u>	<u>Federal Catalog Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Accrued or (Unearned) Revenue at 7/1/15</u>	<u>Receipts</u>	<u>Federal Disbursements/ Expenditures</u>	<u>Accrued or (Unearned) Revenue at 6/30/16</u>	<u>Subrecipient Awards</u>
<b>U.S. Department of Agriculture</b>							
Passed through Wisconsin Department of Public Instruction:							
<i>Child Nutrition Cluster:</i>							
Donated Commodities - noncash	10.555	N/A	\$ ---	\$ 40,437	\$ 40,437	\$ ---	---
Food Service Aid - Lunch	10.555	A547-00000-451015	5,665	115,006	112,924	3,583	---
<i>Total Child Nutrition Cluster</i>			5,665	155,443	153,361	3,583	---
<b>Total U.S. Department of Agriculture</b>			5,665	155,443	153,361	3,583	---
<b>U.S. Department of Education</b>							
Passed through Wisconsin Department of Public Instruction:							
Title I-A Basic	84.010	A141-00000-451015	10,014	38,674	76,028	47,368	---
Title II-A Teacher Principal Training	84.367	A365-00000-451015	8,188	42,528	42,745	8,405	---
<i>Special Education Cluster:</i>							
IDEA Preschool Entitlement	84.173	A347-00000-451015	900	7,471	10,565	3,994	---
High Cost Special Education	84.027	A341-00000-451015	---	4,073	4,073	---	---
IDEA Flow Through	84.027	A341-00000-451015	97,391	641,432	610,609	66,568	---
<i>Total Special Education Cluster</i>			98,291	652,976	625,247	70,562	---
Passed through CESA #1:							
Title III Immigrant Children and Youth	84.365	A371-00000-749901	---	6,174	7,041	867	---
Carl Perkins	84.048	A400-00000-749901	---	8,874	9,303	429	---
<b>Total U.S. Department of Education</b>			116,493	749,226	760,364	127,631	---
<b>U.S. Department of Health and Human Services</b>							
Passed through Wisconsin Department of Health Services:							
Medical Assistance program	93.778	44217900	37,072	100,471	88,591	25,192	---
<b>Total Awards</b>			\$ 159,230	\$ 1,005,140	\$ 1,002,316	\$ 156,406	\$ ---

See Independent Auditors' Report and  
accompanying notes to schedules of expenditures of federal and state awards.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Notes to Schedules of Expenditures of Federal and State Awards**  
June 30, 2016

**1. Basis of Presentation**

The accompanying schedules of expenditures of federal and state awards (the Schedules) includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Instruction. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance and *Wisconsin Public School District Audit Manual*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

The District has elected not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**4. Noncash Awards**

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year are included in the federal expenditures presented in the Schedule. There are no balances outstanding as of June 30, 2016.

Thomas G. Wieland  
David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich



Carrie A. Gindt  
Patrick G. Hoffert  
Jason J. Wrasse  
Joshua T. Bierbach

**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 School Board  
Cedarburg School District  
Cedarburg, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cedarburg School District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated December 06, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

December 06, 2016  
Milwaukee, Wisconsin

Thomas G. Wieland  
David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich



Carrie A. Gindt  
Patrick G. Hoffert  
Jason J. Wrasse  
Joshua T. Bierbach

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND WISCONSIN STATE SINGLE AUDIT GUIDELINES**

To the School Board  
Cedarburg School District  
Cedarburg, Wisconsin

**Report on Compliance for Each Major Federal and State Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal and State Program**

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

## Report on Internal Control Over Compliance

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

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

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

December 06, 2016  
Milwaukee, Wisconsin

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Schedule of Prior Audit Findings**  
Year Ended June 30, 2016

**Finding 2015-001**

Department: U.S. Department of Health and Human Services  
Program Name: Medical Assistance Program  
Federal ID Number: 93.778

*Condition and Criteria:* Following a directive issued by the Department of Public Instruction (DPI) in October 2007, all districts that are Medicaid-certified School-Based Services providers are required to have a signed and dated Consent to Bill Wisconsin Medicaid for Medically Related Special Education and Related Services, DPI form M-5, from the parent or guardian of a student with an Individualized Education Program (IEP) before claims for Medicaid services can be submitted. It was noted, in our testing, the District did not obtain a parent or guardian signed DPI form M-5 for two students in our sample of forty students. All costs claimed for these students would be unallowable.

*Effect:* Claiming unallowable costs may result in denial of Medicaid payment for the services.

*Questioned Costs:* Reimbursement of \$17,265.46

*Cause:* A spreadsheet with consent dates was submitted to MJ Care. Parent consent was never given for the two students in question and as such the date line for consent was left blank on the spreadsheet. Logs for all students receiving Medicaid eligible services were submitted to MJ Care for potential billing based upon eligibility. MJ Care submitted the claims, based on the logs, without verifying parental consent to bill had been obtained.

*Recommendation:* Prior to claiming costs, the District should review data to ensure they have the M-5 signed by the student's parent or guardian.

*District's Response:* The District uses a third-party billing administrator for SBS Medicaid services. To ensure that the billing administrator is aware of unsigned M-5 forms (parent refusals of Consent to Bill Medicaid), the Pupil Services secretary now contacts them via phone and email. This information is entered into their system immediately. The Pupil Services secretary does not provide logs to the billing administrator for students whose parents have refused consent. The District contact for DPI and the DHS is the Director of Pupil Services at 262-376-6142.

*Status:* The auditors randomly selected five students that had Medicaid-certified School Based Services billed and verified that a current signed and dated DPI form M-5 was on file. All students in the sample had the signed and dated form on file.



**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Schedule of Prior Audit Findings**  
Year Ended June 30, 2016  
(Continued)

**Finding 2015-002**

Department: United States Department of Education  
Program Name: Child Nutrition Cluster  
Federal ID Number: 10.555

*Condition and Criteria:* Federal award guidelines require auditors to ascertain if the required eligibility determinations were performed and the individual was determined to be eligible in accordance with the eligibility guidelines published by the Wisconsin DPI. Per the DPI Eligibility Manual for School Meals, when a district receives an application with any other source categorical eligibility categories checked, the determining official must document eligibility for each child, prior to providing benefits. For four out of the forty-three students sampled, the District did not conduct and document verification of eligible categorical programs.

*Effect:* The District is not in compliance with federal guidelines related to determining eligibility for categorically eligible applications.

*Questioned Costs:* Undeterminable

*Cause:* The District did not conduct and document verification of eligible categorical programs and case numbers.

*Recommendation:* We recommend that the District review eligible categorical programs and establish procedures for confirming the applicant's status.

*District's Response:* Specific guidelines have been written and will be followed by the Business Office secretary to ensure documentation for questionable applications is retained on file. The District contract for DPI is the Director of Business Services at 262-376-6114.

*Status:* The District submitted a corrective action plan to the Wisconsin Department of Public Instruction. This plan included procedures for verifying categorical eligibility. In addition, the business services assistant confirmed attendance at a school nutrition skills course that addressed determining categorical eligibility. In fiscal year 2016, only two pupils had categorical eligibility. The auditors examined the applications for the two pupils and concluded that the process of determining eligibility for categorically eligible applications was appropriate.

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2016

**A. Summary of Auditors' Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| A. Material weakness(es) identified?  | None Noted |
| B. Significant deficiency(ies) identified that are not considered to be material weakness?                            | None Noted |
| 3. Noncompliance material to financial statements?  | No         |

**Federal Awards**

- |   |            |
|---|------------|
| 4. Internal control over major programs:  |            |
| A. Material weakness(es) identified?  | None Noted |
| B. Significant deficiency(ies) identified that are not considered to be material weakness?                    | None Noted |
| 5. Type of auditors' report issued on compliance for major programs:  | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No         |
| 7. Identification of major programs:  |            |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Special Education Cluster:</u>
84.027	High Cost Special Education
84.027	IDEA Flow Through
84.173	IDEA Preschool Entitlement

- |  |           |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 9. Auditee qualified as low-risk auditee?                                  | No        |

**CEDARBURG SCHOOL DISTRICT**  
Cedarburg, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2016  
(Continued)

**A. Summary of Auditors' Results (Continued)**

**State Awards**

10. Internal control over financial reporting:

A. Material weakness(es) identified? None Noted

B. Significant deficiency(ies) identified that are not considered to be material weakness? None Noted

11. Type of auditors' report issued on compliance for major programs: Unmodified

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

13. Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.201	Equalization Aid
255.210	High Cost Special Education Aid

**B. Financial Statement Findings**

No matters were reported.

**C. Federal and State Award Findings and Questioned Costs**

No matters were reported.

**CEDARBURG SCHOOL DISTRICT**

Cedarburg, Wisconsin

**Schedule of Findings and Questioned Costs**

Year Ended June 30, 2016

(Continued)

**D. Other Issues**

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

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

Department of Public Instruction

No

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

4. Name and signature of partner

\_\_\_\_\_  
Carrie A. Gindt

5. Date of Report

December 06, 2016