

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Audited Financial Statements
Year Ended June 30, 2017

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David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
Carrie A. Gindt



Patrick G. Hoffert
Jason J. Wrasse
Joshua T. Bierbach

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, 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.

Change in Accounting Principle

As discussed in Notes 1R, 8 and 17 to the financial statements, during the year ended June 30, 2017, the District adopted new accounting guidance GASB Statement 73, *Accounting and Financial Reporting for Pensions* and GASB Statement 74, *Financial Reporting for Post-Employment Benefits other than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 supplementary 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 November 6, 2017, 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 solely 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 the effectiveness of the District's 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.

November 6, 2017
Milwaukee, Wisconsin

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2017

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 2017, the assets and deferred outflows of the District exceeded liabilities and deferred inflows by \$31,967,365 (*net position*). The net position at the beginning of the year was \$31,628,935, but it was decreased by \$209,500 for a prior period adjustment due to implementation of GASB 73 (recording total supplemental pension liability) and a correction of error, creating an adjusted net position at the start of the year of \$31,419,435. With these adjustments, the change in net position from the beginning of the year to the end was \$338,430.

Total governmental activities revenues were \$36,338,928; including \$21,677,368 of property and other taxes, \$9,270,201 of federal and state unrestricted aid, \$98,032 of miscellaneous revenues, \$2,566,629 of grants and contributions, and \$2,726,698 of charges for services. Total governmental activities expenditures were \$35,790,998; including \$20,980,746 for direct instruction.

The following events took place during fiscal 2017:

- 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 2016-17, the District continued its program of roof repairs, boiler replacements and equipment updates. At the High School, the Varsity Tennis Court project was brought to near completion and the conversion to LED lights throughout the District made a lot of progress.
- 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, 2017
(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, 2017

(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"> • Statement of Net Position. • Statement of Activities. 	<ul style="list-style-type: none"> • Balance Sheet. • Statement of Revenues, Expenditures and Changes in Fund Balance. 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position. • Statement of Changes in Fiduciary Net Position.
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, 2017
(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, 2017
(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, 2017 compared to 2016.

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

	<u>2016</u>	<u>2017</u>	<u>Percentage Change 2016-17</u>
Assets			
Current and other assets	\$ 10,466	\$ 10,566	0.96%
Capital assets	27,059	27,948	3.29%
Total assets	37,525	38,514	2.64%
Deferred Outflow of Resources			
Unamortized loss on refunding	736	468	-36.41%
Outflows related to pensions	10,754	8,265	-23.14%
Total deferred outflow of resources	11,490	8,733	-23.99%
Liabilities			
Long-term liabilities	10,591	8,492	-19.82%
Other liabilities	2,542	2,639	3.82%
Total liabilities	13,133	11,131	-15.24%
Deferred Inflow of Resources			
Deferred inflows related to pensions	4,254	4,149	-2.47%
Total deferred inflow of resources	4,254	4,149	-2.47%
Net Position			
Net Investment in capital assets	17,786	20,181	13.47%
Restricted	5,482	1,370	-75.01%
Unrestricted	8,361	10,416	19.73%
Total net position	\$ 31,629	\$ 31,967	1.07%

Note: Totals may not add due to rounding

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2017
(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>2016</u>	<u>2017</u>	<u>Percentage Change 2016-17</u>
Revenues			
Program revenues			
Charges for services	\$ 2,308	\$ 2,727	18.15%
Operating grants & contributions	2,336	2,567	9.89%
Capital grants & contributions	30	---	-100.00%
General revenues			
Property and other taxes	21,703	21,677	-0.12%
State and federal unrestricted aid	9,242	9,270	0.30%
Other	97	98	1.03%
Total Revenues	35,716	36,339	1.74%
Expenses			
Instruction	20,664	20,981	1.53%
Pupil & instructional services	3,409	3,563	4.52%
Administration, central & support services	4,378	4,300	-1.78%
Maintenance & operations	3,428	3,191	-6.91%
Transportation	1,117	1,155	3.40%
Interest on debt	448	429	-4.24%
Food service	732	857	17.08%
Community services	105	84	-20.00%
Unallocated depreciation	1,194	1,232	3.18%
Total Expenses	35,472	35,791	0.90%
Change in net position	\$ 244	\$ 548	

Note: Totals may not add due to rounding

The District relies primarily on property taxes and state and federal unrestricted aid to fund governmental activities.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2017
(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
	2016	2017	2016-17	2016	2017	2016-17
Expenses						
Instruction	20,664	20,981	1.53%	17,127	16,852	-1.61%
Pupil & Instructional Services	3,409	3,563	4.52%	3,281	3,455	5.30%
Admin, Central & Support Serv.	4,378	4,300	-1.78%	4,378	4,300	-1.78%
Maintenance & Operations	3,428	3,191	-6.91%	3,343	3,099	-7.30%
Transportation	1,117	1,155	3.40%	1,080	1,115	3.24%
Interest on Debt	448	429	-4.24%	448	429	-4.24%
Food Service	732	857	17.08%	(120)	(31)	-74.17%
Community Services	105	84	-20.00%	66	48	-27.27%
Unallocated Depreciation	1,194	1,232	3.18%	1,194	1,232	3.18%
	<u>35,472</u>	<u>35,791</u>	0.90%	<u>30,799</u>	<u>30,498</u>	-0.98%

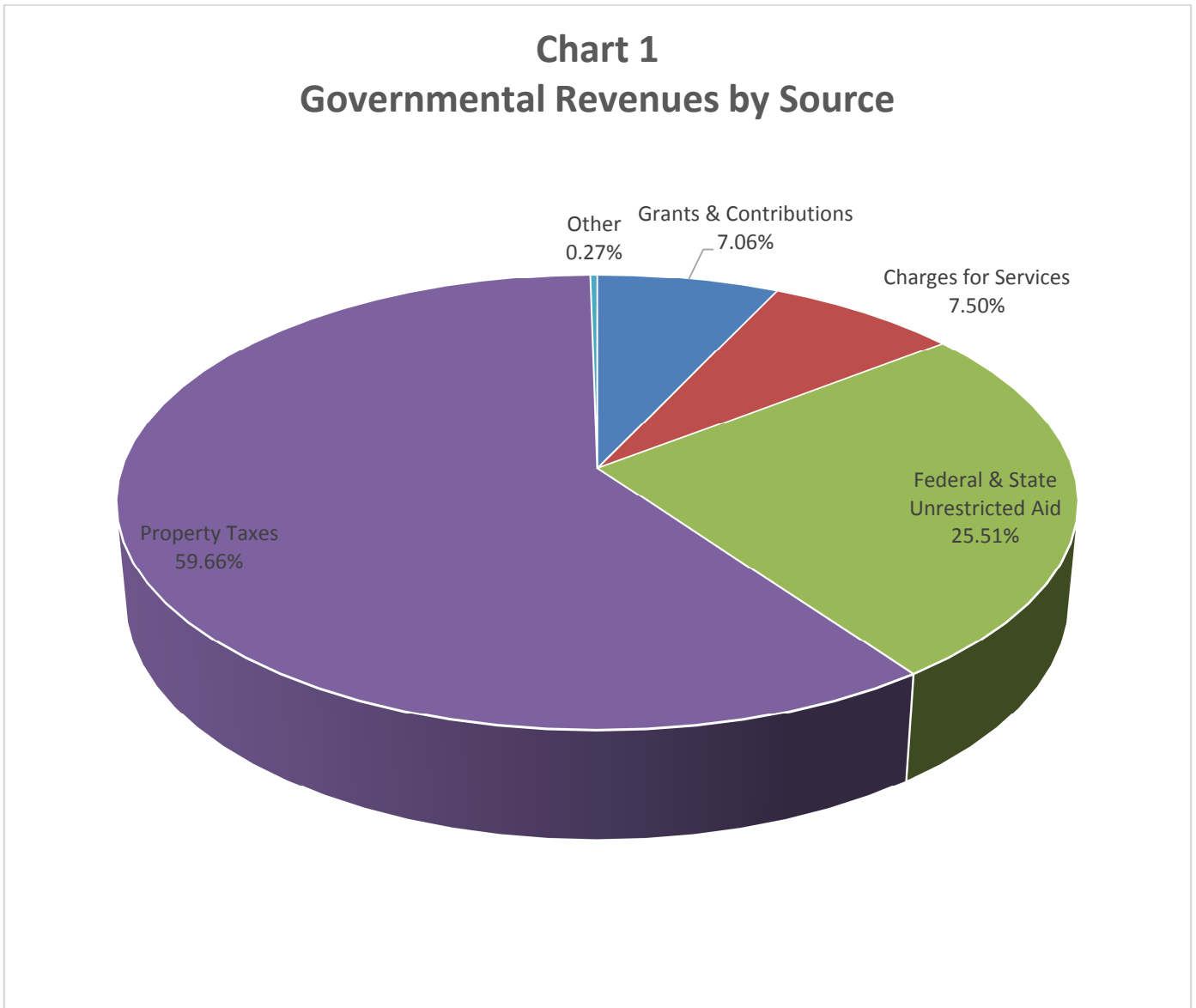
Note: totals may not add due to rounding.

The cost of all governmental activities in 2016-17 was \$35,790,998. Individuals who directly participated or benefited from a program offering paid for \$2,726,698 of costs. Federal and state governments and other organizations subsidized certain programs with grants and contributions of \$2,566,629. The net cost of governmental activities \$30,497,671 was financed by general revenues of the District (\$21,677,368 property and other taxes, \$9,270,201 federal and state unrestricted aid and \$98,032 other).

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2017
(Continued)

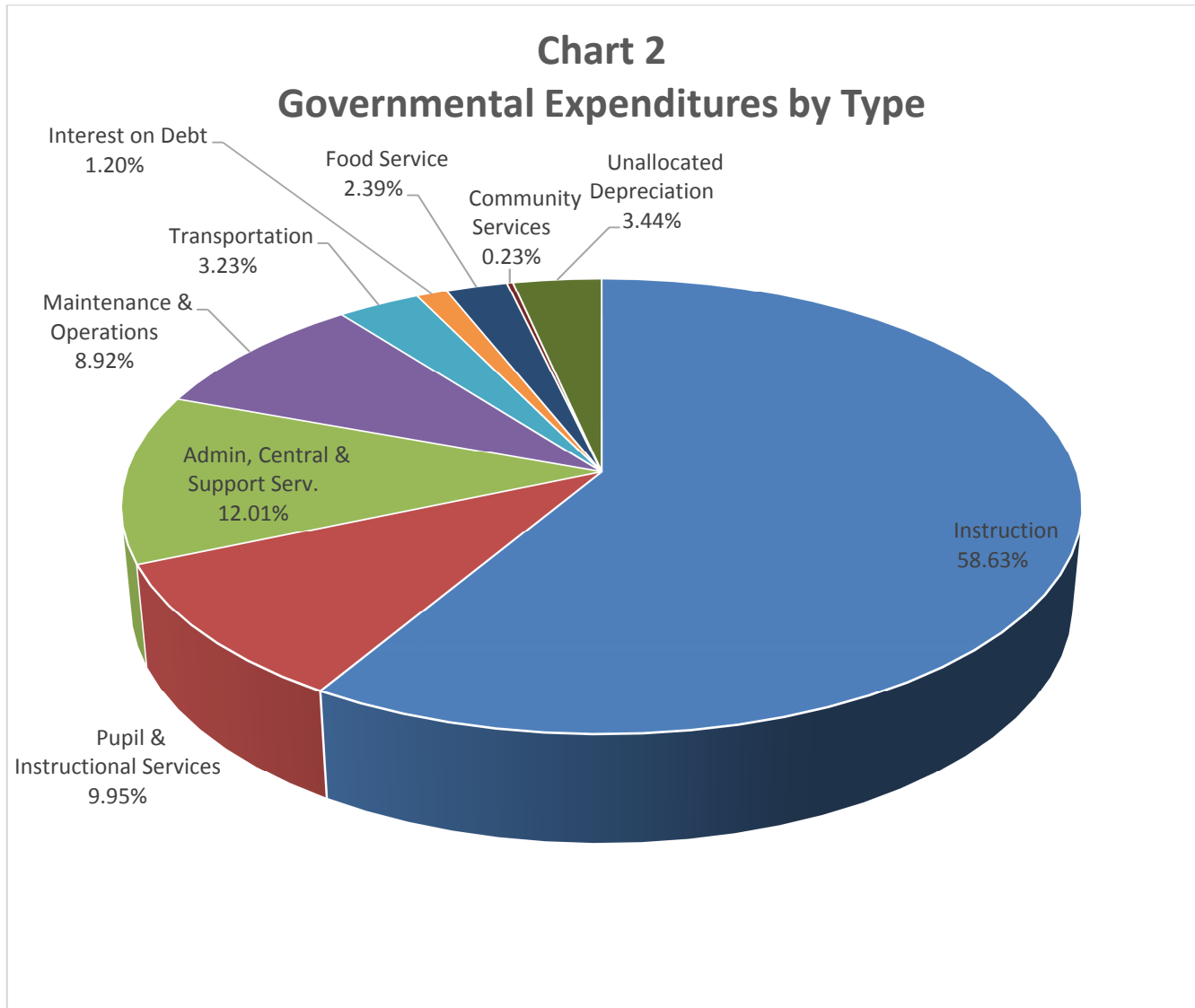
The composition of governmental revenues by source is illustrated below in Chart 1.



CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2017
(Continued)

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



CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2017
(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District prepares a preliminary budget in June for the subsequent year (beginning July 1st), 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 \$9,767,713 down from last year's ending fund balance of \$9,959,896.

- The general fund had a decrease in fund balance of \$585,427. This decrease in fund balance is due mainly to the Board approved capital projects that occurred in during the year.
- The debt service fund had an increase of \$293,308. 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 \$31,489.
- The community service fund had a \$22,356 increase in its fund balance.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Management Discussion & Analysis
June 30, 2017
(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the District had invested \$53,449,067 in capital assets, including buildings; sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$25,500,915. Asset acquisitions for governmental activities totaled \$2,231,948. The District recognized depreciation expense of \$1,231,610. (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>2016</u>	<u>2017</u>	<u>Percentage Change 2016-17</u>
Land	\$ 340	\$ 340	0.00%
Construction in Progress	---	440	100.00%
Building & Improvements	46,565	47,885	2.83%
Furniture & Equipment	4,611	4,784	3.75%
Accumulated depreciation	(24,457)	(25,501)	4.27%
Net Capital Assets	<u>\$ 27,059</u>	<u>\$ 27,948</u>	3.29%

Long-term Debt

At year-end the District had \$8,235,000 in bonds payable outstanding – a decrease of \$1,775,000 from fiscal 2016. This decrease resulted from repayments of principal. The District also had a \$779 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>2016</u>	<u>2017</u>	<u>Percentage Change 2016-17</u>
General obligation bonds and notes	\$ 10,010	\$ 8,235	-17.73%
Compensated absences	3	1	-66.67%
Net long-term obligations	<u>\$ 10,013</u>	<u>\$ 8,236</u>	-17.75%

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, 2017
(Continued)

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Membership decreased by 30 FTEs in 2017-18 while the student headcount increase by three students. Open enrollment in numbers increased by five students and out numbers decreased by 16 students leading to a net gain of 21 students for the open enrollment program.
- The District was 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 2018. A wellness assessment program started in the fall of 2016 in an effort to help maintain low renewal rates in the future.
- A large LED light project started 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 \$400,000 of its general fund balance in 2017-18 to replace the waterline system at Westlawn Elementary School.
- 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, 2017

	Governmental Activities
Assets:	
Current assets:	
Cash and equivalents	\$ 3,352,554
Investments	2,026,632
Taxes receivable	4,514,997
Accounts receivable	63,827
Due from other governments	307,904
Prepaid expense	299,837
Total current assets	10,565,751
 Capital assets:	
Nondepreciable	779,512
Depreciable, net of accumulated depreciation	27,168,640
Total capital assets	27,948,152
Total assets	38,513,903
 Deferred Outflow of Resources:	
Deferred outflows related to pensions - WRS	8,231,362
Deferred outflows related to supplemental pensions	33,667
Unamortized loss on refunding	467,859
Total deferred outflow of resources	8,732,888
 Liabilities:	
Current liabilities:	
Accounts payable	312,117
Withholdings and related fringes payable	471,140
Accrued interest	45,801
Due to Agency fund	1,088
Unearned revenues	13,693
Current portion of long-term debt	1,795,000
Total current liabilities	2,638,839
 Noncurrent liabilities:	
Long-term obligations	6,440,779
Net pension liability - WRS	1,004,358
Accrued liability for other post-employment benefits	533,461
Accrued liability for supplemental pensions	513,098
Total noncurrent liabilities	8,491,696
Total liabilities	11,130,535
 Deferred Inflow of Resources:	
Deferred inflows related to pensions - WRS	4,148,891
 Net Position:	
Net investment in capital assets	20,181,011
Restricted for:	
Debt service	676,087
Capital projects	100
Food service	565,203
Other activities	128,486
Unrestricted	10,416,478
Total net position	\$ 31,967,365

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, 2017

	Program Revenues			Net
	Expenses	Charges for	Operating	(Expenses)
		Services	Grants and	Revenues and
			Contributions	Changes in
				Net Position
Governmental activities:				
Instruction:				
Regular instruction	\$ 15,033,004	\$ 1,778,112	\$ 470,573	\$ (12,784,319)
Special education instruction	3,737,574	---	1,791,693	(1,945,881)
Vocational instruction	868,215	---	---	(868,215)
Other instruction	1,341,953	87,991	---	(1,253,962)
Total instruction	20,980,746	1,866,103	2,262,266	(16,852,377)
Support services:				
Pupil services	1,570,557	---	---	(1,570,557)
Instructional staff services	1,992,036	---	107,802	(1,884,234)
Administration services	2,923,134	---	---	(2,923,134)
Operation and maintenance of plant	3,191,285	92,781	---	(3,098,504)
Pupil transportation	1,155,089	---	40,520	(1,114,569)
Central services	950,866	---	---	(950,866)
Other support services	426,092	---	---	(426,092)
Community services	83,976	36,397	---	(47,579)
Food service	856,517	731,417	156,041	30,941
Interest on debt	429,090	---	---	(429,090)
Unallocated depreciation	1,231,610	---	---	(1,231,610)
Total support services	14,810,252	860,595	304,363	(13,645,294)
Total school district	\$ 35,790,998	\$ 2,726,698	\$ 2,566,629	(30,497,671)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				19,388,020
Property taxes, levied for debt service				2,222,748
Property taxes, levied for specific purposes				66,600
Federal and state aid not restricted to specific purposes:				
General				8,518,702
Other				751,499
Interest and investment earnings				15,604
Loss on asset retirement				(60,566)
Special Item: Insurance claim proceeds				10,535
Miscellaneous				132,459
				<u>132,459</u>
Changes in net position				547,930
Net position - beginning of year				31,628,935
Adjustment due to correction of error				209,089
Adjustment due to change in accounting principle				(418,589)
Net position - beginning of year as adjusted				31,419,435
Net position - end of year				\$ 31,967,365

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

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Balance Sheet
Governmental Funds
 June 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and equivalents	\$ 1,922,379	\$ ---	\$ 1,430,175	\$ 3,352,554
Investments	2,024,388	100	2,144	2,026,632
Taxes receivable	4,514,997	---	---	4,514,997
Accounts receivable	6,838	---	56,989	63,827
Due from other funds	215,000	---	---	215,000
Due from other governments	305,696	---	2,208	307,904
Prepaid expense	294,723	---	5,114	299,837
Total assets	\$ 9,284,021	\$ 100	\$ 1,496,630	\$ 10,780,751
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 267,540	\$ ---	\$ 44,577	\$ 312,117
Withholdings and related fringes payable	470,686	---	454	471,140
Due to other funds	---	215,000	---	215,000
Due to agency fund	1,088	---	---	1,088
Unearned revenues	12,447	---	1,246	13,693
Total liabilities	751,761	215,000	46,277	1,013,038
Fund Balances:				
Nonspendable	294,723	---	5,114	299,837
Restricted	---	100	1,364,662	1,364,762
Committed	20,000	---	---	20,000
Assigned	197,452	---	80,577	278,029
Unassigned	8,020,085	(215,000)	---	7,805,085
Total fund balances	8,532,260	(214,900)	1,450,353	9,767,713
Total liabilities and fund balances	\$ 9,284,021	\$ 100	\$ 1,496,630	\$ 10,780,751

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, 2017

Total fund balances - governmental funds \$ 9,767,713

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	\$ 53,449,067	
Accumulated depreciation	<u>(25,500,915)</u>	27,948,152

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. (1,004,358)

The District's total supplemental pension liability is recorded as a liability on the statement of net position, but is not reported in the governmental funds (513,098)

The District has cumulatively made less than the required annual contribution to fund their post-employment benefit liability resulting in a liability. This is reported as a liability on the statement of net position, but is not reported in the governmental funds. (533,461)

Deferred outflows and inflows of resources related to pensions and supplemental pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 4,116,138

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	8,235,000	
Unamortized loss on refunding	(467,859)	
Compensated absences	<u>779</u>	(7,767,920)

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. (45,801)

Total net position - governmental activities \$ 31,967,365

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, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local	\$ 20,012,132	\$ ---	\$ 3,177,302	\$ 23,189,434
Interdistrict payments within Wisconsin	1,365,661	---	---	1,365,661
Intermediate sources	20,241	---	---	20,241
State	10,613,452	---	6,924	10,620,376
Federal	915,839	---	148,728	1,064,567
Other	128,680	---	---	128,680
Total revenues	33,056,005	---	3,332,954	36,388,959
Expenditures:				
Instruction:				
Current	19,245,253	---	61,819	19,307,072
Interdistrict	521,334	---	---	521,334
Capital outlay	31,136	---	---	31,136
Support Services:				
Current	11,761,431	---	879,070	12,640,501
Capital outlay	2,120,413	---	67,736	2,188,149
Debt service	10,700	---	1,931,185	1,941,885
Total expenditures	33,690,267	---	2,939,810	36,630,077
Excess (deficiency) of revenues over (under) expenditures	(634,262)	---	393,144	(241,118)
Other Financing Sources (Uses):				
Operating transfers in	---	100	---	100
Operating transfers out	(100)	---	---	(100)
Proceeds from sale of equipment	38,400	---	---	38,400
Total other financing sources (uses)	38,300	100	---	38,400
Special Items:				
Insurance proceeds for building damage	10,535	---	---	10,535
Net change in fund balances	(585,427)	100	393,144	(192,183)
Fund Balances (Deficit) - Beginning of year	8,908,598	(215,000)	1,057,209	9,750,807
Prior period adjustment	209,089	---	---	209,089
Fund Balances (Deficit) - Beginning of year, as adjusted	9,117,687	(215,000)	1,057,209	9,959,896
Fund Balances (Deficit) - End of year	\$ 8,532,260	\$ (214,900)	\$ 1,450,353	\$ 9,767,713

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, 2017

Total net change in fund balances - governmental funds \$ (192,183)

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	\$ (1,231,610)	
Capital outlays	<u>2,219,285</u>	987,675

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.

Proceeds on sale of capital assets	(38,400)	
Loss on asset disposal	<u>(60,566)</u>	(98,966)

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		1,775,000
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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.

(249,231)

In the statement of activities supplemental pensions and related deferred outflows 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.

(8,661)

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	1,149,054	
Cost of benefits earned net of employee contributions	<u>(2,554,281)</u>	(1,405,227)

Amortization reduces the balance of the unamortized loss on refunding. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.

(268,316)

In the statement of activities compensated absences 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.

1,728

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.

6,111

Change in net position of governmental activities		<u><u>\$ 547,930</u></u>
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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, 2017

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>	<u>Agency Fund</u>
Assets:			
Cash and equivalents	\$ 35,764	\$ 622,363	\$ 307,020
Investments	---	---	1,463
Due from other funds	---	---	1,088
Total assets	<u>35,764</u>	<u>622,363</u>	<u>309,571</u>
Liabilities:			
Due to student groups	---	---	309,571
Total liabilities	<u>---</u>	<u>---</u>	<u>309,571</u>
Net Position:			
Restricted	35,764	622,363	---
Total net position	<u>\$ 35,764</u>	<u>\$ 622,363</u>	<u>\$ ---</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2017

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>
Additions:		
Interest	\$ 30	\$ 541
Gifts	38,923	---
Contributions to employee benefit trust	---	761,696
Total additions	<u>38,953</u>	<u>762,237</u>
Deductions:		
Trust fund disbursements	29,450	680,810
Total deductions	<u>29,450</u>	<u>680,810</u>
Change in net position	9,503	81,427
Net position - June 30, 2016	<u>26,261</u>	<u>540,936</u>
Net position - June 30, 2017	<u>\$ 35,764</u>	<u>\$ 622,363</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, 2017

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 non-exchange 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, 2017
(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, 2017
(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's investments are stated at fair value, except for highly liquid market investments with maturities of one year or less at the time of purchase, which are stated at amortized cost. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The District generally holds all investments until maturity or until market values equal or exceed cost.

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.

G. Receivables

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.

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

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.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Interfund Transactions (Continued)

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2017 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
Long-term capital improvements	Capital Projects	General	\$ <u>100</u>
Due to/from:			
Operations	Agency Fund	General	\$ 1,088
Funding of projects	General	Capital Projects	<u>215,000</u>
			<u>\$ 216,088</u>

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:

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

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

J. Deferred Outflows and Inflows of Resources

Under GASB, in addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows and inflows of resources. The 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. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. 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 30th and have not yet been earned by the recipient.

L. 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.

M. 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.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

1. Summary of Significant Accounting Policies (Continued)

N. 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, 2017, there is one employee who 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.

O. 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.

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.

Q. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 6, 2017). There were no subsequent events that required recognition or disclosure except for the information in Note 3 regarding short-term borrowing, Note 5 regarding long-term debt, Note 11 regarding exercising energy exemption revenue limit increase, Note 13 regarding payment on contingent liability and construction commitments and Note 14 regarding a vehicle lease.

R. Adoption of New Accounting Guidance

The District implemented GASB Statement 73, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* and GASB Statement 74, *Financial Reporting for Post-Employment Benefits other than Pension Plans*. See footnote 8 and 10 for additional information.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

2. Cash and Equivalents and Investments

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

	Custodial Balance	Carrying Amount	Risks
Cash and equivalents:			
Demand deposits	\$ 5,431,340	\$ 3,793,397	Custodial
Money market	522,954	522,954	Custodial
Petty cash	---	1,350	
Investment:			
State of Wisconsin Local Government Investment Pool	2,020,488	2,020,488	Custodial
Wisconsin Investment Series Coop	7,607	7,607	Interest rate, credit and custodial
Total cash and investments	\$ 7,982,389	\$ 6,345,796	

Reconciliation to Financial Statements:

Per statement of net position:

Cash and equivalents	\$ 3,352,554
Investments	2,026,632

Per statement of fiduciary net position:

Cash and equivalents	965,147
Investments	1,463
Total cash and investments	\$ 6,345,796

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits in each bank and the Wisconsin Local Government Investment Pool ("LGIP") are also insured by the State Deposit Guarantee Fund ("SDGF") 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 \$6,345,796 at June 30, 2017 and the bank's carrying value was \$7,982,389, of which \$1,050,000 was fully insured, \$5,304,294 was collateralized by pledged securities and \$1,628,095 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, 2017
(Continued)

2. Cash and Equivalents 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 an AAA rating as of June 30, 2017.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the SIF and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total on one day's notice. The LGIP does not include any involuntary participants.

A separate financial report for SIF is prepared in accordance with GASB. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>.

The District has investments in WISC consisting of the Investment Series Fund (IS). The IS are pooled funds investing in U.S. government obligations, agencies and commercial paper. The IS requires a 14-day minimum investment period and one business day withdrawal notice. The average weighted maturity of the investments in WISC ranges from 234 to 293 days. 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. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.

WISC and LGIP are exempt from fair value disclosure due to investments being valued at amortized cost.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

2. Cash and Equivalents and Investments (Continued)

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.

3. Short-Term Notes Payable

Short-term notes payable at June 30, 2017 are as follows:

Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
\$ ---	\$ 1,800,000	\$ 1,800,000	\$ ---

The note was dated November 10, 2016 due March 30, 2017, with an interest rate of 1.25%. Interest for the year ended June 30, 2017 was \$8,750. The note was for general district operation. Subsequent to year end, the board approved entering into a new note in the amount of \$2,200,000, with an interest rate of 1.50%.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Sites	\$ 339,600	\$ ---	\$ ---	339,600
Construction in progress	12,663	439,912	12,663	439,912
Capital assets being depreciated:				
Buildings and improvements	46,552,893	1,475,187	142,770	47,885,310
Equipment	4,611,328	316,849	143,932	4,784,245
Total capital assets being depreciated	51,164,221	1,792,036	286,702	52,669,555
Less accumulated depreciation	24,457,041	1,231,610	187,736	25,500,915
Total capital assets being depreciated, net of accumulated depreciation	26,707,180	560,426	98,966	27,168,640
Capital assets, net of accumulated depreciation	\$ 27,059,443	\$ 1,000,338	\$ 111,629	\$ 27,948,152

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>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts due</u> <u>within</u> <u>one year</u>
G.O. Bonds	\$ 10,010,000	\$ ---	\$ 1,775,000	\$ 8,235,000	\$ 1,795,000
Compensated absences	2,507	---	1,728	779	---
Total	\$ 10,012,507	\$ ---	\$ 1,776,728	\$ 8,235,779	\$ 1,795,000

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2017 on long-term liabilities was \$155,735 and \$149,624, 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, 2017 is comprised of the following individual issues:

<u>Description</u>	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates (%)</u>	<u>Dates of</u> <u>Maturity</u>	<u>Balance</u> <u>June 30, 2017</u>
\$13,860,000 G.O. refunding bond	12/4/12	0.35 – 2.85%	9/1/25	\$ <u>8,235,000</u>

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

5. Long-Term Liabilities (Continued)

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,272,421,547. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,272,421,547)	\$ 227,242,155
Deduct long-term debt applicable to debt margin	8,235,000
Margin of indebtedness	\$ 219,007,155

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2017 follow:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 1,795,000	\$ 214,853	\$ 2,009,853
2019	1,815,000	237,168	2,052,168
2020	1,845,000	210,850	2,055,850
2021	1,880,000	178,562	2,058,562
2022	990,000	140,963	1,130,963
2023-2027	4,875,000	345,872	5,220,872
Totals	\$ 13,200,000	\$ 1,328,268	\$ 14,528,268

Subsequent to year-end, the District authorized the issuance and sale of a \$4,965,000 G.O. promissory note for the purpose of funding its energy efficiency HVAC and boiler project. The \$4,965,000 note matures March 1, 2027 and bears interest rates ranging from 2.0 – 3.0%. The cash flow requirements for this new debt are included in the table above.

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, 2017 is \$15,780,000.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

6. Fund Balances

As of June 30, 2017, 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	\$ 294,723	\$ ---	\$ ---	\$ ---
Strategic wellness program	---	---	20,000	---
LED light project	---	---	---	197,452
Special revenue trust	---	128,486	---	---
Food service:				
Prepaid expense	5,114	---	---	---
Food service program	---	560,089	---	---
Debt service	---	676,087	---	---
Long-term capital projects	---	100	---	---
Community service	---	---	---	80,577
Total	<u>\$ 299,837</u>	<u>\$ 1,364,762</u>	<u>\$ 20,000</u>	<u>\$ 278,029</u>

The capital projects fund had a deficit unassigned fund balance at June 30, 2017 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.

Benefits Provided

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

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

7. Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

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

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

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 calendar years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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
2016	0.5	(5)

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as for 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 2016), the WRS recognized \$1,149,054 in contributions from the employer.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

7. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

Contribution rates as of June 30, 2017 are:

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

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

At June 30, 2017, the District reported a liability of \$1,004,358 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.1219%, which was a decrease of 0.0022% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,554,281.

At June 30, 2017, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 382,962	\$ 3,158,620
Changes of actuarial assumptions	1,050,095	---
Net difference between projected and actual earnings on pension plan investments	5,989,648	990,271
Changes in proportion and differences between employer contributions and proportionate share of contributions	88,755	---
Employer contributions subsequent to the measurement date	719,902	---
Total	\$ 8,231,362	\$ 4,148,891

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

7. Defined Benefit Pension Plan (Continued)

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

The amount of \$719,902 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, 2018. 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>	Deferred Outflows of Resources	Deferred Inflow of Resources
2018	\$ 2,614,996	\$ 1,256,003
2019	2,614,996	1,256,003
2020	2,186,617	1,256,003
2021	92,580	380,882
2022	2,271	---

Actuarial Assumptions

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

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

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

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, 2017
(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 as of December 31, 2016 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation	Destination Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Global Equities	50.0%	45.0%	8.3%	5.4%
Fixed Income	24.5	37.0	4.2	1.4
Inflation Sensitive Assets	15.5	20.0	4.3	1.5
Real Estate	8.0	7.0	6.5	3.6
Private Equity/Debt	8.0	7.0	9.4	6.5
Multi-Asset	4.0	4.0	6.6	3.7
Total Core Fund	110.0	120.0	7.4	4.5
Variable Fund Asset Class				
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 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
District's proportionate share of the net pension (asset) liability	\$ 13,212,976	\$ 1,004,358	\$ (8,396,830)

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(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

Payables to the pension plan at June 30, 2017 were \$452,114. This represents contributions earned as of June 30, 2017, but for which payment was not remitted to the pension plan until subsequent to year-end.

8. Supplemental Pension Plan

Description of Plan and Plan Benefits

The District administers a single-employer defined benefit supplemental pension plan to eligible teachers. Eligible retirees shall receive a retirement stipend in the amount of \$1,000 for each year of full-time service capped at the amount earned as of June 30, 2011. This total amount is divided into six equal payments and contributed to the retiree's WEA TSA over a three-year period. Teachers hired after October 1, 2011 are not eligible for this benefit. Contribution requirements are established through personnel policy guidelines and may be amended by action of the governing board.

Employees participating in the supplemental pension plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Retirees currently receiving benefit payments	16
Active employees fully eligible but not yet receiving benefit payments	12
Active employees not fully eligible	<u>102</u>
Number of participating employees	<u><u>130</u></u>

Benefit Payments

For fiscal year 2017, the District paid \$33,667 for supplemental pensions as benefits came due.

Total Supplemental Pension Liability

The District recognizes its *total supplemental pension liability*, rather than a *net supplemental pension liability*. In order for the District to recognize a *net supplemental pension liability*, assets must be accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

No assets are accumulated in a trust that meets all of the above criteria because the District's contributions are not irrevocable. Accordingly, the District's total supplemental pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total supplemental pension liability.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

8. Supplemental Pension Plan (Continued)

Total Supplemental Pension Liability (Continued)

The District's total supplemental pension liability was determined by an actuarial valuation as of July 1, 2015 using a measurement date of June 30, 2016. Changes in the District's total supplemental pension liability were as follows:

Balance 6/30/16 - measurement date 6/30/15	\$	590,355
Changes for the year:		
Service cost		26,021
Interest on the total pension liability		16,307
Benefit payments		(119,585)
Net decrease in total pension liability		(77,257)
Balance 6/30/17 - measurement date 6/30/16	\$	513,098

Actuarial Assumptions

Actuarial assumptions used to determine the total supplemental pension liability in the July 1, 2015 valuation are approximately the same as those used in the December 31, 2014 Wisconsin Retirement System (WRS) annual report. Key assumptions, applied to all periods included in the measurement, are as follows:

Valuation date	July 1, 2015
Measurement date	June 30, 2016
Reporting Date	June 30, 2017
Actuarial cost method	Entry age normal – level % of salary
Amortization method	6 year open level dollar and level percent
Remaining amortization period	6 years
Asset valuation method	Market value
Actuarial assumptions:	
Interest rate *	4.00%
Salary increases	3.00% inflation plus merit component based on service ranging from 5.80% at year 1 of service to 0.20% at year thirty of service

* Implicit in this rate is an assumed rate of inflation of 3.00%

Discount Rate. A discount rate of 3.0% was applied in the measurement of the total supplemental pension liability. The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve as of the week of the measurement date.

The following presents the total supplemental pension liability calculated using the discount rate of 3.0%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1% lower (2.0%) or 1% higher (4.0%) than the current rate:

	1% Decrease to Discount Rate (2.00%)	Current Discount Rate (3.00%)	1% Increase To Discount Rate (4.00%)
Total supplemental pension liability	\$ 534,593	\$ 513,098	% 491,722

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

8. Supplemental Pension Plan (Continued)

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

For the year ended June 30, 2017, the District recognized pension expense of \$42,328. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to the supplemental pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ <u>33,667</u>	\$ <u>---</u>

That amount of \$33,667 reported as deferred outflows related to the stipend resulting from employer benefit payments subsequent to the measurement date will be recognized as a reduction of the stipend liability in the year ended June 30, 2018.

9. Cedarburg School District Post-Employment Benefits Plan

Description of Plan and Plan Benefits

The District's Other Post-Employment Benefit Plan ("Plan") provides other post-employment benefits ("OPEB") for teachers. The Plan is a single-employer defined benefit OPEB plan administered by the District.

Plan benefits by position are as follows:

- Superintendent: If at least age 55 with a minimum of 7 years of service in the District at the time of retirement, the District shall contributed 87.4% of the medical and dental premiums and 95% of the vision premiums on behalf of the retiree. The District's contributions shall continue in this manner until such time that the retiree reaches Medicare-eligibility.
- Administrators: If at least age 55 with a minimum of 7 years of service in the District at the time of retirement, the District shall contributed 87.4% of the medical and dental premiums (95% if retired prior to 7/1/12) and 95% of the vision premiums on behalf of full-time retirees. These benefits are prorated for those with less than full-time equivalency. The District's contributions shall continue in this manner until such time that the retiree reaches Medicare-eligibility or obtains coverage from another employer; whichever should occur first.
- Teachers:
 - Retired prior to 7/1/11: Continued medical and dental insurance subsidized by the District (amount frozen at time of retirement) until Medicare eligibility or obtains coverage from another employer, whichever occurs first.
 - Retired between 7/1/11 and 6/30/13: Continued medical and dental insurance subsidized by the District - amount frozen at time of retirement and the retiree must contribute at least the premium share contribution in effect at retirement for a maximum of eight years, until Medicare eligibility or obtains coverage from another employer, whichever occurs first.
 - Retired after 7/1/13: The District will contribute towards the retiree's medical and dental insurance at the rate frozen in effect at the time of retirement and the retiree must contribute at least the premium share contribution in effect at retirement for a maximum of six years, until Medicare eligibility or obtains coverage from another employer, whichever occurs first.
- Survivor Benefit: With regard to benefits listed above, in the event of the retiree's death prior to the exhaustion of the benefit, the District will continue its contributions, in the same manner, to the surviving spouse for any remaining durations. However, said payments shall terminate earlier in the event that the spouse obtains insurance coverage from another employer or becomes Medicare eligible.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

9. Cedarburg School District Post-Employment Benefits Plan (Continued)

Covered Employees

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

Inactive plan members currently receiving benefit payments	52
Inactive plan members entitled to but not yet receiving benefit payments	---
Active plan members	157
Total plan members	209

Contributions and Payments

Premiums under the Plan for post-employment healthcare benefits are funded by retirees desiring such coverage via co-pays paid to the District in accordance with rates established by the District and by the District itself from assets accumulated in the trust and appropriate governmental funds. For the year ended June 30, 2017, Plan members receiving benefits contributed \$46,845 and the District contributed \$714,851 to the Plan.

For fiscal year 2017, the District paid \$507,415 to eligible retirees. In addition, the District had an implicit rate subsidy that it “funded” for fiscal year 2017 in the amount of \$173,395.

Annual OPEB Costs and Recognized Obligation

The District’s annual other post-employment benefit (OPEB) is 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. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

Annual required contribution (ARC)	\$ 968,363
Interest on net OPEB obligation	14,211
Adjustment to ARC	(18,492)
Annual OPEB cost	964,082
Contributions made	(714,851)
Change in net OPEB obligation	249,231
Net OPEB obligation (asset) – beginning of year	284,230
Net OPEB obligation – end of year	\$ 533,461

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	\$ 1,280,691	98%	\$ 239,588
2016	964,754	95%	284,230
2017	964,082	74%	533,461

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

9. Cedarburg School District Post-Employment Benefits Plan (Continued)

Funding Status

A schedule of funding progress as of the most recent actuarial valuation (July 1, 2015) 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	\$ 446,288	\$ 8,109,754	\$ 7,663,466	5.5%	\$ 18,149,084	42.2%

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.

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 year open level dollar
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
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, 2017
(Continued)

10. OPEB Benefit Plan

GASB 74 requires the following disclosures related to the District's OPEB plan. The components of the District's net OPEB liability at June 30, 2017 (measured as of June 30, 2016), were as follows:

Total OPEB liability	\$	9,018,846
Plan fiduciary net position		<u>540,936</u>
District's net OPEB liability		<u><u>8,477,910</u></u>
Plan fiduciary net position as a percentage of total OPEB liability		<u>6.00</u> %

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2015 (rolled forward to measurement date June 30, 2016), using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Amortization method	30 year open level dollar
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
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%	

Single Discount rate. Since the District's assets are held entirely as cash, a single discount rate of 3.00 percent was used to measure the total OPEB liability. The discount rate was based upon the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve as of the week of the measurement date.

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate. The following presents the District's net OPEB liability, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current discount rate:

	1% Decrease to Discount Rate (2.00%)	Current Discount Rate (3.00%)	1% Increase To Discount Rate (4.00%)
Net OPEB liability	\$ <u>9,025,048</u>	\$ <u>8,477,910</u>	\$ <u>7,950,891</u>

Sensitivity of the District's Net OPEB Liability to Changes in Healthcare Cost Trend Rates. The following presents the District's net OPEB liability, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease To Healthcare Cost Trend (6.5% Decreasing To 4.0%)	Current Healthcare Cost Trend (7.5% Decreasing To 5.0%)	1% Increase To Healthcare Cost Trend (8.5% Decreasing to 6.0%)
Net OPEB liability	\$ <u>7,623,247</u>	\$ <u>8,477,910</u>	\$ <u>9,477,231</u>

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

10. Net OPEB Liability of the District (Continued)

Rate of Return. The annual money-weighted rate of return on plan investments (demand deposits), net of plan investment expense was 0.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the change amounts actually invested.

11. 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

Subsequent to year-end the District adopted a resolution to increase the revenue limit to repay the \$4,965,000 GO promissory note disclosed in Note 5. The note was obtained to finance an energy efficiency HVAC and boiler project.

12. 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.

13. 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, 2017, 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, 2017 are eligible to receive a bonus if they return to the District the following school year. In September 2017 the District paid out \$410,029 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, 2017, the District began a waterline project. The project is being completed in-house and is estimated to cost \$400,000. At June 30, 2017 the District has paid \$94,049 on this project.

During the year ending June 30, 2017, the District began a LED light conversion project. The project is being completed in-house and will take several years and is estimated to cost \$1.2 million. At June 30, 2017 the District has paid \$346,388 on this project.

Subsequent to year-end, the District entered into a contract for an energy efficiency HVAC and boiler project in the amount of \$4,965,000.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

14. Operating Leases

The District leases multiple copiers. Payments on these leases for the year ended June 30, 2017 totaled \$103,963. Future minimum payments under these leases are as follows:

<u>Year Ended June 30,</u>		
2018	\$	86,872
2019		70,770
2020		<u>18,435</u>
Total	\$	<u><u>176,077</u></u>

Subsequent to year-end the District began leasing a passenger van. Future payments under this lease are as follows:

<u>Year Ended June 30,</u>		
2018	\$	4,829
2019		5,268
2020		5,268
2021		5,268
2022		<u>439</u>
Total	\$	<u><u>21,072</u></u>

15. Effect of New Accounting Standards on Financial Statements

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

- Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*
- Statement No. 81, *Irrevocable Split Interest Agreements*
- Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73*
- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*

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

16. 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 its net unfunded OPEB liability on its 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 June 30, 2016 (the most recent measurement date) the net OPEB liability, was \$8,477,910.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Financial Statements
June 30, 2017
(Continued)

17. Prior Period Adjustments

Change in Accounting Principle

As the result of implementing GASB Statement No. 73, the District has restated the beginning net position in the government-wide statement of net position, effectively decreasing net position as of July 1, 2016 by \$418,589. The decrease results from recording the July 1, 2016 balance of the District's total supplemental pension liability and the related deferred outflows.

Correction of Error

During the year-ended June 30, 2017, it was determined that the District expensed September 2016 teacher insurance premiums during the year-ended June 30, 2016. As of June 30, 2016 teachers had earned insurance premiums only through August 2016 and therefore, September 2016 premiums should not have been expensed during the year-ended June 30, 2016. This correction resulted in an increase in net position in the government-wide statement of net position and in the fund balance in the statement of revenues, expenditures and changes in fund balances for the governmental funds of \$209,089.

REQUIRED SUPPLEMENTARY INFORMATION

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Local	\$ 19,934,170	\$ 19,929,305	\$ 20,012,132	\$ 82,827
Interdistrict payments within Wisconsin	1,388,101	1,387,512	1,365,661	(21,851)
Intermediate sources	12,880	13,898	13,536	(362)
State	9,557,786	9,548,018	9,541,250	(6,768)
Federal	186,289	247,033	215,484	(31,549)
Other	45,000	45,000	128,550	83,550
Total revenues	<u>31,124,226</u>	<u>31,170,766</u>	<u>31,276,613</u>	105,847
Expenditures:				
Instruction:				
Current	15,979,504	15,953,152	15,889,422	63,730
Interdistrict	487,531	487,531	485,421	2,110
Capital outlay	12,260	12,260	31,136	(18,876)
Support Services:				
Current	10,591,216	10,626,656	10,679,123	(52,467)
Capital outlay	2,062,469	2,074,400	2,120,413	(46,013)
Debt service	17,000	17,000	10,700	6,300
Total expenditures	<u>29,149,980</u>	<u>29,170,999</u>	<u>29,216,215</u>	(45,216)
Excess of revenues over expenditures	<u>1,974,246</u>	<u>1,999,767</u>	<u>2,060,398</u>	60,631
Other Financing Sources (Uses):				
Operating transfers out	(3,011,583)	(3,000,554)	(2,694,760)	305,794
Proceeds from sale of equipment	---	---	38,400	38,400
Total other financing sources (uses)	<u>(3,011,583)</u>	<u>(3,000,554)</u>	<u>(2,656,360)</u>	344,194
Special Items:				
Insurance proceeds for building damage	---	---	10,535	10,535
Net change in fund balances	(1,037,337)	(1,000,787)	(585,427)	415,360
Fund Balances - Beginning of year	8,908,598	8,908,598	8,908,598	---
Prior period adjustment	209,089	209,089	209,089	---
Fund Balances - Beginning of year, as adjusted	<u>9,117,687</u>	<u>9,117,687</u>	<u>9,117,687</u>	---
Fund Balances - End of year	<u>\$ 8,080,350</u>	<u>\$ 8,116,900</u>	<u>\$ 8,532,260</u>	<u>\$ 415,360</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, 2017

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intermediate sources	\$ ---	\$ ---	\$ 6,705	\$ 6,705
State	1,067,910	1,067,910	1,072,202	4,292
Federal	585,236	669,695	700,355	30,660
Other	---	---	130	130
Total revenues	<u>1,653,146</u>	<u>1,737,605</u>	<u>1,779,392</u>	<u>41,787</u>
Expenditures:				
Instruction:				
Current	3,541,497	3,590,671	3,355,831	234,840
Interdistrict	36,540	55,780	35,913	19,867
Support Services:				
Current	1,086,692	1,091,709	1,082,308	9,401
Total expenditures	<u>4,664,729</u>	<u>4,738,160</u>	<u>4,474,052</u>	<u>264,108</u>
Deficiency of revenues under expenditures	<u>(3,011,583)</u>	<u>(3,000,555)</u>	<u>(2,694,660)</u>	<u>305,895</u>
Other Financing Sources:				
Operating transfers in	<u>3,011,583</u>	<u>3,000,555</u>	<u>2,694,660</u>	<u>(305,895)</u>
Total other financing sources	<u>3,011,583</u>	<u>3,000,555</u>	<u>2,694,660</u>	<u>(305,895)</u>
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances - End of year	<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, 2017

Wisconsin Retirement System
Last 10 Fiscal Years*

WRS Fiscal Year End Date	Proportion of the Net Pension Asset (Liability)	Proportionate Share of the Net Pension Asset (Liability)	Covered Payroll	Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Asset (Liability)
12/31/14	0.1258%	\$ 3,089,553	\$ 17,081,788	18.09%	102.74%
12/31/15	0.1241%	(2,017,114)	17,227,425	11.71%	98.20%
12/31/16	0.1219%	(1,004,358)	17,409,909	5.77%	99.12%

*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, 2017

Wisconsin Retirement System
Last 10 Fiscal Years*

WRS Fiscal Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered- Employee Payroll
12/31/14	\$ 1,209,267	\$ 1,209,267	\$ ---	\$ 17,081,788	7.08%
12/31/15	1,175,291	1,175,291	---	17,227,425	6.82%
12/31/16	1,149,054	1,149,054	---	17,409,909	6.60%

*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.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Schedule of Changes in Net OPEB Liability and Related Ratios
Year Ended June 30, 2017
Last 10 Fiscal Years*

	2017
Total OPEB Liability	
Service Cost	\$ 586,692
Interest	266,169
Change of benefit terms	---
Differences between expected and actual experiences	---
Changes of assumptions or other input	---
Benefit payments	(825,907)
Net change in total OPEB liability	26,954
Total OPEB liability - beginning	8,991,892
Total OPEB liability - ending (a)	\$ 9,018,846
Fiduciary Net Position	
Contributions - employer	\$ 920,112
Net investment income	443
Benefit payments	(825,907)
Administrative expenses	---
Net change in fiduciary net position	94,648
Fiduciary net position - beginning	446,288
Fiduciary net position - ending (b)	\$ 540,936
Net OPEB liability - ending (a) - (b)	\$ 8,477,910
Fiduciary net position as a percentage of the total OPEB liability	6.00%
Covered-employee payroll	\$ 10,455,926
Net OPEB liability as a percentage of covered-employee payroll	81.08%

*The amounts presented for each fiscal year were determined as of the measurement date of June 30, 2016.

*GASB Pronouncement 74 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 Investment Returns
Year Ended June 30, 2017
Last 10 Fiscal Years*

Annual money-weighted rate of return on demand deposits, net of investment expenses 0.10%

*GASB Pronouncement 74 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 - OPEB
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Valuation of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%

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 - OPEB
Year Ended June 30, 2017

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed
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%
2017	968,363	714,851	73.8%

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

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Schedule of Changes in Total Supplemental Pension Liability and Related Ratios

Year Ended June 30, 2017

Last 10 Fiscal Years*

	<u>2017</u>
Total Pension Liability	
Service Cost	\$ 26,021
Interest	16,307
Change of benefit terms	---
Differences between expected and actual experiences	---
Changes of assumptions or other input	---
Benefit payments	<u>(119,585)</u>
Net change in total pension liability	<u>(77,257)</u>
Total pension liability - beginning	<u>590,355</u>
Total pension liability - ending	<u>\$ 513,098</u>
Covered payroll	\$ 7,329,397
Total pension liability and a percentage of covered payroll	7.00%

*The amounts presented for each fiscal year were determined as the measurement date of June 30, 2016.

*GASB Pronouncement 73 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

Notes to Required Supplementary Information
June 30, 2017

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 accounting principles generally accepted in the United States of America (“GAAP”). 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>
Revenues		
Actual amounts (budgetary basis)	\$ 31,276,613	\$ 1,779,392
Reclassification of special education	1,779,392	(1,779,392)
Total revenues (GAAP)	33,056,005	---
Expenditures		
Actual amounts (budgetary basis)	29,216,215	4,474,052
Reclassification of special education	4,474,052	(4,474,052)
Total expenditures (GAAP)	33,690,267	---
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	2,060,398	(2,694,660)
Reclassification of special education	(2,694,660)	2,694,660
Excess of revenues over (under) expenditures (GAAP)	(634,262)	---
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(2,656,360)	2,694,660
Reclassification of special education	2,694,660	(2,694,660)
Total other financing sources (uses) (GAAP)	38,300	---
Special Items		
Actual amounts (budgetary basis)	10,535	---
Net Change in Fund Balance		
Actual amounts (budgetary basis and GAAP)	(585,427)	---
Fund Balance – Beginning of year		
Actual amounts (budgetary basis and GAAP)	8,908,598	---
Prior Period Adjustment		
Actual amounts (budgetary basis and GAAP)	209,089	---
Fund Balance – Beginning of year, as adjusted		
Actual amounts (budgetary basis and GAAP)	9,117,687	---
Fund Balance – End of year		
Actual amounts (budgetary basis and GAAP)	\$ 8,532,260	\$ ---

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Required Supplementary Information
June 30, 2017
(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, 2017:

<u>General:</u>	
Undifferentiated curriculum	\$ 147,839
Physical curriculum	3,895
Co-curricular activities	27,217
Pupil services	24,655
Business administration	356,211
Other non-program transactions	25,477
<u>Special education:</u>	
Pupil services	7,645

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. There were no changes in the assumptions.

Note D – Supplemental Pension Plan Information

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 73, paragraph 4:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

There were no changes to the supplemental pension plan that significantly affect trends in amounts reported.

Methods and assumptions used in calculating actuarially determined contributions include:

Valuation date	July 1, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal – level % of salary
Amortization method	6 year open level dollar and level percent
Remaining amortization period	6 years
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	3.00% (based upon all projected payments discounted at a 20-year AA municipal bond rate)
Salary increases	3.00% inflation plus merit component based on service ranging from 5.80% at year 1 of service to 0.20% at year thirty of service

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Notes to Required Supplementary Information
June 30, 2017
(Continued)

Note E – Other Post-Employment Benefit Plan Information

There were no changes to the other post-employment benefit plan that significantly affect trends in amounts reported.

Methods and assumptions used in calculating net OPEB liability include:

Valuation date	July 1, 2015
Measurement date	June 30, 2016
Investment rate of return*	5.00%
Projected payroll increases	3.00% inflation plus merit component based on service ranging from 5.80% at year 1 of service to 0.20% at year thirty of service
Medical care trend*	7.5% decreasing by 0.5% per year down to 6.5%, then by 0.1% 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%

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2017

	Special Revenue <u>Trust</u>	Debt <u>Service</u>	Food <u>Service</u>	Community <u>Service</u>	<u>Total</u>
Assets:					
Cash and equivalents	\$ 121,167	\$ 673,943	\$ 546,318	\$ 88,747	\$ 1,430,175
Investments	---	2,144	---	---	2,144
Accounts receivable	9,500	---	47,489	---	56,989
Due from other governments	---	---	2,208	---	2,208
Prepaid expense	---	---	5,114	---	5,114
Total assets	\$ 130,667	\$ 676,087	\$ 601,129	\$ 88,747	\$ 1,496,630
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 2,181	\$ ---	\$ 35,926	\$ 6,470	\$ 44,577
Withholdings and related fringes payable	---	---	---	454	454
Unearned revenues	---	---	---	1,246	1,246
Total liabilities	2,181	---	35,926	8,170	46,277
Fund Balances:					
Nonspendable	---	---	5,114	---	5,114
Restricted	128,486	676,087	560,089	---	1,364,662
Assigned	---	---	---	80,577	80,577
Total fund balances	128,486	676,087	565,203	80,577	1,450,353
 Total liabilities and fund balances	 \$ 130,667	 \$ 676,087	 \$ 601,129	 \$ 88,747	 \$ 1,496,630

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, 2017

	Special Revenue <u>Trust</u>	Debt <u>Service</u>	Food <u>Service</u>	Community <u>Service</u>	<u>Total</u>
Revenues:					
Local	\$ 117,338	\$ 2,224,493	\$ 732,354	\$ 103,117	\$ 3,177,302
State	---	---	6,924	---	6,924
Federal	---	---	148,728	---	148,728
Total revenues	<u>117,338</u>	<u>2,224,493</u>	<u>888,006</u>	<u>103,117</u>	<u>3,332,954</u>
Expenditures:					
Instruction:					
Current	61,819	---	---	---	61,819
Support Services:					
Current	9,528	---	788,781	80,761	879,070
Capital outlay	---	---	67,736	---	67,736
Debt service	---	1,931,185	---	---	1,931,185
Total expenditures	<u>71,347</u>	<u>1,931,185</u>	<u>856,517</u>	<u>80,761</u>	<u>2,939,810</u>
Excess of revenues over expenditures	<u>45,991</u>	<u>293,308</u>	<u>31,489</u>	<u>22,356</u>	<u>393,144</u>
Net change in fund balances	45,991	293,308	31,489	22,356	393,144
Fund Balances - Beginning of year	<u>82,495</u>	<u>382,779</u>	<u>533,714</u>	<u>58,221</u>	<u>1,057,209</u>
Fund Balances - End of year	<u>\$ 128,486</u>	<u>\$ 676,087</u>	<u>\$ 565,203</u>	<u>\$ 80,577</u>	<u>\$ 1,450,353</u>

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Agency Fund - Schedule of Changes in Assets and Liabilities

June 30, 2017

	<u>Balance</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u>
	<u>June 30, 2016</u>						<u>6/30/17</u>
Assets:							
Cash and equivalents	\$ 290,742	\$	716,721	\$	700,443	\$	307,020
Investments	1,455		8		---		1,463
Due from other funds	---		1,088		---		1,088
Total assets	<u>\$ 292,197</u>	<u>\$</u>	<u>717,817</u>	<u>\$</u>	<u>700,443</u>	<u>\$</u>	<u>309,571</u>
 Liabilities:							
Due to student groups:							
Cedarburg High School	\$ 217,610	\$	610,075	\$	588,830	\$	238,855
Webster Middle School	73,403		107,742		110,429		70,716
Due to other funds	1,184		---		1,184		---
Total liabilities	<u>\$ 292,197</u>	<u>\$</u>	<u>717,817</u>	<u>\$</u>	<u>700,443</u>	<u>\$</u>	<u>309,571</u>

See Independent Auditors' Report.

CEDARBURG SCHOOL DISTRICT

Cedarburg, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2017

Awarding Agency	State	Pass-Through	Accrued or		State	Accrued or		
Pass-Through Agency	I.D.	Entity Identifying	(Unearned)	Revenue at	Disbursements/	(Unearned)	Revenue at	Subrecipient
Award Description	Number	Number	7/1/16	Receipts	Expenditures	6/30/17	Awards	
Wisconsin Department of Public Instruction								
Special education and school-age parents **	255.101	451015-100	\$ ---	\$ 1,055,548	\$ 1,055,548	\$ ---	\$ ---	
Passed through CESA 1:								
Transit special ed, school-age parents	255.101	749901-100	146	5,158	6,705	1,693		
State school lunch	255.102	451015-107	---	6,924	6,924	---		
Common school fund library aid	255.103	451015-104	---	107,802	107,802	---		
Pupil transportation	255.107	451015-102	---	40,520	40,520	---		
Equalization aids	255.201	451015-116	154,041	9,376,234	9,367,526	145,333		
High cost special education	255.210	451015-119	---	16,309	16,309	---		
Four year old kindergarten grants	255.360	451015-153	---	87,807	87,807	---		
Educator effectiveness grant	255.940	451015-154	---	18,320	18,320	---		
Per pupil aid	255.945	451015-113	427,950	1,145,450	717,500	---		
Career and technical education incentive grant	255.950	451015-151	---	12,174	12,174	---		
Assessments of reading readiness	955.956	451015-166	---	4,426	4,426	---		
Aid for special ed transition grant BBL	255.960	451015-168	---	345	345	---		
Passed through Hamilton School District:								
Peer review and mentoring	255.301	672420-141	12,500	12,500	11,911	11,911		
Total Wisconsin Department of Public Instruction			594,637	11,889,517	11,453,817	158,937		
Wisconsin Department of Workforce Development								
Passed through Port Washington-Sauville School District:								
Youth Apprenticeship Grant	445.112	Not available	---	---	1,445	1,445		
Total state assistance			\$ 594,637	\$ 11,889,517	\$ 11,455,262	\$ 160,382	\$ ---	

** total DPI aidable expenditures for the year ended June 30, 2017 were \$3,990,057.

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, 2017

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Pass-Through Entity Identifying Number	Accrued or (Unearned) Revenue at 7/1/16	Receipts	Federal Disbursements/ Expenditures	Accrued or (Unearned) Revenue at 6/30/17	Subrecipient Awards
U.S. Department of Agriculture							
Passed through Wisconsin Department of Public Instruction:							
<i>Child Nutrition Cluster:</i>							
Donated Commodities - noncash	10.555	N/A	\$ ---	\$ 39,885	\$ 39,885	\$ ---	\$ ---
Food Service Aid - Lunch	10.555	2017-451015-NSL-547	3,583	110,218	108,843	2,208	---
<i>Total Child Nutrition Cluster</i>			<u>3,583</u>	<u>150,103</u>	<u>148,728</u>	<u>2,208</u>	<u>---</u>
Total U.S. Department of Agriculture			3,583	150,103	148,728	2,208	---
U.S. Department of Education							
Passed through Wisconsin Department of Public Instruction:							
Title I-A Basic	84.010	17-451015-Title I-141	47,368	120,968	84,309	10,709	---
Title II-A Teacher Principal Training	84.367	17-451015-Title II-365	8,405	45,532	47,215	10,088	---
<i>Special Education Cluster:</i>							
IDEA Preschool Entitlement	84.173	17-451015-Pre-S-347	3,994	10,989	11,552	4,557	---
High Cost Special Education	84.027	2017-451015-IDEA-341	---	4,687	4,687	---	---
IDEA Flow Through	84.027	2017-451015-IDEA-341	66,568	570,817	557,562	53,313	---
<i>Total Special Education Cluster</i>			<u>70,562</u>	<u>586,493</u>	<u>573,801</u>	<u>57,870</u>	<u>---</u>
Passed through CESA #1:							
Title III Immigrant Children and Youth	84.365	17-749901-Immigrant-371	867	4,858	3,991	---	---
Carl Perkins	84.048	2017-749901-CP-CTE-400	429	9,974	9,545	---	---
Total U.S. Department of Education			<u>127,631</u>	<u>767,825</u>	<u>718,861</u>	<u>78,667</u>	<u>---</u>
U.S. Department of Health and Human Services							
Passed through Wisconsin Department of Health Services:							
<i>Medicaid Cluster:</i>							
Medical Assistance program	93.778	44217900	25,192	203,083	210,514	32,623	---
Total Awards			<u>\$ 156,406</u>	<u>\$ 1,121,011</u>	<u>\$ 1,078,103</u>	<u>\$ 113,498</u>	<u>\$ ---</u>

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, 2017

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, 2017. 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 to 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, 2017.

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, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

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

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.

November 6, 2017
Milwaukee, Wisconsin

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, 2017. 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, 2017.

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.

November 6, 2017
Milwaukee, Wisconsin

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Schedule of Prior Audit Findings
Year Ended June 30, 2017

There were no prior audit findings.

CEDARBURG SCHOOL DISTRICT
Cedarburg, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

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, 2017
(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
255.360	Four Year Old Kindergarten Grants
255.945	Per Pupil Aid

14. Dollar threshold used to distinguish between type A and type B programs \$250,000

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, 2017
(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: No

Department of Public Instruction

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

November 6, 2017