

# **School District of Fall Creek**

Fall Creek, Wisconsin

## **Financial Statements With Supplementary Financial Information**

Year Ended June 30, 2016

# School District of Fall Creek

## Financial Statements With Supplementary Financial Information

Year Ended June 30, 2016

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# School District of Fall Creek

## Financial Statements With Supplementary Financial Information

Year Ended June 30, 2016

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## Independent Auditor's Report

Board of Education  
School District of Fall Creek  
Fall Creek, Wisconsin

### Report on the Financial Statements

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

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

## ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States require that the budgetary comparison schedule – general fund and related notes, the schedules of the employer’s proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedule of changes in the employer’s net pension liability (asset) and related ratios – District pension plan, schedule of employer contributions – District pension plan, schedule of investment returns – District pension plan, and the schedules of funding progress and employer contributions – OPEB on pages 52 through 62 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### ***Supplementary 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 fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, and are also not a required part of the financial statements. The fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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. In our opinion, the fiduciary fund – schedule of changes in assets and liabilities (student organizations' agency fund) and the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of the School District of Fall Creek's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Wipfli LLP

December 13, 2016  
Eau Claire, Wisconsin

# Government-Wide Financial Statements

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# School District of Fall Creek

## Statement of Net Position

June 30, 2016

<i>Assets and Deferred Outflows of Resources</i>	<b>Governmental Activities</b>
Current assets:	
Cash and investments	\$ 802,552
Receivables:	
Taxes	929,299
Accounts	35
Due from other governments	458,551
Prepaid expenses	314
<hr/>	
Total current assets	2,190,751
<hr/>	
Noncurrent assets:	
Net OPEB asset	276,219
Net pension asset - District pension plan	340,347
Capital assets:	
Land	297,500
Land improvements	755,005
Buildings and building improvements	12,642,701
Furniture and equipment	3,164,400
Less - Accumulated depreciation	(7,871,479)
<hr/>	
Total capital assets	8,988,127
<hr/>	
Total noncurrent assets	9,604,693
<hr/>	
Total assets	11,795,444
<hr/>	
Deferred outflows of resources:	
Related to District pension	46,282
Related to Wisconsin Retirement System pension	2,711,208
<hr/>	
Total deferred outflows of resources	2,757,490
<hr/>	
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 14,552,934</b>

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	<b>Governmental Activities</b>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 415,849
Accrued liabilities:	
Payroll, payroll taxes, insurance	264,636
Interest	42,464
Due to other governments	34,814
Current portion of long-term obligations	375,000
Total current liabilities	1,132,763
Noncurrent liabilities:	
Bonds payable	4,245,000
Net pension liability - Wisconsin Retirement System	510,445
Accrued compensated absences	135,188
Total noncurrent liabilities	4,890,633
Total liabilities	6,023,396
Deferred inflows of resources:	
Related to Wisconsin Retirement System pension	1,079,174
Net position:	
Net investment in capital assets	4,628,127
Restricted for:	
Debt service	113,816
Unrestricted	2,708,421
Total net position	7,450,364
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 14,552,934</b>

See accompanying notes to financial statements.

# School District of Fall Creek

## Statement of Activities

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,038,526	\$ 732,734	\$ 192,336	\$ (3,113,456)
Vocational instruction	346,754	-	-	(346,754)
Special education instruction	701,480	103,308	298,363	(299,809)
Other instruction	490,585	42,131	-	(448,454)
<b>Total instruction</b>	<b>5,577,345</b>	<b>878,173</b>	<b>490,699</b>	<b>(4,208,473)</b>
Support services:				
Pupil services	275,869	-	-	(275,869)
Instructional staff services	372,698	80,844	92,401	(199,453)
General administration services	351,524	-	-	(351,524)
Building administration services	533,068	-	-	(533,068)
Business services	201,791	-	-	(201,791)
Operations and maintenance	840,813	-	-	(840,813)
Pupil transportation services	399,358	-	27,273	(372,085)
Food service	370,380	198,951	143,601	(27,828)
Central services	345,624	-	-	(345,624)
Insurance	129,222	-	-	(129,222)
Community service	169	445	-	276
Interest	132,443	-	-	(132,443)
Other support services	405,304	-	-	(405,304)
Unallocated depreciation, excluding direct	308,020	-	-	(308,020)
<b>Total support services</b>	<b>4,666,283</b>	<b>280,240</b>	<b>263,275</b>	<b>(4,122,768)</b>
<b>Total governmental activities</b>	<b>10,243,628</b>	<b>1,158,413</b>	<b>753,974</b>	<b>(8,331,241)</b>
Total governmental activities (carried forward)	\$ 10,243,628	\$ 1,158,413	\$ 753,974	(8,331,241)

# School District of Fall Creek

## Statement of Activities (Continued)

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total Governmental Activities
Total governmental activities (brought forward)				\$ (8,331,241)
General revenues:				
Property taxes:				
General purposes				2,470,694
Debt service				473,882
State and federal aids not restricted to specific functions:				
General				5,575,935
Interest and investment earnings				2,673
Miscellaneous				93,556
Total general revenues				8,616,740
Change in net position				285,499
Net position - Beginning of year				7,164,865
Net position - End of year				\$ 7,450,364

# Fund Financial Statements

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# School District of Fall Creek

## Governmental Funds – Balance Sheet

June 30, 2016

<i>Assets</i>	General Fund	Other Package/Coop Programs	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	\$ 550,800	\$ -	\$ 251,752	\$ 802,552
Receivables:				
Taxes	929,299	-	-	929,299
Accounts	35	-	-	35
Due from other governments	346,076	109,516	2,959	458,551
Due from other funds	107,279	-	1,293	108,572
Prepaid expenses	314	-	-	314
<b>TOTAL ASSETS</b>	<b>\$ 1,933,803</b>	<b>\$ 109,516</b>	<b>\$ 256,004</b>	<b>\$ 2,299,323</b>
<i>Liabilities and Fund Balances</i>				
Liabilities:				
Accounts payable	\$ 129,424	\$ -	\$ -	\$ 129,424
Accrued liabilities:				
Payroll, payroll taxes, insurance	257,459	441	6,736	264,636
Due to other governments	-	34,814	-	34,814
Due to other funds	319,364	74,261	1,372	394,997
<b>Total liabilities</b>	<b>706,247</b>	<b>109,516</b>	<b>8,108</b>	<b>823,871</b>
Fund balances:				
Nonspendable:				
Prepays	314	-	-	314
Restricted:				
Donor-approved expenditures	-	-	51,386	51,386
Debt service	-	-	156,280	156,280
Capital projects	-	-	40,230	40,230
Assigned:				
Community service	7,775	-	-	7,775
Unassigned	1,219,467	-	-	1,219,467
<b>Total fund balances</b>	<b>1,227,556</b>	<b>-</b>	<b>247,896</b>	<b>1,475,452</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,933,803</b>	<b>\$ 109,516</b>	<b>\$ 256,004</b>	<b>\$ 2,299,323</b>

# School District of Fall Creek

## Governmental Funds – Balance Sheet (Continued)

June 30, 2016

Total fund balances - Governmental funds (from previous page)		\$ 1,475,452
<i>Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental fund balances because:</i>		
Contributions to an OPEB plan greater than the OPEB expense are recognized as an OPEB asset and are reported in the statement of net position.		276,219
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:		
Governmental capital assets	\$ 16,859,606	
Governmental accumulated depreciation	(7,871,479)	8,988,127
<hr/>		
The net pension asset (liability) and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position:		
Net pension asset - District pension plan	340,347	
Net pension liability - Wisconsin Retirement System	(510,445)	
Deferred inflows of resources related to pensions	(1,079,174)	
Deferred outflows of resources related to Wisconsin Retirement System pensions	2,711,208	
Deferred outflows of resources related to district pensions	46,282	1,508,218
<hr/>		
Unpaid compensated absences are a liability of the governmental funds only if the employee has resigned or retired.		(135,188)
Noncurrent liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund statements. Interest on long-term debt is not accrued in the governmental funds but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:		
General obligation debt	(4,620,000)	
Accrued interest on long-term debt	(42,464)	(4,662,464)
<hr/>		
<b>Total net position - Governmental activities</b>		<b>\$ 7,450,364</b>

# School District of Fall Creek

## Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2016

	General Fund	Other Package/Coop Programs	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local	\$ 2,564,724	\$ -	\$ 743,089	\$ 3,307,813
Interdistrict	797,190	80,844	-	878,034
Intermediate	49,066	-	-	49,066
State	5,800,234	59,814	5,749	5,865,797
Federal	267,835	-	137,852	405,687
Other	22,729	-	-	22,729
<b>Total revenues</b>	<b>9,501,778</b>	<b>140,658</b>	<b>886,690</b>	<b>10,529,126</b>
Expenditures:				
Instruction:				
Regular instruction	4,247,386	25,000	150,297	4,422,683
Vocational instruction	329,666	-	-	329,666
Special instruction	669,977	-	-	669,977
Other instruction	427,995	-	45,360	473,355
<b>Total instruction</b>	<b>5,675,024</b>	<b>25,000</b>	<b>195,657</b>	<b>5,895,681</b>
Support services:				
Pupil services	264,897	-	-	264,897
Instructional staff services	278,499	81,662	-	360,161
General administration services	332,182	6,320	-	338,502
Building administration services	513,044	875	-	513,919
Business services	198,287	890	-	199,177
Operations and maintenance	995,590	-	-	995,590
Pupil transportation	417,967	-	-	417,967
Food service	-	-	364,025	364,025
Central services	306,628	518	-	307,146
Insurance	129,222	-	-	129,222
Debt service:				
Principal	-	-	360,000	360,000
Interest	3,171	-	140,374	143,545
Debt issuance costs	-	-	726	726
Other support services	305,023	34,813	-	339,836
Community services	164	-	-	164
<b>Total support services</b>	<b>3,744,674</b>	<b>125,078</b>	<b>865,125</b>	<b>4,734,877</b>
<b>Total expenditures</b>	<b>9,419,698</b>	<b>150,078</b>	<b>1,060,782</b>	<b>10,630,558</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>82,080</b>	<b>(9,420)</b>	<b>(174,092)</b>	<b>(101,432)</b>

# School District of Fall Creek

## Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Year Ended June 30, 2016

	General Fund	Other Package/Coop Programs	Other Governmental Funds	Total Governmental Funds
Other financing sources:				
Transfers in	\$ -	\$ 9,420	\$ 41,473	\$ 50,893
Transfers out	(50,893)	-	-	(50,893)
Net other financing sources (uses)	(50,893)	9,420	41,473	-
Net change in fund balances	31,187	-	(132,619)	(101,432)
Fund balances - Beginning of year	1,196,369	-	380,515	1,576,884
Fund balances - End of year	\$ 1,227,556	\$ -	\$ 247,896	\$ 1,475,452

# School District of Fall Creek

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

Year Ended June 30, 2016

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Total net change in fund balances - Governmental funds (from previous page) \$ (101,432)

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

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

Capital outlays reported in governmental fund statements	\$ 544,544
Depreciation expense reported in the statement of activities	(555,457)

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Amount by which capital outlays are less than depreciation in the current year (10,913)

Unpaid compensated absences are a liability of the governmental funds only if the employee has resigned or retired.

Amount by which the liability for compensated absences changed in the current year 1,245

Postemployment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Change in OPEB asset	(65,467)
Change in net pension asset - District pension plan	426,266
Change in net pension asset (liability) - WRS	(1,286,644)
Change in deferred outflows of resources related to WRS pensions	2,038,077
Change in deferred outflows of resources related to district pensions	25,168
Change in deferred inflows of resources related to pensions	(1,076,736)

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Amounts paid are greater than amounts earned 60,664

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year 360,000

# School District of Fall Creek

## Governmental Funds –Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (Continued)

Year Ended June 30, 2016

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The District disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss. There is no effect on the governmental funds balance sheet.

The value of capital assets disposed of during the year	\$ (413,903)
The amount of depreciation recapture for the year	378,011

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The difference in the value of assets, net of recaptured depreciation, creates a loss of: \$ (35,892)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

The net effect of these differences in the current year	7,500
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In governmental funds, interest payments on long-term debt are reported as an expenditure when due. In the statement of activities, interest is reported as incurred.

The amount of interest paid during the current year	140,373
The amount of interest accrued during the current year	(136,046)

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Interest paid is greater than interest accrued 4,327

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**Change in net position - Governmental activities** **\$ 285,499**

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# School District of Fall Creek

## Fiduciary Funds – Statement of Net Position

June 30, 2016

	Employee Benefit Trust-OPEB	Employee Benefit Trust-Pension	Agency Fund
<b>Assets:</b>			
Cash and investments	\$ 212,199	\$ 965,891	\$ 36,380
Due from other funds	-	320,726	-
<b>Total assets</b>	<b>\$ 212,199</b>	<b>\$ 1,286,617</b>	<b>\$ 36,380</b>
<b>Liabilities:</b>			
Due to other funds	\$ 34,301	\$ -	\$ -
Due to elementary school organizations	-	-	6,646
Due to middle school organizations	-	-	3,825
Due to high school organizations	-	-	25,909
<b>Total liabilities</b>	<b>34,301</b>	<b>-</b>	<b>\$ 36,380</b>
<b>Net position:</b>			
Held in trust for other postemployment benefits	177,898	1,286,617	
<b>Total net position</b>	<b>177,898</b>	<b>1,286,617</b>	
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 212,199</b>	<b>\$ 1,286,617</b>	

# School District of Fall Creek

## Fiduciary Funds – Statement of Changes in Net Position

Year Ended June 30, 2016

	Employee Benefit Trust-OPEB	Employee Benefit Trust-Pension
Additions:		
Employer contributions	\$ 105,600	\$ 479,513
Retiree contributions	1,203	-
Interest	3,217	18,230
<b>Total additions</b>	<b>110,020</b>	<b>497,743</b>
Deductions:		
Postemployment benefits	105,600	194,291
<b>Total deductions</b>	<b>105,600</b>	<b>194,291</b>
Change in net position	4,420	303,452
Net position - Beginning of year	173,478	983,165
<b>Net position - End of year</b>	<b>\$ 177,898</b>	<b>\$ 1,286,617</b>

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies**

#### Introduction

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

#### Reporting Entity

The School District of Fall Creek is organized as a common school district. The District, governed by a five-member elected school board, operates grades 4K through 12 and is comprised of all or part of seven taxing districts.

This report includes all of the funds of the School District of Fall Creek. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **New Accounting Pronouncement**

Management adopted new accounting guidance GASB Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

#### **Basis of Presentation**

##### *Government-Wide Statements:*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the statements of fiduciary net position at the fund financial statement level.

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

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

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Basis of Presentation** (Continued)

##### *Government-Wide Statements:* (Continued)

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

##### *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 other governmental funds.

The District reports the following major governmental funds:

- General Fund – This is the District's primary operating fund. It accounts for all financial activity that is not accounted for and reported in another fund, including educational programs for students with disabilities as well as programs provided to the community as a whole.
- Package and Cooperative Program Fund – Used to account for services provided on a cooperative basis with other educational agencies.

The District reports the following nonmajor governmental funds:

- Capital Projects Fund – Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund – This fund accounts for financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term general obligation debt of governmental activities, including amounts accumulated for principal and interest maturing in future years.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Basis of Presentation** (Continued)

#### *Fund Financial Statements:* (Continued)

- Food Service Fund – Used to account for financial resources that are restricted to expenditure in the District’s breakfast and lunch program.
- Donations Fund – Used to account for gifts and donations that have been restricted by private parties for specific purposes.

The District accounts for assets held as an agent for various student and parent organizations in an agency fund and resources legally held in trust for the District’s pension and other postemployment benefits in an employee benefit trust fund.

#### **Measurement Focus and Basis of Accounting**

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available (susceptible to accrual). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Measurement Focus and Basis of Accounting** (Continued)

Expenditures are recognized 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 net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

#### **Use of Estimates**

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

#### **Deposits and Investments**

The District's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less and shares in the local government investment pool.

The Debt Service and Capital Projects Funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the Trust and Agency Funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Deposits and Investments** (Continued)

State Statutes permit the District to invest available cash balances, other than debt service funds, in time deposits (maturing in not more than three years) of authorized depositories, U.S. Treasury obligations, U.S. agency issues, municipal obligations within Wisconsin, high-grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in obligations of the United States and the local government pooled investment fund administered by the State of Wisconsin Investment Board.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

Funds held in the Employee Benefit Trust Fund to provide for pension and other postemployment benefits may be invested in any kind of property or type of investment consistent with the prudent investor rule set forth in WI Stat. 881.01. This rule requires the trustee of an Employee Benefit Trust Fund to exercise reasonable care, skill, and caution when investing and managing the assets of the trust.

All investments are stated at fair market value except for investment in the local government investment pool and the AUL contract, which are valued at amortized cost.

#### **Receivables and Payables**

All accounts receivable are shown at gross amounts and, where appropriate, are reduced by an allowance for uncollectible accounts. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Prepaid Items**

Prepaid items represent payments made by the District for which benefits extend beyond June 30.

#### **Capital Assets**

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 for capitalizing capital assets.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the assets' lives is not capitalized.

Capital assets not being depreciated include land.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and District contributions to pension plans subsequent to the measurement date of the collective net pension liability (asset) for the WRS plan. In addition, the District reports a deferred outflow of resources related to the District's pension plan for the net difference between the projected and actual earnings on the pension plan's investments.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to a maximum vested amount of 110 days. Upon retirement, employees are entitled to payment of up to \$30 per day of unused sick leave if they have a minimum of 10 years of service in the District. Consistent with the compensated absences reporting standards of GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end.

Postemployment Benefits – As provided in applicable negotiated contracts and employee handbooks, certified District employees meeting a minimum age and length of service requirement may participate in the District's group health insurance and stipend program.

District Pension Plans – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District defined benefit pension plan and additions to/deductions from the District defined benefit pension plan's fiduciary net position have been determined on the same basis as they are reported by the District defined benefit pension plan. 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.

For purposes of measuring the net pension liability, 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 deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

#### **Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance:* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance:* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education – the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### **Fund Balances** (Continued)

*Assigned fund balance:* This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but the amounts are neither restricted nor committed. The Board of Education and finance manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance:* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

#### **Property Tax Levy**

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town, and village treasurers or clerks who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes.

The aggregate district tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 1      **Summary of Significant Accounting Policies** (Continued)

#### Property Tax Levy (Continued)

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

#### Subsequent Events

Subsequent events have been evaluated through December 13, 2016, which is the date the financial statements were available to be issued.

### Note 2      **Stewardship and Accountability**

#### 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.

### Note 3      **Cash and Investments**

#### Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, the District's bank balance of \$1,216,951 was not exposed to custodial credit risk.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 3 Cash and Investments (Continued)

#### Investments

**Interest Rate Risk:** The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years.

**Credit Risk:** State Statute limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ratings are not required, or available, for the Wisconsin Local Government Investment Pool (LGIP). The District has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk:** For an investment, concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District does not have an investment policy for concentration of credit risk. More than 5% of the District's investments are in annuity contracts with American United Life Insurance Company. This investment is 98.6% of the District's total investments. The investments with American United Life Insurance Company also represent 100% of the total investments reported in the Employee Benefit Trust Fund.

The District's cash and investment balances at June 30, 2016, were as follows:

	<b>Maturity</b>	<b>Fair Value</b>
Local Government Investment Pool Fund	67-day average	\$ 16,786
AUL Annuity Contract		1,178,091
Total investments		1,194,877
Net cash deposits with financial institutions carrying amount		822,145
Less - Cash and investments held by fiduciary funds		(1,214,470)
Cash and investments reported on statement of net position		\$ 802,552

# School District of Fall Creek

## Notes to Financial Statements

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### Note 3 Cash and Investments (Continued)

#### Investments (Continued)

The District is a participant in the Local Government Investment Pool (LGIP), which is authorized in Wisconsin Statutes 25.14 and 25.17 under the oversight of the State of Wisconsin Investment Board. The LGIP is not registered with the Securities Exchange Commission as an investment company. The LGIP operates and reports to participants on the amortized cost basis. LGIP pool shares are bought and redeemed at \$1 based on the amortized cost of the investments in the LGIP. The investment in the LGIP is not subject to the fair value hierarchy disclosures.

### Note 4 Short-Term Notes Payable

The District issues revenue anticipation notes in advance of tax collections and receipt of federal and state aids. These notes are necessary to allow the school to pay its operating expenditures.

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

Description	Balance 07-01-15	Issued	Redeemed	Balance 06-30-16
1.0% Revenue Anticipation Notes	\$ 700,000	\$ -	\$ 700,000	\$ -
3.0% Revenue Anticipation Notes	-	953,700	953,700	-
Total	\$ -	\$ 953,700	\$ 953,700	\$ -

Interest on short-term notes for the year totaled \$3,171.

# School District of Fall Creek

## Notes to Financial Statements

### Note 5 Interfund Balances and Activity

Interfund receivable and payable balances in the fund statements on June 30, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
General Fund	Package Cooperative Programs Fund	\$ 74,261
Food Service Fund	Employee Benefit Trust Fund - OPEB	1,293
General Fund	Employee Benefit Trust Fund - OPEB	33,008
General Fund	Capital Projects Fund	<u>10</u>
		<u>\$ 108,572</u>
Fiduciary Funds:		
Employee Benefit Trust Fund - Pension	General Fund	\$ 319,364
Employee Benefit Trust Fund - Pension	Food Service Fund	<u>1,362</u>
		<u>\$ 320,726</u>

The purpose for the interfund receivable and payable balances between the General Fund and the Package Cooperative Programs Fund is to eliminate a negative cash balance. The purpose for the interfund receivable and payable balances between the Employee Benefits Trust Fund – OPEB and the General and Food Service Funds is to transfer the remaining annual required contribution. The purpose for the interfund receivable and payable balances between the General Fund and the Capital Projects Fund is to close out the Capital Projects Fund. The purpose for the interfund receivable and payable balances between the Employee Benefit Trust Fund – Pension and the General and Food Service Funds is due to the July transfer to the trust.

In the statement of net position, amounts reporting in fund balance sheets as interfund balances have been eliminated within the governmental activities columns.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 5 Interfund Balances and Activity (Continued)

Interfund transfers at June 30, 2016, were as follows:

Transfer from:	Transfer to:			Total
	Capital Projects Fund	Food Service Fund	Other Package and Coop Program Funds	
General Fund	\$ 20,000	\$ 21,473	\$ 9,420	\$ 50,893

The purpose for the interfund transfer to the capital projects fund was to provide funding for a long-term capital improvement trust fund. The purpose for the interfund transfer to the food service fund was to eliminate negative fund balance at year-end. The purpose for the interfund transfer to the package cooperative program fund was to eliminate a deficit fund balance.

# School District of Fall Creek

## Notes to Financial Statements

### Note 6 Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 297,500	\$ -	\$ -	\$ 297,500
Total capital assets not being depreciated	297,500	-	-	297,500
Capital assets being depreciated:				
Land improvements	770,414	6,173	(21,582)	755,005
Buildings and building improvements	12,477,899	164,802	-	12,642,701
Furniture and equipment	3,183,152	373,569	(392,321)	3,164,400
Total capital assets being depreciated	16,431,465	544,544	(413,903)	16,562,106
Less accumulated depreciation for:				
Land improvements	(472,391)	(17,589)	14,648	(475,332)
Buildings and building improvements	(4,922,458)	(315,605)	-	(5,238,063)
Furniture and equipment	(2,299,184)	(222,263)	363,363	(2,158,084)
Total accumulated depreciation	(7,694,033)	(555,457)	378,011	(7,871,479)
Total capital assets being depreciated - Net of accumulated depreciation	8,737,432	(10,913)	(35,892)	8,690,627
<b>Governmental activities capital assets - Net</b>	<b>\$ 9,034,932</b>	<b>\$ (10,913)</b>	<b>\$ (35,892)</b>	<b>\$ 8,988,127</b>

# School District of Fall Creek

## Notes to Financial Statements

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### Note 6      **Capital Assets** (Continued)

Depreciation expense was charged to governmental activities as follows:

Regular instruction	\$ 24,251
Vocational instruction	3,728
Special instruction	632
Other instruction	5,501
Instructional staff services	306
General administration services	682
Building administrative services	498
Operations and maintenance of plant	46,804
Pupil transportation services	56,238
Food service	456
Central services	108,341
Depreciation not charged to a specific function	<u>308,020</u>
 Total depreciation for governmental activities	 <u><u>\$ 555,457</u></u>

# School District of Fall Creek

## Notes to Financial Statements

### Note 7 Long-Term Obligations

Long-term obligations of the District are as follows:

	Balance 07-01-15	Additions	Reductions	Balance 06-30-16	Amounts Due Within One Year
Taxable GO Refunding Bonds	\$ 335,000	\$ -	\$ 75,000	\$ 260,000	\$ 80,000
GO School Improvement Bonds	4,525,000	-	285,000	4,240,000	295,000
Premium on School Improvement Bonds	127,500	-	7,500	120,000	-
Subtotals	4,987,500	-	367,500	4,620,000	375,000
Net pension liability - Wisconsin Retirement System	-	510,445	-	510,445	-
Accrued compensated absences	136,433	37,680	38,925	135,188	-
Totals	\$ 5,123,933	\$ 548,125	\$ 406,425	\$ 5,265,633	\$ 375,000

Payments on bonds and notes are made by the Debt Service Fund. Vested employee benefits will be liquidated by several of the governmental funds.

# School District of Fall Creek

## Notes to Financial Statements

### Note 7 Long-Term Obligations (Continued)

#### General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2016, is comprised of the following individual issues:

	Governmental Activities			
	Issue Dates	Interest Rates %	Dates of Maturity	Balance 06-30-16
Taxable GO Refunding Bonds	08/01/06	5.69-5.91	03/01/19	\$ 260,000
GO School Improvement Bonds	09/10/12	2.00-3.00	03/01/32	4,240,000
<b>Total general obligation debt</b>				<b>\$ 4,500,000</b>

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$290,701,502. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes, follow:

Legal debt limit (10% of \$290,701,502)		\$ 29,070,150
Deduct:		
Long-term debt applicable to debt margin	\$ 4,500,000	
Add:		
Debt service fund assets available	156,280	4,343,720
<b>Margin of indebtedness</b>		<b>\$ 24,726,430</b>

# School District of Fall Creek

## Notes to Financial Statements

### Note 7 Long-Term Obligations (Continued)

#### General Obligation Debt (Continued)

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

#### Governmental Activities

Year ended June 30,	Principal	Interest	Totals
2017	\$ 375,000	\$ 127,391	\$ 502,391
2018	390,000	113,813	503,813
2019	410,000	99,640	509,640
2020	220,000	84,575	304,575
2021	225,000	79,625	304,625
2022-2026	1,210,000	322,389	1,532,389
2027-2031	1,370,000	163,454	1,533,454
2032	300,000	9,000	309,000
Totals	\$ 4,500,000	\$ 999,887	\$ 5,499,887

### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System

#### Plan Description

The Wisconsin Retirement System (“WRS”) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 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 online at <http://etf.wi.gov/publications/cafr.htm>.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System (Continued)

#### Vesting

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

#### Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System (Continued)

#### Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8%	3.0%
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	(2.1%)	(42.0%)
2010	(1.3%)	22.0%
2011	(1.2%)	11.0%
2012	(7.0%)	(7.0%)
2013	(9.6%)	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%

# School District of Fall Creek

## Notes to Financial Statements

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### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System (Continued)

#### Contributions

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

During the reporting period, the WRS recognized \$298,464 in contributions from the employer.

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Executives and elected officials	6.6%	6.6%
Protective with social security	6.6%	9.4%
Protective without social security	6.6%	13.2%

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

At June 30, 2016, the District reported a liability of \$510,445 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.03141238%, which was a decrease of 0.00018829% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$614,660.

# School District of Fall Creek

## Notes to Financial Statements

### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,870	\$ (1,074,223)
Changes in assumptions	357,130	-
Net differences between projected and actual earnings on pension plan investments	2,091,589	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(4,951)
Employer contributions subsequent to the measurement date	175,619	-
<b>Total</b>	<b>\$ 2,711,208</b>	<b>\$ (1,079,174)</b>

# School District of Fall Creek

## Notes to Financial Statements

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### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$175,619 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2017	\$ 397,218
2018	397,218
2019	397,218
2020	287,801
2021	(23,040)

# School District of Fall Creek

## Notes to Financial Statements

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### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions

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

Actuarial valuation date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry Age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

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

# School District of Fall Creek

## Notes to Financial Statements

### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
Core Fund		
U.S. equities	4.7%	23%
International equities	5.6%	22%
Fixed income	1.6%	37%
Inflation sensitive assets	1.4%	20%
Real estate	3.6%	7%
Private equity/debt	6.5%	7%
Multi-asset	3.8%	4%
Variable Fund		
U.S. equities	4.7%	70%
International equities	5.6%	30%

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 3.57%. 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.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 8 Employee Retirement Plan(s) – Wisconsin Retirement System (Continued)

#### Actuarial Assumptions (Continued)

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 asset calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension 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%)
WRS Employer's proportionate share of the net pension liability (asset)	\$ 3,580,272	\$ 510,445	\$ (1,887,144)

#### Pension Plan Fiduciary Net Position

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

#### Payables to the Pension Plan

At June 30, 2016, the District reported a payable of \$122,256 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

# School District of Fall Creek

## Notes to Financial Statements

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### Note 9 District Pension Plan and Benefits

The School District of Fall Creek administers a single-employer defined benefit plan that provides pension benefits to eligible retirees as established by District policy. The School District Board manages the pension plan and has appointed the District Bookkeeper as trustee and Mid America Bank as investment manager. There are 25 active plan members and 14 inactive plan members currently receiving benefits.

The School Board has the authority to establish and amend the types of benefits provided through the pension plan. The School District of Fall Creek provides an early retirement stipend to support staff with 20 consecutive years of service and who elect to retire beginning at age 62. The benefit is also available to teachers and administrators who were hired prior to July 1, 2007, who had not opted out to collect the prefunded early retirement benefit and were at least 50 years of age and employed on June 30, 2012. The stipend shall be paid monthly from the time of retirement until the recipient becomes Medicare eligible. The amount of the stipend shall be set at retirement. Support staff receives \$600 per month less elected health and/or dental premiums. At the age of 57, teachers and administrators receive a monthly stipend equal to the lesser of the health insurance premium at the time of retirement, or \$1,583, less elected health and/or dental premiums. This benefit is prorated for eligible teachers and administrators retiring between the ages of 55 and 56. There are 25 active and 14 retired employees in the plan. The School Board determines the amount contributed to the trust. Currently the contribution equals the amount needed to pay current benefits. The plan does not issue a standalone report.

The pension plan investment policies and investment disclosures are discussed in Note 1 and Note 3. For June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, as 5 percent. The money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net pension liability of the District at June 30, 2016, were as follows:

Total pension liability	\$ 946,270
Plan fiduciary net position	<u>1,286,617</u>
Net pension asset	<u>\$ (340,347)</u>

# School District of Fall Creek

## Notes to Financial Statements

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### Note 9 District Pension Plan and Benefits (Continued)

The total pension liability was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions included an inflation rate of 3 percent and project salary increases of 3 percent, average, including inflation. The investment rate of return was 5 percent, net of pension plan investment expense, including inflation. Mortality, disability, and retirement rates are from the Wisconsin Retirement System experience for public schools.

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 development 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, (see discussion of the pension plan's investment policy) are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
AUL annuity contracts	5.0%

The discount rate used to measure the total pension liability was 5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments 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.

# School District of Fall Creek

## Notes to Financial Statements

### Note 9 District Pension Plan and Benefits (Continued)

Changes in the net pension liability (asset) for the year ended June 30, 2016, are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balances at June 30, 2015</b>	\$ 1,069,084	\$ 983,165	\$ 85,919
<b>Changes for the year:</b>			
Service cost	22,322	-	22,322
Interest	49,155	-	49,155
Contributions - Employer	-	479,513	(479,513)
Net investment income		18,230	(18,230)
Benefit payments, including refunds of employee contributions	(194,291)	(194,291)	-
Net changes	(122,814)	303,452	(426,266)
<b>Balances at June 30, 2016</b>	\$ 946,270	\$ 1,286,617	\$ (340,347)

# School District of Fall Creek

## Notes to Financial Statements

### Note 9 District Pension Plan and Benefits (Continued)

The following presents the net pension asset of the District, calculated using the discount rate of 5 percent, as well as what the District's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4 percent) or 1-percentage-point higher (6 percent) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's net pension asset	\$ (317,025)	\$ (340,347)	\$ (363,315)

For the year ended June 30, 2016, the District recognized pension expense of \$28,078. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 46,282
<b>Total</b>	<b>\$ 46,282</b>

# School District of Fall Creek

## Notes to Financial Statements

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### Note 9 District Pension Plan and Benefits (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$	12,890
2018		12,890
2019		12,890
2020		7,612

At June 30, 2016, the District reported a payable of \$320,726 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

### Note 10 Other Postemployment Benefits

The District administers a single-employer defined benefit health care plan. The plan provides funds for medical benefits to eligible retirees and their families through the District's group medical insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements and individual employment contracts. The eligibility requirements are based on the retiree's position, years of service, and age at retirement. If eligible, the retiree may receive funds for medical benefits for up to 10 years or until they are eligible for Medicare. The plan does not issue a standalone report.

Membership of the plan consisted of 13 retirees receiving benefits and 109 active plan members at July 1, 2014, the date of the latest actuarial valuation.

The District's contribution is established annually based on an amount to pay current premiums and an additional amount to prefund benefits. For fiscal year 2016, the District contributed \$105,600 to the plan, including \$105,600 for current premiums and an additional \$0 to prefund benefits.

# School District of Fall Creek

## Notes to Financial Statements

### Note 10 Other Postemployment Benefits (Continued)

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed 30 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 asset:

Annual required contribution	\$ 62,531
Interest on net OPEB asset	(17,084)
Adjustment to annual required contribution	<u>125,620</u>
Annual OPEB cost	171,067
Contributions made	<u>(105,600)</u>
Decrease in net OPEB asset	65,467
Net OPEB asset - Beginning of year	<u>341,686</u>
Net OPEB asset - End of year	<u><u>\$ 276,219</u></u>

The District's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016, and the two preceding fiscal years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
6/30/2014	\$ 149,538	102%	\$ 495,741
6/30/2015	280,251	45%	341,686
6/30/2016	171,067	62%	276,219

# School District of Fall Creek

## Notes to Financial Statements

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### Note 10      **Other Postemployment Benefits** (Continued)

The funded status as of July 1, 2014, the most recent actuarial valuation date, was 53.6 percent funded. The actuarial accrued liability for benefits was \$316,593, and the actuarial value of assets was \$169,702, resulting in an unfunded actuarial accrued liability (UAAL) of \$146,891. The covered payroll (annual payroll of active employees covered by the plan) was \$4,199,103 and the ratio of the UAAL to the covered payroll was 3.5 percent.

The schedule of employer contributions on page 62 presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43.

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 health care costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used 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.

# School District of Fall Creek

## Notes to Financial Statements

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### **Note 10**      **Other Postemployment Benefits** (Continued)

In the July 1, 2014, actuarial valuation, the unprojected unit credit actuarial cost method was used. The actuarial assumptions included a 5 percent rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio, and an annual health care cost trend rate of 7.5 percent initially, reduced by decrements to a rate of 5 percent after 17 years. The actuarial value of the plan assets was \$169,702 as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the level dollar amortization method. The remaining amortization period at July 1, 2014, was three years.

### **Note 11**      **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There was no significant reduction in the District's insurance coverage in fiscal 2016.

### **Note 12**      **Jointly Governed Organization**

The District is served by Cooperative Education Service Agency No. 10 (CESA). CESA is a regional service entity organized to serve the educational needs of 29 school districts in all or parts of Barron, Buffalo, Chippewa, Clark, Dunn, Eau Claire, Jackson, Marathon, Price, Rusk, Sawyer, Taylor, and Trempealeau Counties. CESA is governed by an 11-member board of control elected from a delegate assembly, which consists of one school board member from each of the school districts in the CESA region, with special provisions made for areas served by union high/K-8 districts. Participating school districts have neither an ongoing financial interest nor responsibility. The District purchased \$83,599 of education services during the fiscal year. At June 30, 2016, due to/from other governments included \$41,655 for CESA.

## Required Supplementary Information

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# School District of Fall Creek

## Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local	\$ 2,523,029	\$ 2,563,829	\$ 2,564,029	\$ 200
Interdistrict	663,900	693,900	694,132	232
Intermediate	37,905	40,905	15,899	(25,006)
State	5,618,402	5,646,764	5,646,735	(29)
Federal	107,196	107,196	129,101	21,905
Other	16,000	19,600	22,649	3,049
<b>Total revenues</b>	<b>8,966,432</b>	<b>9,072,194</b>	<b>9,072,545</b>	<b>351</b>
Expenditures:				
Instruction:				
Regular instruction	4,260,110	4,248,100	4,247,386	714
Vocational instruction	320,777	330,000	329,666	334
Special instruction	24,221	24,221	22,510	1,711
Other instruction	430,584	430,584	427,995	2,589
<b>Total instruction</b>	<b>5,035,692</b>	<b>5,032,905</b>	<b>5,027,557</b>	<b>5,348</b>
Support services:				
Pupil services	148,621	148,621	147,530	1,091
Instructional staff services	337,075	225,000	224,258	742
General administration services	338,213	338,213	332,182	6,031
Building administration services	491,285	513,100	513,044	56
Business services	220,300	198,380	198,287	93
Operations and maintenance	944,628	995,620	995,590	30
Pupil transportation	350,974	418,000	417,929	71
Central services	270,444	307,000	306,628	372
Insurance	125,663	130,000	129,222	778
Debt service:				
Interest	5,000	5,000	3,171	1,829
Other support services	199,371	292,600	289,243	3,357
<b>Total support services</b>	<b>3,431,574</b>	<b>3,571,534</b>	<b>3,557,084</b>	<b>14,450</b>
<b>Total expenditures</b>	<b>8,467,266</b>	<b>8,604,439</b>	<b>8,584,641</b>	<b>19,798</b>

# School District of Fall Creek

## Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures: (Continued)				
Excess of revenues over expenditures	\$ 499,166	\$ 467,755	\$ 487,904	\$ 20,149
Other financing uses:				
Transfers out	(499,166)	(460,000)	(456,998)	3,002
Net other financing uses	(499,166)	(460,000)	(456,998)	3,002
Net change in fund balances	-	7,755	30,906	23,151
Fund balances - Beginning of year	1,188,875	1,188,875	1,188,875	-
Fund balances - End of year	\$ 1,188,875	\$ 1,196,630	\$ 1,219,781	\$ 23,151

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedule – General Fund.

# School District of Fall Creek

## Notes to Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2016

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### Note 1      **Budgetary Information**

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction (DPI).

The legally adopted budget and budgetary expenditure control are exercised at the two-digit subfunction level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may make alterations to the proposed budget.
- Once the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.

Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as an assigned fund balance.

# School District of Fall Creek

## Notes to Budgetary Comparison Schedule – General Fund (Continued)

Year Ended June 30, 2016

### Note 2 Budgetary Comparisons

GAAP requires a budgetary comparison for the general fund and each major special revenue fund.

Required comparisons are between the final budget and actual on a budgetary basis. The “original budget” represents the budget as approved by the school board after it sets the tax to be levied for the fiscal year. The “final budget” is the “original budget” adjusted for any budget amendments approved by the school board during the fiscal year and up to the time the financial statements are ready to be issued. The “actual on a budgetary basis” excludes the revenues, expenditures, and other financing sources/(uses) of the special education fund and community service fund, which are treated as special revenue funds for budgetary purposes. The following schedule reconciles the “budgetary basis” revenues and expenditures of the *budgetary comparison schedule – general fund* to the *governmental funds – statement of revenues, expenditures, and changes in fund balances*.

	General Fund Actual on Budgetary Basis	Special Education Fund	Community Service Fund	General Fund Actual on GAAP Basis
Revenues	\$ 9,072,545	\$ 428,788	\$ 445	\$ 9,501,778
Expenditures	(8,584,641)	(834,893)	(164)	(9,419,698)
Other financing sources (uses)	(456,998)	406,105	-	(50,893)
Net change in fund balance	\$ 30,906	\$ -	\$ 281	\$ 31,187

# School District of Fall Creek

## Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System

Year Ended June 30, 2016 (And Prior Fiscal Year)

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET)  
WISCONSIN RETIREMENT SYSTEM (WRS)  
Last Two Fiscal Years

	2016	2015
Measurement date	12/31/15	12/31/14
District's proportion of the net pension liability (asset)	0.03141238%	0.03160067%
District's proportionate share of the net pension liability (asset)	\$ 510,445	\$ (776,199)
District's covered-employee payroll during the measurement period	\$ 4,389,280	\$ 4,414,991
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.63%	(17.58%)
Plan fiduciary net position as a percentage of the total pension liability	98.20%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
WISCONSIN RETIREMENT SYSTEM (WRS)  
Last Two Fiscal Years

	2016	2015
Contractually required contribution for the fiscal period	\$ 289,357	\$ 305,990
Contributions in relation to the contractually required contribution	(289,357)	(305,990)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll for the fiscal period	\$ 4,333,506	\$ 4,448,899
Contributions as a percentage of covered-employee payroll	6.68%	6.88%

### Notes to the Schedules

*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.

# School District of Fall Creek

## Schedule of Changes in the Employer's Net Pension Liability (Asset) and Related Ratios – District Pension Plan

Year Ended June 30, 2016 (And Prior Fiscal Year)

	2016	2015
<b>Total pension liability:</b>		
Service cost	\$ 22,322	\$ 22,322
Interest	49,155	55,330
Benefit payments, including refunds of member contributions	(194,291)	(208,022)
<b>Net change in total pension liability</b>	(122,814)	(130,370)
<b>Total pension liability - Beginning</b>	1,069,084	1,199,454
<b>Total pension liability - Ending (a)</b>	\$ 946,270	\$ 1,069,084
<b>Plan fiduciary net position:</b>		
Contributions - Employer	\$ 479,513	\$ 344,311
Net investment income	18,230	18,437
Benefit payments, including refunds of employee contributions	(194,291)	(208,022)
<b>Net change in plan fiduciary net position</b>	303,452	154,726
<b>Plan fiduciary net position - Beginning</b>	983,165	828,439
<b>Plan fiduciary net position - Ending (b)</b>	\$ 1,286,617	\$ 983,165
<b>District's net pension liability (asset) - Ending (a) - (b)</b>	\$ (340,347)	\$ 85,919

# School District of Fall Creek

## Schedule of Changes in the Employer's Net Pension Liability (Asset) and Related Ratios – District Pension Plan (Continued)

Year Ended June 30, 2016 (And Prior Fiscal Year)

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	2016	2015
Plan fiduciary net position as a percentage of the total pension liability	135.97%	91.96%
Covered-employee payroll	\$896,838	\$1,116,397
District's net pension liability as a percentage of covered-employee payroll	(37.95%)	7.70%

# School District of Fall Creek

## Schedule of Employer Contributions – District Pension Plan

Year Ended June 30, 2016 (And Prior Fiscal Year)

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	2016	2015
Actuarially determined contribution	\$ 177,727	\$ 177,727
Contributions in relation to the actuarially determined contribution	479,513	344,311
<b>Contribution excess</b>	<b>\$ (301,786)</b>	<b>\$ (166,584)</b>
Covered-employee payroll	\$ 896,838	\$ 1,116,397
Contributions as a percentage of covered-employee payroll	53.47%	30.84%

# School District of Fall Creek

## Schedule of Employer Contributions – District Pension Plan (Continued)

Year Ended June 30, 2016 (And Prior Fiscal Year)

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### Notes to Schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	3-year level dollar
Remaining amortization period	3 years
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	3.00%
Investment rate of return	5%, net of pension plan investment expense

# School District of Fall Creek

## Schedule of Investment Returns – District Pension Plan

Year Ended June 30, 2016 (And Prior Fiscal Year)

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	2016	2015
Annual money-weighted rate of return, net of investment expense	1.90%	1.12%

# School District of Fall Creek

## Schedules of Funding Progress and Employer Contributions – OPEB

Year Ended June 30, 2016

### SCHEDULE OF FUNDING PROGRESS - OPEB

As of June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
07/01/10	\$ 242,414	\$ 4,590,108	\$ 4,347,694	5.3%	\$ 3,854,844	112.8%
07/01/12	102,595	434,853	332,258	23.6%	4,076,278	8.2%
07/01/14	169,702	316,593	146,891	53.6%	4,199,103	3.5%

### SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

For the Year Ended June 30, 2016

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	\$ 522,610	135.9%
2010	524,261	136.1%
2011	532,414	141.6%
2012	532,414	118.9%
2013	77,101	180.6%
2014	77,101	197.2%
2015	122,780	102.8%
2016	62,531	168.9%

Note: Data in the schedule of funding progress was taken from the report issued by the actuary for OPEB.

## Supplementary Financial Information

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# School District of Fall Creek

## Fiduciary Fund – Schedule of Changes in Assets and Liabilities (Student Organizations' Agency Fund)

Year Ended June 30, 2016

<i>Assets</i>	Balance 07/01/15	Receipts	Disbursements	Balance 06/30/16
Cash and investments	\$ 46,628	\$ 139,259	\$ 149,507	\$ 36,380
<b>TOTAL ASSETS</b>	<b>\$ 46,628</b>	<b>\$ 139,259</b>	<b>\$ 149,507</b>	<b>\$ 36,380</b>
<i>Liabilities</i>				
Due to student organizations:				
Elementary schools	\$ 10,435	\$ 17,120	\$ 20,909	\$ 6,646
Middle school	3,830	11,731	11,736	3,825
High school	31,413	110,408	115,912	25,909
Due to General Fund	950	-	950	-
<b>TOTAL LIABILITIES</b>	<b>\$ 46,628</b>	<b>\$ 139,259</b>	<b>\$ 149,507</b>	<b>\$ 36,380</b>

# School District of Fall Creek

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Wisconsin Department of Public Instruction				
Child Nutrition Cluster:				
School Breakfast July 1, 2015 - June 30, 2016	10.553	A546-00000-181729	\$ -	\$ 14,745
National School Lunch Program (Cash Assistance) July 1, 2015 - June 30, 2016	10.555	A547-00000-181729	-	102,375
Food Distribution (Noncash Assistance) July 1, 2015 - June 30, 2016	10.555	A547-00000-181729	-	20,732
TOTAL 10.555			-	123,107
TOTAL CHILD NUTRITION CLUSTER			-	137,852
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	137,852
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Wisconsin Department of Public Instruction				
Special Education Cluster:				
Special Education - Grants to States (IDEA, Part B) July 1, 2015 - June 30, 2016	84.027	A341-00000-181729	-	131,821
CESA #10 SOAR Grants July 1, 2015 - June 30, 2016	84.027	N/A	-	4,237
TOTAL 84.027			-	136,058
Special Education - Preschool Grants (IDEA Preschool) July 1, 2015 - June 30, 2016	84.173	A347-00000-181729	-	6,913
TOTAL SPECIAL EDUCATION CLUSTER			-	142,971
Title I, Part A: Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) July 1, 2015 - June 30, 2016	84.010	A141-00000-181729	-	107,196
TOTAL TITLE I, PART A			-	107,196
CESA #10 Career and Technical Education - Basic Grants to States July 1, 2015 - June 30, 2016	84.048	A400-00000-181729	-	4,334
Improving Teacher Quality State Grants July 1, 2015 - June 30, 2016	84.367	A365-00000-181729	-	21,905
TOTAL U.S. DEPARTMENT OF EDUCATION			-	276,406
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
CESA #10				
Medicaid Cluster				
Medical Assistance Program July 1, 2015 - June 30, 2016	93.778	N/A	-	38,602
TOTAL FEDERAL AWARDS			\$ -	\$ 452,860

See Independent Auditor's Report.  
See accompanying notes to the Schedules of Expenditures  
of Federal Awards and State Financial Assistance.

# School District of Fall Creek

## Schedule of State Financial Assistance

Year Ended June 30, 2016

State Grantor/Program	State I.D. Number	Pass-Through Entity Identifying Number	Amount Provided to Subrecipients	Grantor Expenditures
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>				
Entitlement Programs:				
<u>Major State Programs:</u>				
Special Education and School Age Parents Program	255.101	181729-100	\$ -	\$ 150,218
Participant in Package Program at CESA #10			-	1,893
Total Special Education and School Age Parents Program				152,111
General Equalization	255.201	181729-116		5,448,264
Total Major Programs				5,600,375
<u>Nonmajor State Programs:</u>				
State Lunch	255.102	181729-107	-	3,574
Library Aid	255.103	181729-104	-	28,253
Morning Milk	255.109	181729-109	-	1,016
High Cost Special Education Aid	255.210	181729-119	-	3,281
Peer Review and Mentoring	255.301	181729-141	-	25,000
Educator Effectiveness	255.940	181729-154	-	5,360
Pupil Transportation	255.107	181729-102	-	27,273
School Breakfast	255.344	181729-108	-	1,159
Per Pupil Aid	255.945	181729-113	-	119,250
Career and Technical Education Incentive	255.950	181729-151	-	9,914
Total Nonmajor Programs				224,080
Total Wisconsin Department of Public Instruction				5,824,455
<u>WISCONSIN DEPARTMENT OF REVENUE:</u>				
Computer Aid	835.109	N/A	-	514
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			\$ -	\$ 5,824,969

See Independent Auditor's Report.

See accompanying notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance.

# School District of Fall Creek

## Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2016

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### **Note 1           Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Fall Creek Under programs of the federal and state government for the year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of the Wisconsin Department of Public Instruction. Because the schedules present only a selected portion of the operations of the School District of Fall Creek, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the School District of Fall Creek.

### **Note 2           Summary of Significant Accounting Policies**

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustment or credits made in the normal course of business to amounts reported as expenditures in prior years.

### **Note 3           Special Education and School Age Parents Program**

2015–2016 eligible costs under the State Special Education Program are \$566,697.

## Other Reports

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## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Education  
School District of Fall Creek  
Fall Creek, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Fall Creek (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2016.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2016-002.

A significant deficiency is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2016-001.

### **Compliance and Other Matters**

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

### **Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

December 13, 2016  
Eau Claire, Wisconsin

# Wisconsin Department of Public Instruction Compliance Requirements

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## Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance

Board of Education  
School District of Fall Creek  
Fall Creek, Wisconsin

### Report on Compliance for Each Designated Major State Program

We have audited the School District of Fall Creek (the "District")'s compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2016. The District's designated major state major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and question costs.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state programs 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 state program. However, our audit does not provide a legal determination on the District's compliance.

## Opinion on Each Major State Program

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

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report is intended solely to describe the scope of our testing of internal control over compliance and the results of testing based on requirements of the Wisconsin Department of Public Instruction. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

December 13, 2016  
Eau Claire, Wisconsin

# School District of Fall Creek

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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### Section I – Summary of Auditor’s Results

#### *Financial Statements*

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	Yes
Noncompliance material to the financial statements noted?	No

#### *State Financial Assistance*

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>State of Wisconsin Single Audit Guidelines</i> ?	No

Identification of major state programs:

<b>CFDA Number</b>	<b>Name of State Program</b>
255.101	Special Education and School Age Parents
255.201	General Equalization

# School District of Fall Creek

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

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### Section II – Financial Statement Findings

#### 2016-001 Segregation of Duties

Criteria – No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition – Incompatible functions are currently being performed by the same individual.

Cause – Limited staff available and inadequate compensating controls.

Effect – Decreased likelihood that unauthorized, false, or incorrectly coded transactions will be prevented, or detected and corrected, in a timely fashion, which may result in misstated financial statements.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan – The District does not have the resources available to increase staff size and address this internal control deficiency. The Board and management are aware of the incompatible duties and will continue to provide oversight and monitor the District's operations. In addition, the Board reviews monthly cash disbursements and bank reconciliations.

# School District of Fall Creek

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

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### Section II – Financial Statement Findings (Continued)

#### 2016-002 Financial Accounting and Reporting

Criteria – The District is responsible for reporting financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP).

Condition – As part of our professional services for the year ended June 30, 2016, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – The District does not expect, nor does it require, its financial staff to have the ability to prepare GAAP financial statements.

Effect – As a result of not having an individual trained in the preparation of GAAP basis financial statements, the completeness of the financial statement disclosures and the accuracy of the financial statement presentation are negatively impacted as outside auditors do not have the same comprehensive understanding of the District as its own management.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan – The District does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor's services and review and approve the financial statements and notes.

### Section III – State Findings and Questioned Costs

None.

# School District of Fall Creek

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

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### Section IV – Other Issues

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

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

Department of Public Instruction	No
Department of Revenue	No

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

Name of Partner

  
\_\_\_\_\_  
Dan Walker

Date

\_\_\_\_\_  
December 13, 2016

# School District of Fall Creek

## Schedule of Prior Year's Findings and Questioned Costs

Year Ended June 30, 2016

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### Financial Statement Findings

2015-001 Segregation of Duties – See finding 2016-001.

2015-002 Financial Accounting and Reporting – See finding 2016-002.

### State Findings and Questioned Costs

None.