

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Chilton as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District of Chilton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Chilton as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the District has implemented Governmental Accounting Standards Board Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Wisconsin Retirement System schedules, and OPEB healthcare defined benefit plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

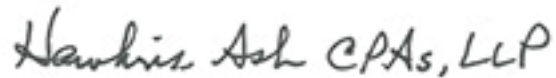
The combining and individual nonmajor fund financial statements, schedule of changes in assets and liabilities - agency funds, schedule of expenditures of federal awards, and the schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017, on our consideration of the School District of Chilton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Chilton's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

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

Manitowoc, Wisconsin
October 17, 2017

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**BASIC
FINANCIAL STATEMENTS**

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**DISTRICT-WIDE
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON
STATEMENT OF NET POSITION
JUNE 30, 2017

| | GOVERNMENTAL ACTIVITIES |
|------------------------------------------------------------------------------|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 4,986,050 |
| Receivables | |
| Accounts | 2,865 |
| Taxes | 1,553,266 |
| Due from other governments | 140,833 |
| Prepaid expenses | 116,262 |
| Unconditional promise to give | 789,961 |
| Capital assets (net of accumulated depreciation) | |
| Capital assets not being depreciated | 46,510 |
| Capital assets being depreciated | 24,839,129 |
| TOTAL ASSETS | 32,474,876 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Wisconsin Retirement System pension | 3,043,836 |
| OPEB healthcare | 72,500 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 3,116,336 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 35,591,212 |
| LIABILITIES | |
| Accounts payable | 165,173 |
| Accrued liabilities | |
| Payroll, payroll taxes, insurance | 1,200,976 |
| Interest | 117,338 |
| Due to other governments | 1 |
| Due to student organization | 143,484 |
| Deposits payable | 705 |
| Unearned revenue | 20,566 |
| Current portion of long-term obligations | 2,010,311 |
| Noncurrent portion of long-term obligations | 14,965,476 |
| TOTAL LIABILITIES | 18,624,030 |
| DEFERRED INFLOWS OF RESOURCES | |
| Revenue on refunding | 101,750 |
| Wisconsin Retirement System pension | 1,614,132 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,715,882 |
| NET POSITION | |
| Net investment in capital assets | 8,819,374 |
| Restricted for | |
| Debt service | 504,657 |
| Capital projects | 888,708 |
| Other activities | 1,050,257 |
| Unrestricted | 3,988,304 |
| TOTAL NET POSITION | 15,251,300 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 35,591,212 |

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUE | | NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION |
|-------------------------------------------------------------|-----------------------------|--------------------------|------------------------------------------|-------------------------------------------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | |
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction | | | | |
| Regular instruction | \$ 5,414,725 | \$ 43,399 | \$ - | \$ (5,371,326) |
| Vocational instruction | 558,440 | 12,298 | - | (546,142) |
| Special instruction | 941,748 | 19,310 | 515,202 | (407,236) |
| Other instruction | 716,957 | 89,990 | - | (626,967) |
| Total instruction | <u>7,631,870</u> | <u>164,997</u> | <u>515,202</u> | <u>(6,951,671)</u> |
| Support services | | | | |
| Pupil services | 454,679 | - | - | (454,679) |
| Instructional staff services | 1,128,299 | 3,700 | 54,213 | (1,070,386) |
| General administration services | 362,169 | - | - | (362,169) |
| Building administration services | 706,448 | 6,030 | - | (700,418) |
| Business services | 3,777,183 | 384,320 | 279,258 | (3,113,605) |
| Central services | 36,488 | - | - | (36,488) |
| Insurance | 125,073 | - | - | (125,073) |
| Interest and other | 420,989 | - | - | (420,989) |
| Other support services | 6,826 | - | - | (6,826) |
| Community services | 123,267 | 13,079 | - | (110,188) |
| Total support services | <u>7,141,421</u> | <u>407,129</u> | <u>333,471</u> | <u>(6,400,821)</u> |
| Non-program transactions | 575,817 | - | - | (575,817) |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ 15,349,108</u> | <u>\$ 572,126</u> | <u>\$ 848,673</u> | <u>(13,928,309)</u> |
| General revenue | | | | |
| Taxes | | | | |
| Property taxes | | | | |
| | | | | 5,496,441 |
| Other taxes | | | | |
| | | | | 2,855 |
| State and federal aids not restricted to specific functions | | | | |
| General | | | | |
| | | | | 7,389,193 |
| Interest and investment earnings | | | | |
| | | | | 37,903 |
| Miscellaneous | | | | |
| | | | | 1,076,719 |
| Total general revenue | | | | |
| | | | | <u>14,003,111</u> |
| CHANGE IN NET POSITION | | | | |
| | | | | 74,802 |
| NET POSITION - BEGINNING OF YEAR | | | | |
| | | | | 18,080,727 |
| CHANGE IN ACCOUNTING PRINCIPLE | | | | |
| | | | | (804,244) |
| PRIOR PERIOD ADJUSTMENT | | | | |
| | | | | (2,099,985) |
| NET POSITION - END OF YEAR | | | | |
| | | | | <u>\$ 15,251,300</u> |

The accompanying notes are an integral part of these statements.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**FUND
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

| | GENERAL FUND | REFERENDUM APPROVED DEBT SERVICE FUND | CAPITAL EXPANSION | TOTAL NONMAJOR GOVT FUNDS | TOTAL GOVT FUNDS |
|--------------------------------------------|----------------------------|------------------------------------------------|--------------------------|------------------------------------|-------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 3,198,981 | \$ 432,281 | \$ 846,510 | \$ 508,278 | \$ 4,986,050 |
| Receivables | | | | | |
| Accounts | 2,865 | - | - | - | 2,865 |
| Taxes | 1,553,266 | - | - | - | 1,553,266 |
| Due from other funds | 4,456 | - | - | - | 4,456 |
| Due from other governments | 136,376 | - | - | 4,457 | 140,833 |
| Prepaid expenses | 116,262 | - | - | - | 116,262 |
| TOTAL ASSETS | <u>5,012,206</u> | <u>432,281</u> | <u>846,510</u> | <u>512,735</u> | <u>6,803,732</u> |
| LIABILITIES | | | | | |
| Accounts payable | 163,451 | - | - | 1,722 | 165,173 |
| Accrued payroll liabilities | 1,193,384 | - | - | 7,592 | 1,200,976 |
| Due to other funds | - | - | - | 4,456 | 4,456 |
| Due to other governments | - | - | - | 1 | 1 |
| Due to student organization | 143,484 | - | - | - | 143,484 |
| Deposits payable | - | - | - | 705 | 705 |
| Unearned revenue | - | - | - | 20,566 | 20,566 |
| TOTAL LIABILITIES | <u>1,500,319</u> | <u>-</u> | <u>-</u> | <u>35,042</u> | <u>1,535,361</u> |
| FUND BALANCES | | | | | |
| Nonspendable | 116,262 | - | - | - | 116,262 |
| Restricted | - | 432,281 | 846,510 | 114,574 | 1,393,365 |
| Committed | - | - | - | 52,060 | 52,060 |
| Assigned | 25,093 | - | - | 311,059 | 336,152 |
| Unassigned | 3,370,532 | - | - | - | 3,370,532 |
| TOTAL FUND BALANCES | <u>3,511,887</u> | <u>432,281</u> | <u>846,510</u> | <u>477,693</u> | <u>5,268,371</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 5,012,206</u> | <u>\$ 432,281</u> | <u>\$ 846,510</u> | <u>\$ 512,735</u> | |

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

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Long-term receivables are not current financial resources and are not reported in the fund statements. | 789,961 |
| 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 are: | |
| Governmental capital asset | \$ 45,521,481 |
| Governmental accumulated depreciation | <u>(20,635,842)</u> 24,885,639 |
| Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements. | 1,429,704 |
| Other post employment benefits deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements. | 72,500 |
| Long-term liabilities are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are: | |
| General obligation debt | \$(15,964,515) |
| Revenue on refunding | (101,750) |
| Accrued interest on general obligation debt | (117,338) |
| WRS liability | (379,447) |
| Net OPEB obligation | <u>(631,825)</u> (17,194,875) |
| Total net position - governmental activities | <u>\$ 15,251,300</u> |

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

| | GENERAL FUND | REFERENDUM APPROVED DEBT SERVICE FUND | CAPITAL EXPANSION | TOTAL NONMAJOR GOV'T FUNDS | TOTAL GOV'T FUNDS |
|--------------------------------------------------------------|---------------------|------------------------------------------------|----------------------|-------------------------------------|-------------------------|
| REVENUES | | | | | |
| Property taxes | \$ 3,096,007 | \$ 2,007,500 | \$ 192,000 | \$ 203,789 | \$ 5,499,296 |
| Other local sources | 303,227 | 190,992 | 7,443 | 401,665 | 903,327 |
| Interdistrict sources | 773,182 | - | - | 15,588 | 788,770 |
| Intermediate sources | 62,529 | - | - | - | 62,529 |
| State sources | 7,509,684 | - | - | 17,024 | 7,526,708 |
| Federal sources | 438,274 | - | - | 243,466 | 681,740 |
| Other sources | 91,956 | - | - | 1,355 | 93,311 |
| TOTAL REVENUES | <u>12,274,859</u> | <u>2,198,492</u> | <u>199,443</u> | <u>882,887</u> | <u>15,555,681</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | | | | | |
| Regular instruction | 4,963,307 | - | - | - | 4,963,307 |
| Vocational instruction | 519,499 | - | - | - | 519,499 |
| Special instruction | 892,664 | - | - | - | 892,664 |
| Other instruction | 653,960 | - | - | 25,347 | 679,307 |
| Total instruction | <u>7,029,430</u> | <u>-</u> | <u>-</u> | <u>25,347</u> | <u>7,054,777</u> |
| Support services | | | | | |
| Pupil services | 435,366 | - | - | - | 435,366 |
| Instructional staff services | 989,256 | - | - | 11,728 | 1,000,984 |
| General administration services | 314,952 | - | - | - | 314,952 |
| Building administration services | 667,289 | - | - | - | 667,289 |
| Business services | 1,817,322 | - | 89,476 | 567,829 | 2,474,627 |
| Insurance | 125,073 | - | - | - | 125,073 |
| Other support services | 6,826 | - | - | - | 6,826 |
| Community services | - | - | - | 119,749 | 119,749 |
| Total support services | <u>4,356,084</u> | <u>-</u> | <u>89,476</u> | <u>699,306</u> | <u>5,144,866</u> |
| Non-program transactions | 575,817 | - | - | - | 575,817 |
| Debt service | | | | | |
| Principal | - | 1,840,000 | - | - | 1,840,000 |
| Interest | - | 376,800 | - | 141,150 | 517,950 |
| Total debt service | <u>-</u> | <u>2,216,800</u> | <u>-</u> | <u>141,150</u> | <u>2,357,950</u> |
| Capital outlay | 131,293 | - | - | 152,841 | 284,134 |
| TOTAL EXPENDITURES | <u>12,092,624</u> | <u>2,216,800</u> | <u>89,476</u> | <u>1,018,644</u> | <u>15,417,544</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>182,235</u> | <u>(18,308)</u> | <u>109,967</u> | <u>(135,757)</u> | <u>138,137</u> |
| OTHER FINANCING (USES) SOURCES | | | | | |
| Net transfer (to) from other funds | (22,882) | - | - | 22,882 | - |
| Sale of capital assets | - | - | - | 2,270 | 2,270 |
| TOTAL OTHER FINANCING (USES) SOURCES | <u>(22,882)</u> | <u>-</u> | <u>-</u> | <u>25,152</u> | <u>2,270</u> |
| NET CHANGE IN FUND BALANCE | 159,353 | (18,308) | 109,967 | (110,605) | 140,407 |
| FUND BALANCE - BEGINNING OF YEAR | 3,352,534 | 450,589 | 736,543 | 588,298 | 5,127,964 |
| FUND BALANCE - END OF YEAR | <u>\$ 3,511,887</u> | <u>\$ 432,281</u> | <u>\$ 846,510</u> | <u>\$ 477,693</u> | <u>\$ 5,268,371</u> |

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds \$ 140,407

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

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

| | | |
|-----------------------------------------------------------------------------------|--------------------|-------------|
| Capital outlay reported in fund statements | \$ 284,134 | |
| Less noncapitalized outlay | (250,255) | |
| Depreciation expense reported in the statement of activities | <u>(1,369,498)</u> | |
| Amount by which capital outlays are less than depreciation in the current period: | | (1,335,619) |

Unconditional promises to give are reported as revenue in the governmental funds when received. In the statement of activities, revenue is reported when the promise to give is received. The amount of unconditional promises to give received in the current year is: (134,041)

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources changes: (509,062)

OPEB healthcare deferred outflows of resources, liability, and deferred inflows of resources changes: (23,844)

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

Amount of long-term debt principal payments in the current year is: 1,840,000

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

| | | |
|------------------------------------------------------------------------------|------------------|---------------|
| Amount of interest and other debt costs paid during the current period is | \$ 517,950 | |
| Amount of interest and other debt costs accrued during the current period is | <u>(420,989)</u> | |
| Interest paid is greater than interest accrued by: | | <u>96,961</u> |

Change in net position - governmental activities \$ 74,802

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

| | <u>AGENCY FUND</u> | <u>TRUST FUND</u> | |
|-------------------------------------------|-----------------------------|----------------------------|-----------------------------|
| | <u>STUDENT ACTIVITY</u> | <u>PRIVATE PURPOSE</u> | <u>EMPLOYEE BENEFIT</u> |
| ASSETS | | | |
| Cash | \$ 34,654 | \$ 266,624 | \$ 414,446 |
| TOTAL ASSETS | <u><u>34,654</u></u> | <u><u>266,624</u></u> | <u><u>414,446</u></u> |
| | | | |
| LIABILITIES | | | |
| Due to student organizations | 34,654 | - | - |
| Unearned revenue | - | - | 8,883 |
| TOTAL LIABILITIES | <u>34,654</u> | <u>-</u> | <u>8,883</u> |
| | | | |
| NET POSITION | | | |
| Nonspendable | - | 228,097 | - |
| Net position held in trust | - | 38,527 | 405,563 |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 34,654</u></u> | <u><u>\$ 266,624</u></u> | <u><u>\$ 414,446</u></u> |

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2017

| | TRUST FUND | |
|-----------------------------------|--------------------|---------------------|
| | PRIVATE PURPOSE | EMPLOYEE BENEFIT |
| ADDITIONS | | |
| Investment income | \$ 27,954 | \$ 31,768 |
| Contributions | 8,500 | 118,234 |
| TOTAL ADDITIONS | 36,454 | 150,002 |
| | | |
| DEDUCTIONS | | |
| Disbursements | 10,100 | 140,957 |
| TOTAL DEDUCTIONS | 10,100 | 140,957 |
| | | |
| CHANGE IN NET POSITION | 26,354 | 9,045 |
| NET POSITION - BEGINNING OF YEAR | 240,270 | 396,518 |
| NET POSITION - END OF YEAR | \$ 266,624 | \$ 405,563 |

The accompanying notes are an integral part of these statements.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies

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

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

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

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

Basis Of Presentation

District-Wide Statements

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

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

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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

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

Investments are stated at fair value, if applicable, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

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

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

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2016 tax levy is used to finance operations of the District's fiscal year ended June 30, 2017. All property taxes are considered due on January 1, when an enforceable lien may be assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

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

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

Due To/From Other Funds - During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. The amounts reported on the statement of net position for receivable/payable from external parties represents amount due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

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

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

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

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

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

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

Vested Employee Benefits

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

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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

Pensions - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has two items that qualify for reporting in this category. They are the Wisconsin Retirement System pension and OPEB healthcare reported in the government-wide statement of net position. The Wisconsin Retirement System pension and OPEB healthcare result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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

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

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

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Balance Classifications - The District classifies its fund equity as follows: 1) nonspendable fund balance consists of equity that is not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the District itself, using its highest level of decision making authority - Board of Education policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Board of Education has authorized the District Administrator to assign fund balances through its fund balance policy and 5) unassigned fund balance consists of equity available for any purpose.

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

Change in Accounting Principle - The District has implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in 2017.

NOTE 2 - Cash and Investments

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

As of June 30, 2017, the District had the following investment:

| <u>Investment</u> | <u>Weighted Average Maturities</u> | <u>Fair Value</u> |
|------------------------------------|----------------------------------------|-----------------------|
| State of Wisconsin Investment Pool | Less than one year | \$ 377 |
| Certificate of deposit | More than one year | 1,034 |
| Total | | <u>\$ 1,411</u> |

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At June 30, 2017, the Pool's fair value was 100 percent of book value.

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

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 2 - Cash and Investments - Continued

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

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

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

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

Custodial Credit Risk - Custodial credit is the risk that, in the event of a financial institution failure, the District's deposits may not be returned. The District does have a policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2017, \$3,564,874 of the District's bank balance of \$5,077,040 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S Government or municipal securities held by the bank in the bank's name. \$861,133 was uninsured and uncollateralized.

NOTE 3 - Capital Assets

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

| | Beginning Balance | Increases | Decreases | Adjustment | Ending Balance |
|--------------------------------------------|----------------------|----------------|-----------------|----------------|-------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 46,510 | \$ - | \$ - | \$ - | \$ 46,510 |
| Construction in progress | 89,112 | - | (89,112) | - | - |
| Total capital assets not being depreciated | <u>135,622</u> | <u>-</u> | <u>(89,112)</u> | <u>-</u> | <u>46,510</u> |
| Capital assets being depreciated: | | | | | |
| Land improvements | 1,445,762 | - | - | 327,576 | 1,773,338 |
| Buildings and improvements | 37,041,128 | 85,953 | - | 1,336,997 | 38,464,078 |
| Equipment | 6,437,222 | 37,038 | - | (1,236,705) | 5,237,555 |
| Total capital assets being depreciated | <u>44,924,112</u> | <u>122,991</u> | <u>-</u> | <u>427,868</u> | <u>45,474,971</u> |

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 3 - Capital Assets - Continued

Less accumulated depreciation for:

| | | | | | |
|----------------------------------------------------------------------------|----------------------|-----------------------|--------------------|-----------------------|----------------------|
| Land improvements | (1,025,695) | (80,343) | - | (136,404) | (1,242,442) |
| Buildings and improvements | (11,105,857) | (958,767) | - | (3,701,532) | (15,766,156) |
| Equipment | <u>(4,606,939)</u> | <u>(330,388)</u> | - | <u>1,310,083</u> | <u>(3,627,244)</u> |
| Total accumulated depreciation | <u>(16,738,491)</u> | <u>(1,369,498)</u> | - | <u>(2,527,853)</u> | <u>(20,635,842)</u> |
| Total capital assets being depreciated, net of accumulated depreciation | <u>28,185,621</u> | <u>(1,246,507)</u> | - | <u>(2,099,985)</u> | <u>24,839,129</u> |
| Capital assets, net of accumulated depreciation | <u>\$ 28,321,243</u> | <u>\$ (1,246,507)</u> | <u>\$ (89,112)</u> | <u>\$ (2,099,985)</u> | <u>\$ 24,885,639</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------------|---------------------|
| Regular instruction | \$ 180,902 |
| Vocational instruction | 1,373 |
| Pupil service | 105 |
| Instructional staff services | 38,857 |
| General administration services | 5,091 |
| Building administration services | 4,467 |
| Business services | 1,102,215 |
| Central services | <u>36,488</u> |
| Total | <u>\$ 1,369,498</u> |

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

NOTE 4 - Long-Term Obligations

Long-term obligations of the District are as follows:

| | Beginning | | | Ending | Amounts |
|-----------------------------|----------------------|------------------|-----------------------|----------------------|---------------------|
| | Balance | Increases | Decreases | Balance | Due Within |
| | | | | | One Year |
| Bonds payable | \$ 12,005,000 | \$ - | \$ (1,840,000) | \$ 10,165,000 | \$ 1,890,000 |
| Notes payable | 5,620,000 | - | - | 5,620,000 | - |
| Premium | 227,326 | - | (47,811) | 179,515 | 47,811 |
| Wisconsin Retirement System | | | | | |
| Net Pension Liability | 738,345 | - | (358,898) | 379,447 | - |
| OPEB healthcare | <u>593,766</u> | <u>96,344</u> | <u>(58,285)</u> | <u>631,825</u> | <u>72,500</u> |
| Total | <u>\$ 19,184,437</u> | <u>\$ 96,344</u> | <u>\$ (2,304,994)</u> | <u>\$ 16,975,787</u> | <u>\$ 2,010,311</u> |

Interest cost incurred during the year totaled \$420,989 and total interest paid during the year aggregated \$517,950.

General Obligation Debt - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The general obligation debt is expected to be repaid with

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 4 - Long-Term Obligations - Continued

general property taxes. General obligation debt at June 30, 2017 is comprised of the following individual issues:

| <u>Issue Description</u> | <u>Issue Dates</u> | <u>Interest Rates (%)</u> | <u>Dates of Maturity</u> | <u>Balance</u> |
|--------------------------|------------------------|-------------------------------|------------------------------|----------------------|
| Bonds | 2/17/15 | 2% | 4/1/20 | \$ 3,920,000 |
| Bonds | 11/15/10 | 4% | 4/1/22 | 6,245,000 |
| Notes | 7/13/15 | 2.25-3% | 4/1/25 | <u>5,620,000</u> |
| Total | | | | <u>\$ 15,785,000</u> |

General Obligation Debt Limit Calculation - The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$504,339,141. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes, follows:

| | |
|----------------------------------------------------|----------------------|
| Debt limit (10 percent of \$504,339,141) | \$ 50,433,914 |
| Amount available in debt service fund | 504,657 |
| Deduct long-term debt applicable to debt margin | <u>(15,785,000)</u> |
| Margin of indebtedness | <u>\$ 35,153,571</u> |

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|---------------------|
| 2018 | \$ 1,890,000 | \$ 469,350 | \$ 2,359,350 |
| 2019 | 1,945,000 | 419,350 | 2,364,350 |
| 2020 | 2,000,000 | 367,650 | 2,367,650 |
| 2021 | 2,215,000 | 314,350 | 2,529,350 |
| 2022 | 2,315,000 | 225,750 | 2,540,750 |
| 2023-2025 | <u>5,420,000</u> | <u>259,125</u> | <u>5,679,125</u> |
| | <u>\$15,785,000</u> | <u>\$ 2,055,575</u> | <u>\$17,840,575</u> |

NOTE 5 - Wisconsin Retirement System

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

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2007 | 3.0% | 10% |
| 2008 | 6.6 | 0 |
| 2009 | (2.1) | (42) |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |
| 2016 | 0.5 | (5.0) |

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,

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executive and Elected Officials category was merged into the General Employee Category. 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 \$447,270 in contributions from the employer.

Contribution rates as of June 30, 2017 are:

| Employee Category | Employee | Employer |
|-----------------------------------------------------------------|----------|----------|
| General (including teachers, executives, and elected officials) | 6.8% | 6.8% |
| Protective with Social Security | 6.8% | 10.6% |
| Protective without Social Security | 6.8% | 14.9% |

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

At June 30, 2017, the District reported a liability (asset) of \$379,447 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.04603611%, which was an increase of 0.00059893% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$959,922.

At June 30, 2017, 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 | \$ 144,683 | \$ 1,193,330 |
| Net differences between projected and actual earnings on pension plan investments | 2,262,895 | 374,125 |
| Changes in assumptions | 396,727 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 46,677 |
| Employer contributions subsequent to the measurement date | 239,531 | - |
| Total | \$ 3,043,836 | \$ 1,614,132 |

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

\$239,531 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending June 30 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------|-----------------------------------|----------------------------------|
| 2018 | \$ 977,695 | \$ 490,970 |
| 2019 | 977,695 | 490,969 |
| 2020 | 817,800 | 485,475 |
| 2021 | 30,456 | 146,622 |
| Thereafter | 659 | 96 |

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

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

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

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

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

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

Asset Allocation Targets and Expected Returns
 As of December 31, 2016

| <u>Core Fund Asset Class</u> | <u>Current Asset Allocation %</u> | <u>Destination Target Asset Allocation %</u> | <u>Long-Term Expected Nominal Rate of Return %</u> | <u>Long-Term Expected Real Rate of Return %</u> |
|----------------------------------|-----------------------------------|----------------------------------------------|----------------------------------------------------|-------------------------------------------------|
| Global Equities | 50% | 45% | 8.3% | 5.4% |
| Fixed Income | 24.5 | 37 | 4.2 | 1.4 |
| Inflation Sensitive Assets | 15.5 | 20 | 4.3 | 1.5 |
| Real Estate | 8 | 7 | 6.5 | 3.6 |
| Private Equity/Debt | 8 | 7 | 9.4 | 6.5 |
| Multi-Asset | 4 | 4 | 6.6 | 3.7 |
| Total Core Fund | 110% | 120% | 7.4% | 4.5% |
| <u>Variable Fund Asset Class</u> | | | | |
| U.S. Equities | 70% | 70% | 7.6% | 4.7% |
| International Equities | 30 | 30 | 8.5 | 5.6 |
| Total Variable Fund | 100% | 100% | 7.9% | 5% |

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

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

Single Discount Rate - A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | 1% Decrease 6.2% | Current Single Discount Rate Assumption 7.2% | 1% Increase 8.2% |
|---------------------------------------------------------------------|---------------------|----------------------------------------------------|---------------------|
| District's proportionate share of the net pension liability (asset) | \$ 4,991,875 | \$ 379,447 | \$ (3,172,330) |

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

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

Payables to the Pension Plan - The District reported a payable of \$111,600 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 6 - Interfund Balances and Activity

Interfund receivable and payable balances on June 30, 2017, are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General | Cooperative program | \$ 4,456 |

The above balance resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

Interfund transfers at June 30, 2017 were as follows:

| <u>Transfer from</u> | <u>Transfer to</u> | <u>Amount</u> |
|----------------------|---------------------|---------------|
| General | Cooperative program | \$ 22,882 |

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

NOTE 7 - Post Employment Benefits Other Than Pensions

General Information about the Post Employment Benefits Other Than Pensions

Plan Description - The other post employment benefits (OPEB) other than pensions is a single-employer defined benefit OPEB plan. Benefit terms are established by employee handbooks and may be modified by the Board of Education. The plan is administered by the District and included in the District's financial statements.

Benefits Provided - Superintendents at least age 55 with 5 years of service in the District and eligible for WRS will receive for each year of service contributions towards their medical and dental premiums for a period of one year, up to a maximum of 10 years. Contributions will be equal to the premiums in effect at the time of retirement for the entire duration. After reaching Medicare eligibility contributions will be applied towards cost of supplemental Medicare coverage. The retiree is responsible for premium amounts exceeding the District's contribution.

Administrators at least age 55 with 15 years of service in the District and eligible for WRS will receive contributions towards their medical and dental premiums for up to a maximum of 8 years. Contributions will be equal to 100% of the premiums not to exceed the maximum of

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

\$17,500 per year. The retiree is responsible for premium amounts exceeding the District's contribution.

Teachers hired prior to July 1, 2013, at least age 55 with a minimum of 30 years of teaching/active military service of which 20 years must be full-time in the District will receive contributions towards their medical premiums. Contributions will be equal to 100% of the lowest single medical premium amount in effect at the time of retirement for the entire duration. The duration (in months) is determined by multiplying 50% of the retiree's unused sick leave accumulated as of July 1, 2013 (not to exceed 90 days) by a factor of 170.36 and dividing this by 100% of the lowest monthly single medical premium rate in effect upon retirement. The retiree is responsible for premium amounts exceeding the District's contribution. This benefit is not available to teachers hired July 1, 2013 or after.

Teachers at least age 55 may choose to remain on the District's group medical and dental insurance plans until Medicare eligible provided they pay 100% of the premiums.

Eligible teachers that retired prior to July 1, 2007 receive medical insurance benefits that are no longer offered to teachers.

12-month support staff hired prior to July 1, 2013, at least age 60 with a minimum of 20 years of service will receive contributions towards their medical premiums. Contributions will be equal to 100% of the lowest single medical premium amount in effect at the time of retirement for the entire duration. The duration (in months) is determined by multiplying 50% of the retiree's unused sick leave accumulated as of July 1, 2013 (not to exceed 90 days) by their daily wage rate at retirement. The retiree is responsible for premium amounts exceeding the District's contribution. This benefit is not available to 12-month support staff hired July 1, 2013 or after.

Employees Covered - As of the June 30, 2016 measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

| | |
|------------------------------------------------------------------|------------|
| Inactive employees or beneficiaries currently receiving benefits | 11 |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | <u>153</u> |
| Total | <u>164</u> |

Contributions - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on premiums and an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended June 30, 2017, contribution rates for Plan members were \$0 - \$1,965 per participant per month and \$0 - \$7,146 from the District, depending on the type of retiree plan. Plan members receiving benefits contributed \$45,734 and the District contributed \$58,626 to the plan.

Actuarial Assumptions - The net OPEB healthcare liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

| | |
|------------------------------------|-------------------------------------------------------------------------------------------|
| Actuarial Valuation Date: | June 30, 2016 |
| Measurement Date: | June 30, 2016 |
| Actuarial Cost Method: | Entry Age Normal - Level % |
| Amortization Period: | 30 years |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 5.5% |
| Discount Rate: | 5.5% |
| Salary Increases: | 3% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Medical Care Cost Trend: | 7.5% decreasing by .5% per year to 6.5%, then by .1% per year to 5%, and level thereafter |
| Dental Care Cost Trend: | 5% |

The actuarial valuation was based upon the data provided by the District and utilized the premium rate history of the District's medical plans as well as the trends used in the prior valuation and projected a stream of expected premium rates for each year in the future based on the data as of June 30, 2016. Actuarial assumptions are based upon an experience study conducted in 2012 using Wisconsin Retirement System experience from 2009 - 2011.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on plan investments was determined by expected future real rates of return (expected returns, net of plan investment expense and inflation) developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Long-Term Real Rate of Return | Target Allocation |
|--------------|-------------------------------|-------------------|
| US Equities | 2.11% | 53% |
| Fixed Income | 2.19% | 46% |
| Cash | -% | 1% |

Discount Rate - A discount rate of 5.5% was used to measure the total OPEB healthcare liability. This discount rate was based on the expected rate of return on plan investments of 5.5%. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB healthcare liability. The discount rate did not incorporate a municipal bond rate.

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

Changes in the Net OPEB Healthcare Liability

| | Increase (Decrease) | | |
|--------------------------|------------------------------------|---------------------------|-------------------------------------|
| | Total Healthcare OPEB Liability | Fiduciary Net Position | Net OPEB Healthcare Liability |
| | (a) | (b) | (a) - (b) |
| Beginning balance | \$ 989,551 | \$ 395,785 | \$ 593,766 |
| Changes for the year: | | | |
| Service cost | 43,070 | - | 43,070 |
| Interest | 54,007 | - | 54,007 |
| Contributions - employer | - | 58,626 | (58,626) |
| Net investment income | - | 392 | (392) |
| Benefit payments | (58,285) | (58,285) | - |
| Net changes | 38,792 | 733 | 38,059 |
| Ending Balance | \$ 1,028,343 | \$ 396,518 | \$ 631,825 |

Sensitivity of the Net OPEB Healthcare Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB healthcare liability calculated using the healthcare cost trend rate of 7.5 percent decreasing to 5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.5 percent decreasing to 4 percent) or 1-percentage-point higher (8.5 percent decreasing to 6 percent) than the current rate:

| | 1% Decrease to Healthcare Cost Rate (6.5% decreasing to 4%) | Current Healthcare Cost Rate (7.5% decreasing to 5%) | 1% Increase to Healthcare Cost Rate (8.5% decreasing to 6%) |
|-------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------|
| Net OPEB healthcare liability | \$ 578,500 | \$ 631,825 | \$ 692,927 |

Sensitivity of the Net OPEB Healthcare Liability to Changes in the Discount Rate - The following presents the net OPEB healthcare liability calculated using the discount rate of 5.5 percent, as well as what the net OPEB healthcare liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current rate:

| | 1% Decrease to Discount Rate (4.5%) | Current Discount Rate (5.5%) | 1% Increase To Discount Rate (6.5%) |
|-------------------------------|-------------------------------------------|---------------------------------|-------------------------------------------|
| Net OPEB healthcare liability | \$ 688,837 | \$ 631,825 | \$ 577,608 |

Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Healthcare

For the year ended June 30, 2017, the District recognized OPEB healthcare expense of \$58,285.

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes in assumptions | - | - |
| Net differences between projected and actual earnings on pension plan investments | - | - |
| Employer contributions subsequent to the measurement date | 72,500 | - |
| Total | \$ 72,500 | \$ - |

\$72,500 reported as deferred outflows related to OPEB healthcare resulting from contributions subsequent to the measurement date will be recognized as a reduction on the net OPEB healthcare liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB healthcare will be recognized in expense as follows:

| Year ending June 30 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|------------------------|-----------------------------------|----------------------------------|
| 2018 | \$ - | \$ - |
| 2019 | - | - |
| 2020 | - | - |
| 2021 | - | - |
| 2022 | - | - |
| Thereafter | \$ - | \$ - |

Payables to the OPEB Healthcare Plan - The District reported a payable of zero for the outstanding amount of contributions to the OPEB Healthcare plan required for the year ended June 30, 2017.

NOTE 8 - Fund Balances and Net Position

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

| <u>Governmental Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------------------------------|------------------------|---------------|
| Nonspendable | | |
| General | Prepaid expenses | \$ 116,262 |
| Restricted | | |
| Non-referendum debt service | Principal and interest | \$ 72,376 |
| Referendum debt service | Principal and interest | \$ 432,281 |
| Capital expansion | DPI regulation | \$ 846,510 |
| Long term capital improvement trust | DPI regulation | \$ 1,034 |

SCHOOL DISTRICT OF CHILTON
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 8 - Fund Balances and Net Position - Continued

| | | |
|------------------------|-------------------|------------|
| Other capital projects | DPI regulation | \$ 41,164 |
| Committed | | |
| Community service | Specific expenses | \$ 24,375 |
| Engler center | Specific expenses | \$ 27,685 |
| Assigned | | |
| General | Specific expenses | \$ 25,093 |
| Food service | Specific expenses | \$ 311,059 |

Governmental Activities

| | | |
|--------------------|-------------------------------------|--------------|
| Restricted | | |
| Debt service funds | DPI regulation | \$ 504,657 |
| Capital expansion | DPI regulation | \$ 888,708 |
| Other activities | Wisconsin Retirement System pension | \$ 1,050,257 |

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

NOTE 9 - Risk Management

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

NOTE 10 - Commitments and Contingencies

The District has a service agreement with Cooperative Education Service Agency No. 7 for services to be provided to the District in 2017-2018. Expected costs are \$257,557.

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

| | | |
|-----------|----|---------|
| 2017-2018 | \$ | 374,165 |
| 2018-2019 | \$ | 381,520 |
| 2019-2020 | \$ | 381,520 |
| 2020-2021 | \$ | 389,175 |
| 2021-2022 | \$ | 389,175 |

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's attorney that the likelihood is remote that any such claims or proceedings will have a material effect on the District's financial position or results of operations.

NOTE 11 - Limitation of School District Revenue

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

SCHOOL DISTRICT OF CHILTON
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 12 - Unconditional Promises to Give

Unconditional promises to give as of June 30, 2017 are as follows:

| | |
|-------------------------------------------------|--------------------------|
| Receivable in less than one year | \$ 185,000 |
| Receivable in one to five years | <u>740,000</u> |
| Total unconditional promises to give receivable | 925,000 |
| Less discounts to net present value at 5.5% | <u>(135,319)</u> |
| Net unconditional promises to give receivable | <u><u>\$ 789,681</u></u> |

NOTE 13 - Prior Period Adjustment

The District made a prior period adjustment to beginning net position in the District-wide governmental activities for \$2,099,985. The adjustment decreased the net position balance for \$2,099,985 that was in property, plant, and equipment.

NOTE 14 - Change in Accounting Principle

The change in accounting principle adjustment of \$804,244 on the statement of activities is due to the adoption of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**REQUIRED
SUPPLEMENTARY INFORMATION**

SCHOOL DISTRICT OF CHILTON
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

| | ORIGINAL BUDGETED AMOUNTS | | | FINAL BUDGETED AMOUNTS | | | ACTUAL AMOUNTS | | | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--------------------------------------------------------------|---------------------------|------------------|--------------------|------------------------|------------------|--------------------|--------------------|------------------|--------------------|---------------------------------------------------------|
| | SPECIAL | | TOTAL | SPECIAL | | TOTAL | SPECIAL | | TOTAL | |
| | GENERAL | EDUCATION | | GENERAL | EDUCATION | | GENERAL | EDUCATION | | |
| REVENUES | | | | | | | | | | |
| Property taxes | \$3,162,915 | \$ - | \$3,162,915 | \$3,096,269 | \$ - | \$3,096,269 | \$3,096,007 | \$ - | \$3,096,007 | \$ (262) |
| Other local sources | 266,950 | - | 266,950 | 273,882 | - | 273,882 | 303,227 | - | 303,227 | 29,345 |
| Interdistrict sources | 610,224 | - | 610,224 | 823,932 | - | 823,932 | 773,182 | - | 773,182 | (50,750) |
| Intermediate sources | 20,801 | 31,000 | 51,801 | 21,069 | 31,000 | 52,069 | 20,419 | 42,110 | 62,529 | 10,460 |
| State sources | 7,401,947 | 205,000 | 7,606,947 | 7,308,602 | 205,000 | 7,513,602 | 7,290,392 | 219,292 | 7,509,684 | (3,918) |
| Federal sources | 160,420 | 265,815 | 426,235 | 172,742 | 265,815 | 438,557 | 165,164 | 273,110 | 438,274 | (283) |
| Other sources | 10,000 | - | 10,000 | 10,000 | - | 10,000 | 91,956 | - | 91,956 | 81,956 |
| TOTAL REVENUES | 11,633,257 | 501,815 | 12,135,072 | 11,706,496 | 501,815 | 12,208,311 | 11,740,347 | 534,512 | 12,274,859 | 66,548 |
| EXPENDITURES | | | | | | | | | | |
| Current | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular instruction | 4,950,144 | - | 4,950,144 | 5,009,760 | - | 5,009,760 | 4,963,307 | - | 4,963,307 | 46,453 |
| Vocational instruction | 556,709 | - | 556,709 | 498,157 | - | 498,157 | 519,499 | - | 519,499 | (21,342) |
| Special instruction | - | 834,721 | 834,721 | - | 867,172 | 867,172 | - | 892,664 | 892,664 | (25,492) |
| Other instruction | 713,604 | - | 713,604 | 695,009 | - | 695,009 | 653,960 | - | 653,960 | 41,049 |
| Total instruction | 6,220,457 | 834,721 | 7,055,178 | 6,202,926 | 867,172 | 7,070,098 | 6,136,766 | 892,664 | 7,029,430 | 40,668 |
| Support services | | | | | | | | | | |
| Pupil services | 217,120 | 245,316 | 462,436 | 216,808 | 219,136 | 435,944 | 211,478 | 223,888 | 435,366 | 578 |
| Instructional staff services | 985,134 | 15,487 | 1,000,621 | 978,062 | 15,487 | 993,549 | 971,769 | 17,487 | 989,256 | 4,293 |
| General administration services | 366,143 | - | 366,143 | 366,043 | - | 366,043 | 314,952 | - | 314,952 | 51,091 |
| Building administration services | 653,311 | - | 653,311 | 633,533 | - | 633,533 | 667,289 | - | 667,289 | (33,756) |
| Business services | 1,816,718 | 38,200 | 1,854,918 | 1,794,217 | 38,200 | 1,832,417 | 1,779,875 | 37,447 | 1,817,322 | 15,095 |
| Insurance | 117,200 | - | 117,200 | 125,085 | - | 125,085 | 125,073 | - | 125,073 | 12 |
| Other support services | 5,152 | - | 5,152 | 5,152 | - | 5,152 | 6,826 | - | 6,826 | (1,674) |
| Total support services | 4,160,778 | 299,003 | 4,459,781 | 4,118,900 | 272,823 | 4,391,723 | 4,077,262 | 278,822 | 4,356,084 | 35,639 |
| Non-program transactions | 350,392 | 148,241 | 498,633 | 489,452 | - | 489,452 | 613,774 | 434,469 | 141,348 | 37,957 |
| Capital outlay | 147,750 | - | 147,750 | 158,870 | - | 158,870 | 131,293 | - | 131,293 | 27,577 |
| TOTAL EXPENDITURES | 10,879,377 | 1,281,965 | 12,161,342 | 10,970,148 | 1,264,317 | 12,234,465 | 10,779,790 | 1,312,834 | 12,092,624 | 141,841 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 753,880 | (780,150) | (26,270) | 736,348 | (762,502) | (26,154) | 960,557 | (778,322) | 182,235 | 208,389 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfer (to) / from other funds | (794,841) | 780,150 | (14,691) | (777,193) | 762,502 | (14,691) | (801,204) | 778,322 | (22,882) | (8,191) |
| TOTAL OTHER FINANCING SOURCES (USES) | (794,841) | 780,150 | (14,691) | (777,193) | 762,502 | (14,691) | (801,204) | 778,322 | (22,882) | (8,191) |
| NET CHANGE IN FUND BALANCE | (40,961) | - | (40,961) | (40,845) | - | (40,845) | 159,353 | - | 159,353 | 200,198 |
| FUND BALANCE - BEGINNING OF YEAR | 3,352,534 | - | 3,352,534 | 3,352,534 | - | 3,352,534 | 3,352,534 | - | 3,352,534 | - |
| FUND BALANCE - END OF YEAR | \$3,311,573 | \$ - | \$3,311,573 | \$3,311,689 | \$ - | \$3,311,689 | \$3,511,887 | \$ - | \$3,511,887 | \$ 200,198 |

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
JUNE 30, 2017

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

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

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

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

| | | |
|-----------------------------|----------------------------------|-----------|
| General / Special Education | Vocational instruction | \$ 21,342 |
| General / Special Education | Special instruction | 25,492 |
| General / Special Education | Building administration services | 33,756 |
| General / Special Education | Other support services | 1,674 |
| General / Special Education | Transfer to other funds | 8,191 |

SCHOOL DISTRICT OF CHILTON
WISCONSIN RETIREMENT SYSTEM SCHEDULES
JUNE 30, 2017

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------------------------------------------------------------------------------------------|--------------|--------------|----------------|
| Proportion of the net pension liability (asset) | 0.04603611% | 0.04543718% | 0.04459488% |
| Proportionate share of the net pension liability (asset) | \$ 379,447 | \$ 738,345 | \$ (1,095,372) |
| Covered payroll | \$ 6,776,818 | \$ 6,546,708 | \$ 6,322,226 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 5.60% | 11.28% | -17.33% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 99.12% | 98.20% | 102.74% |

SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|----------------------------------------------------------------------|------------------|------------------|------------------|
| Contractually required contributions | \$ 447,270 | \$ 445,176 | \$ 442,556 |
| Contributions in relation to the contractually required contribution | <u>(447,270)</u> | <u>(445,176)</u> | <u>(442,556)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 6,776,818 | \$ 6,546,708 | \$ 6,322,226 |
| Contributions as a percentage of covered payroll | 6.60% | 6.80% | 7.00% |

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

The District implemented the Government Accounting Standards Board Statement No. 68 for the year ended June 30, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 7 proceeding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2017

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

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

SCHOOL DISTRICT OF CHILTON
OPEB HEALTHCARE DEFINED BENEFIT PLAN SCHEDULES
JUNE 30, 2017

SCHEDULE OF CHANGES IN THE NET OPEB HEALTHCARE LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

| | <u>2017</u> |
|----------------------------------------------------------------------------------------|----------------------------|
| Total OPEB Healthcare Liability | |
| Service cost | \$ 43,070 |
| Interest | 54,007 |
| Benefit payments | <u>(58,285)</u> |
| Net Changes in Total OPEB Healthcare Liability | 38,792 |
| Total OPEB Healthcare Liability - Beginning | <u>989,551</u> |
| Total OPEB Healthcare Liability - Ending (a) | <u>\$ 1,028,343</u> |
| Plan Fiduciary Net Position | |
| Contributions - employer | \$ 58,626 |
| Net investment income | 392 |
| Benefit payments | <u>(58,285)</u> |
| Net Changes in Plan Fiduciary Net Position | 733 |
| Plan Fiduciary Net Position - Beginning | <u>395,785</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 396,518</u> |
| Net OPEB Healthcare Liability - Ending (a) - (b) | <u>\$ 631,825</u> |
| Plan fiduciary net position as a percentage of the total OPEB healthcare liability | 38.56% |
| Covered payroll | \$ 5,012,280 |
| Net OPEB Healthcare liability as a percentage of covered payroll | 12.61% |

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | <u>2017</u> |
|-----------------------------------------------------------------------|-------------------------|
| Actuarially determined contributions | \$ 113,790 |
| Contributions in relation to the actuarially determined contributions | <u>(58,626)</u> |
| Contribution deficiency (excess) | <u><u>\$ 55,164</u></u> |
| Covered payroll | \$ 5,012,280 |
| Contributions as a percentage of covered payroll | 1.17% |
| Actuarial valuation date | 6/30/2016 |
| Measurement date | 6/30/2016 |

The District implemented the Government Accounting Standards Board Statement No. 75 for the year ended June 30, 2017. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 9 preceding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2017

Methods and assumptions used to determine actuarially calculations - entry age normal cost, 30 year level % open amortization, fair market value asset valuation, 5.5% discount rate, 3% salary increases, Wisconsin 2012 mortality table.

Changes of benefit terms - there were no changes of benefit terms.

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

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

**OTHER
SUPPLEMENTARY INFORMATION**

SCHOOL DISTRICT OF CHILTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

| | SPECIAL REVENUE FUNDS | | | | NON-REFERENDUM DEBT SERVICE | LONG TERM | OTHER | TOTAL |
|------------------------------------------------|-----------------------|----------------------|------------------|------------------------|--------------------------------|---------------------------------|---------------------|----------------------------|
| | FOOD SERVICE | COMMUNITY SERVICE | ENGLER CENTER | COOPERATIVE PROGRAM | | CAPITAL IMPROVEMENT TRUST | CAPITAL PROJECTS | NONMAJOR GOV'T FUNDS |
| ASSETS | | | | | | | | |
| Cash and investments | \$ 336,556 | \$ 29,463 | \$ 27,685 | \$ - | \$ 72,376 | \$ 1,034 | \$ 41,164 | \$ 508,278 |
| Due from other governments | - | - | - | 4,457 | - | - | - | 4,457 |
| TOTAL ASSETS | 336,556 | 29,463 | 27,685 | 4,457 | 72,376 | 1,034 | 41,164 | 512,735 |
| LIABILITIES | | | | | | | | |
| Accounts payable | 1,722 | - | - | - | - | - | - | 1,722 |
| Accrued payroll liabilities | 3,209 | 4,383 | - | - | - | - | - | 7,592 |
| Due to other funds | - | - | - | 4,456 | - | - | - | 4,456 |
| Due to other governments | - | - | - | 1 | - | - | - | 1 |
| Deposits payable | - | 705 | - | - | - | - | - | 705 |
| Unearned revenue | 20,566 | - | - | - | - | - | - | 20,566 |
| TOTAL LIABILITIES | 25,497 | 5,088 | - | 4,457 | - | - | - | 35,042 |
| FUND BALANCES | | | | | | | | |
| Restricted | - | - | - | - | 72,376 | 1,034 | 41,164 | 114,574 |
| Committed | - | 24,375 | 27,685 | - | - | - | - | 52,060 |
| Assigned | 311,059 | - | - | - | - | - | - | 311,059 |
| TOTAL FUND BALANCES | 311,059 | 24,375 | 27,685 | - | 72,376 | 1,034 | 41,164 | 477,693 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 336,556 | \$ 29,463 | \$ 27,685 | \$ 4,457 | \$ 72,376 | \$ 1,034 | \$ 41,164 | \$ 512,735 |

SCHOOL DISTRICT OF CHILTON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2017

| | SPECIAL REVENUE FUNDS | | | | NON-REFERENDUM DEBT SERVICE | LONG TERM | OTHER | TOTAL |
|--------------------------------------------------------------|-----------------------|----------------------|------------------|------------------------|--------------------------------|---------------------------------|---------------------|----------------------------|
| | FOOD SERVICE | COMMUNITY SERVICE | ENGLER CENTER | COOPERATIVE PROGRAM | | CAPITAL IMPROVEMENT TRUST | CAPITAL PROJECTS | NONMAJOR GOV'T FUNDS |
| REVENUES | | | | | | | | |
| Property taxes | \$ - | \$ 91,600 | \$21,039 | \$ - | \$ 91,150 | \$ - | \$ - | \$ 203,789 |
| Other local sources | 386,243 | 11,254 | 1,975 | - | 909 | 17 | 1,267 | 401,665 |
| Interdistrict | - | - | - | 15,588 | - | - | - | 15,588 |
| State sources | 8,996 | - | - | 8,028 | - | - | - | 17,024 |
| Federal sources | 243,466 | - | - | - | - | - | - | 243,466 |
| Other sources | 1,355 | - | - | - | - | - | - | 1,355 |
| TOTAL REVENUES | 640,060 | 102,854 | 23,014 | 23,616 | 92,059 | 17 | 1,267 | 882,887 |
| EXPENDITURES | | | | | | | | |
| Current | | | | | | | | |
| Instruction | | | | | | | | |
| Other instruction | - | - | - | 25,347 | - | - | - | 25,347 |
| Support service | | | | | | | | |
| Instructional staff services | - | - | - | 11,728 | - | - | - | 11,728 |
| Business services | 553,448 | 4,958 | - | 9,423 | - | - | - | 567,829 |
| Community services | - | 97,093 | 22,656 | - | - | - | - | 119,749 |
| Total support services | 553,448 | 102,051 | 22,656 | 21,151 | - | - | - | 699,306 |
| Debt service | | | | | | | | |
| Interest | - | - | - | - | 141,150 | - | - | 141,150 |
| Capital outlay | 46,071 | - | - | - | - | - | 106,770 | 152,841 |
| TOTAL EXPENDITURES | 599,519 | 102,051 | 22,656 | 46,498 | 141,150 | - | 106,770 | 1,018,644 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 40,541 | 803 | 358 | (22,882) | (49,091) | 17 | (105,503) | (135,757) |
| OTHER FINANCING SOURCES | | | | | | | | |
| Net transfer (to) from other funds | - | - | - | 22,882 | - | - | - | 22,882 |
| Sale of capital assets | 2,270 | - | - | - | - | - | - | 2,270 |
| TOTAL OTHER FINANCING SOURCES | 2,270 | - | - | 22,882 | - | - | - | 25,152 |
| NET CHANGE IN FUND BALANCE | 42,811 | 803 | 358 | - | (49,091) | 17 | (105,503) | (110,605) |
| FUND BALANCES - BEGINNING OF YEAR | 268,248 | 23,572 | 27,327 | - | 121,467 | 1,017 | 146,667 | 588,298 |
| FUND BALANCES - END OF YEAR | \$311,059 | \$ 24,375 | \$27,685 | \$ - | \$ 72,376 | \$ 1,034 | \$ 41,164 | \$ 477,693 |

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

| | BALANCE JULY 1, 2016 | ADDITIONS | DEDUCTIONS | BALANCE JUNE 30, 2017 |
|-----------------------------------------------|-------------------------|------------------|--------------------|--------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 31,984 | \$ 56,295 | \$ (53,625) | \$ 34,654 |
| TOTAL ASSETS | <u>31,984</u> | <u>56,295</u> | <u>(53,625)</u> | <u>34,654</u> |
| LIABILITIES | | | | |
| Due to student organizations Middle / High | 31,984 | 56,295 | (53,625) | 34,654 |
| TOTAL LIABILITIES | <u>\$ 31,984</u> | <u>\$ 56,295</u> | <u>\$ (53,625)</u> | <u>\$ 34,654</u> |

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

| Awarding Agency Pass-Through Agency Award Description | PASS-THROUGH ENTITY IDENTIFYING NUMBER | FEDERAL CATALOG NUMBER | PROGRAM OR AWARD AMOUNT | ACCRUED RECEIVABLE (UNEARNED REVENUE) JULY 1, 2016 | REVENUES GRANTOR REIMBURSE- MENTS | EXPENDITURES | ACCRUED RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2017 | SUBRECIPIENT PASS-THROUGH EXPENDITURES |
|-------------------------------------------------------------|-------------------------------------------------|------------------------------|-------------------------------|----------------------------------------------------------------|--------------------------------------------|-------------------|-----------------------------------------------------------------|----------------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | |
| Wisconsin Department of Public Instruction | | | | | | | | |
| School Breakfast Program | | 10.553 | | | | | | |
| July 1, 2016 - June 30, 2017 | None | | N/A | \$ - | \$ 34,618 | \$ 34,618 | \$ - | \$ - |
| Food Distribution | | 10.555 | | | | | | |
| July 1, 2016 - June 30, 2017 | None | | N/A | - | 39,426 | 39,426 | - | - |
| National School Lunch Program | | 10.555 | | | | | | |
| July 1, 2016 - June 30, 2017 | None | | N/A | - | 169,423 | 169,423 | - | - |
| Total Child Nutrition Cluster | | | | - | 243,467 | 243,467 | - | - |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | - | 243,467 | 243,467 | - | - |
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | |
| Wisconsin Department of Public Instruction | | | | | | | | |
| Title IA - Grants to Local Educational Agencies | | 84.010 | | | | | | |
| July 1, 2015 - June 30, 2016 | A141-N/A-081085 | | N/A | 18,329 | 18,329 | - | - | - |
| July 1, 2016 - June 30, 2017 | A141-N/A-081085 | | \$ 121,535 | - | 121,535 | 121,535 | - | - |
| Total Title IA Grants | | | | 18,329 | 139,864 | 121,535 | - | - |
| Title II-A - Supporting Effective Instruction State Grant | | 84.367 | | | | | | |
| July 1, 2016 - June 30, 2017 | A365-N/A-081085 | | 24,036 | - | 24,036 | 24,036 | - | - |
| Special Education - Grants to States (IDEA Part B) | | 84.027 | | | | | | |
| July 1, 2015 - June 30, 2016 | A341-N/A-081085 | | N/A | 147,667 | 147,667 | - | - | - |
| July 1, 2016 - June 30, 2017 | A341-N/A-081085 | | 238,881 | - | 238,881 | 238,881 | - | - |
| Special Education - Preschool Grants (IDEA Part B) | | 84.173 | | | | | | |
| July 1, 2016 - June 30, 2017 | A347-N/A-081085 | | 10,346 | - | 10,346 | 10,346 | - | - |
| Total Special Education Cluster | | | | 147,667 | 396,894 | 249,227 | - | - |
| Title III-A - Immigrant State Grants | | 84.365 | | | | | | |
| July 1, 2015 - June 30, 2016 | A391-N/A-08105 | | N/A | 879 | 879 | - | - | - |
| July 1, 2016 - June 30, 2017 | A391-N/A-08105 | | 13,470 | - | 13,470 | 13,470 | - | - |
| Cooperative Educational Service Agency No. 6 | | 84.048 | | | | | | |
| Career and Technical Education - Basic Grants to States | | | | | | | | |
| July 1, 2016 - June 30, 2017 | None | | N/A | - | 6,068 | 6,068 | - | - |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | | 166,875 | 581,211 | 414,336 | - | - |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | | |
| Wisconsin Department of Health Services | | | | | | | | |
| Medical Assistance | | 93.778 | | | | | | |
| July 1, 2015 - June 30, 2016 | None | | N/A | 145 | 145 | - | - | - |
| July 1, 2016 - June 30, 2017 | None | | N/A | - | 29,861 | 29,861 | - | - |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | 145 | 30,006 | 29,861 | - | - |
| TOTAL FEDERAL AWARDS | | | | \$ 167,020 | \$ 854,684 | \$ 687,664 | \$ - | \$ - |

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

| AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION | PASS-THROUGH ENTITY IDENTIFYING NUMBER | STATE I.D. NUMBER | RECEIVABLE (UNEARNED REVENUE) JULY 1, 2016 | REVENUE GRANTOR REIMBURSEMENTS | EXPENDITURES | RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2017 | SUBRECIPIENT PASS-THROUGH EXPENDITURES |
|-------------------------------------------------------------|-------------------------------------------------|-------------------------|-----------------------------------------------------|--------------------------------------|---------------------|------------------------------------------------------|----------------------------------------------|
| WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION | | | | | | | |
| Wisconsin Department of Public Instruction | | | | | | | |
| Special Education and School Age Parents | 081085-100 | 255.101 | \$ - | \$ 241,747 | \$ 241,747 | \$ - | \$ - |
| State School Lunch Aid | 081085-107 | 255.102 | - | 6,140 | 6,140 | - | - |
| Common School Fund Library Aid | 081085-104 | 255.103 | - | 46,185 | 46,185 | - | - |
| General Transportation Aid | 081085-102 | 255.107 | - | 26,796 | 26,796 | - | - |
| Equalization Aid | 081085-116 | 255.201 | 122,096 | 6,881,921 | 6,877,153 | 117,328 | - |
| School Breakfast Program | 081085-108 | 255.344 | - | 2,856 | 2,856 | - | - |
| Educator Effectiveness Evaluation System | 081085-154 | 255.940 | - | 8,800 | 8,800 | - | - |
| Per Pupil Aid | 081085-113 | 255.945 | 166,350 | 443,850 | 277,500 | - | - |
| Career and Technical Education Incentive | 081085-151 | 255.950 | - | 2,563 | 2,563 | - | - |
| Assessment of Reading Readiness | 081085-166 | 255.956 | - | 2,220 | 2,220 | - | - |
| Aid for Special Education Transition Grant BBL | 081085-168 | 255.960 | - | 345 | 345 | - | - |
| TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION | | | 288,446 | 7,663,423 | 7,492,305 | 117,328 | - |
| WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT | | | | | | | |
| Cooperative Educational Services Agency No. 6 | | | | | | | |
| Youth Apprenticeship Grant | None | 445.112 | 1,100 | 1,650 | 550 | - | - |
| WISCONSIN DEPARTMENT OF ADMINISTRATION | | | | | | | |
| Technology for Educational Achievement (TEACH) | None | None | 18,071 | 25,342 | 8,028 | 757 | - |
| WISCONSIN DEPARTMENT OF NATURAL RESOURCES | | | | | | | |
| Payment in Lieu of Taxes | None | None | - | 30,127 | 30,127 | - | - |
| WISCONSIN DEPARTMENT OF REVENUE | | | | | | | |
| Exempt Computer Aid | None | None | 25,245 | 25,245 | 19,048 | 19,048 | - |
| TOTAL STATE FINANCIAL ASSISTANCE | | | \$ 332,862 | \$ 7,745,787 | \$ 7,550,058 | \$ 137,133 | \$ - |

The accompanying notes are an integral part of these statements.

SCHOOL DISTRICT OF CHILTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2017

NOTE 1 - Basis of Presentation

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

NOTE 2 - Summary of Significant Accounting Policies

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

NOTE 3 - Special Education and School Age Parents Program

2016-2017 eligible costs under the State Special Education Program are \$914,231.

NOTE 4 - Food Distribution Program

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

NOTE 5 - 10% De Minimis Cost Rate

Elected not to use.

**SCHOOL DISTRICT OF CHILTON
CHILTON, WISCONSIN**

OTHER REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Chilton as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District of Chilton's basic financial statements and have issued our report thereon dated October 17, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, 2017-001, 2017-002, and 2017-003 described in the accompanying summary of audit results that we consider to be significant deficiencies.

Compliance and Other Matters

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

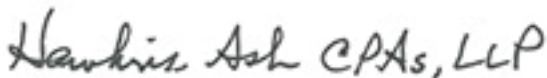
School District of Chilton's Response to Findings

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

Purpose of this Report

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

HAWKINS ASH CPAS, LLP

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

Manitowoc, Wisconsin
October 17, 2017



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

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

Report on Compliance for Each Major State Program

We have audited the School District of Chilton's compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the School District of Chilton's major state programs for the year ended June 30, 2017. The School District of Chilton's major state programs are identified in the accompanying summary of auditors' results.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of Chilton's major state programs based on our audit of the types of requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the School District of Chilton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the School District of Chilton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the School District of Chilton is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the School District of Chilton's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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 School District of Chilton's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a major 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 major 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 major state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
October 17, 2017

SCHOOL DISTRICT OF CHILTON
SUMMARY OF AUDITORS' RESULTS
 JUNE 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

| | | |
|----------------------------------------------------------------------------------|-----------|---------------------|
| Material weakness identified? | _____ Yes | _X_ No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | _X_ Yes | _____ None reported |
| Noncompliance material to the financial statements? | _____ Yes | _X_ No |

State Assistance

Internal control over financial reporting:

| | | |
|----------------------------------------------------------------------------------|-----------|-------------------|
| Material weakness identified? | _____ Yes | _X_ No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | _____ Yes | _X_ None reported |

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

Any audit findings disclosed that are required to be reported in accordance with *Wisconsin Public School District Manual*?

| | | |
|--|-----------|--------|
| | _____ Yes | _X_ No |
|--|-----------|--------|

Identification of major state programs:

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

Section II - Financial Statement Findings and Questioned Costs

2017-001 - Segregation of Duties

Program: District-Wide

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

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

Questioned Costs: Not applicable.

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

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

Information: Systemic problem.

SCHOOL DISTRICT OF CHILTON
SUMMARY OF AUDITORS' RESULTS - Continued
JUNE 30, 2017

Prior Year Finding: This was a prior year audit finding numbered 2016-001.

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

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

2017-002 - Preparation of Financial Statements

Program: District-Wide

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

Condition: Personnel cannot prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

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

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

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding numbered 2016-002.

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

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

2017-003 - Significant Audit Adjustments

Program: District-Wide

Criteria: Generally accepted accounting principles.

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

Questioned Costs: Not applicable.

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

SCHOOL DISTRICT OF CHILTON
SUMMARY OF AUDITORS' RESULTS - Continued
JUNE 30, 2017

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

Information: Isolated instances.

Prior Year Finding: This was a prior year audit finding numbered 2016-003.

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

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

Section III - State Award Findings and Questioned Costs

None

Chilton Public Schools



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Susan Kaphingst, Superintendent
Dawn Bartel, Administrative Assistant

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN JUNE 30, 2017

Summary Schedule of Prior Audit Findings

2016-001 Segregation of Duties - Repeat. Initially occurred 6/30/12.
2016-002 Preparation of Financial Statements - Repeat. Initially occurred 6/30/11.
2016-003 Significant Audit Adjustments - Repeat. Initially occurred 6/30/15.

Corrective Action Plan

2017-001 - Segregation of Duties - Contact: Mandy Potratz, Business Manager. Completion date: N/A. The segregation of duties weakness is impractical to completely correct due to the limited resources and staff available to our District. We will continue to use other controls, where practical, to compensate for this limitation.

2017-002 - Preparation of Financial Statements - Contact: Mandy Potratz, Business Manager. Completion date: N/A. Due to the complexities of governmental reporting in accordance with GAAP, i.e. financial statements and related disclosure reporting, District management has weighed the cost benefit of training current staff or hiring a Certified Public Accountant on staff for the purposes of preparing the external financial statements in accordance with GAAP. District management has concluded to outsource the preparation of the external financial statements and related disclosures to their certified public accounting firm, which is an acceptable practice according to *Government Auditing Standards*. District management will review and approve the externally prepared financial statements.

2017-003 - Significant Audit Adjustments - Contact: Mandy Potratz, Business Manager. Completion date: June 30, 2018. The District will improve its financial reporting internal controls by reconciling accounts on a recurring basis to prevent significant audit adjustments. District management will review and approve the audit adjustments.