

**SCHOOL DISTRICT OF ELMBROOK
BROOKFIELD, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
June 30, 2017

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 8
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11 - 12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13 - 14
Statement of Net Position - Fiduciary Funds	15
Statement of Changes in Net Position - Fiduciary Funds	16
Notes to Basic Financial Statements	17 - 40
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary Basis	41
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Fund - Budgetary Basis	42
Schedule of Changes in Net OPEB Liability and Related Ratios	43
Schedule of Employer Contributions - Other Post-Employment Benefits	44
Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System	45
Schedule of Contributions - Wisconsin Retirement System	45
Notes to Required Supplementary Information	46 - 47
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	48 - 49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	50 - 51
Schedule of Changes in Assets and Liabilities - Pupil Activity Funds	52

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
June 30, 2017

Table of Contents

	<u>Page No.</u>
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
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 <i>Government Auditing Standards</i>	53 - 54
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	
Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	55 - 56
Schedule of Expenditures of Federal Awards	57 - 58
Schedule of State Financial Assistance	59
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	60
Schedule of Findings and Questioned Costs	61 - 63
Schedule of Prior Year Audit Findings and Corrective Action Plan	64

INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Elmbrook
Brookfield, 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 Elmbrook, Brookfield, Wisconsin (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Change in Accounting Principle

As discussed in Note C.1 the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 41 through 45 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Report on Summarized Financial Information

We have previously audited the District's 2016 financial statements, and our report dated January 5, 2017, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
December 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

June 30, 2017

As management of the School District of Elmbrook, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

Financial Highlights

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources as of June 30, 2017 by \$75,138,468 (*net position*).

As of June 30, 2017, unassigned fund balance for the general fund was \$13,872,268 or approximately 15% of total general fund expenditures.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave.)

Both the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through use fees and charges (*business-type activities*). The governmental activities include the District's basic services, such as regular and special education and various support services. The District has no business-type activities.

The district-wide financial statements can be found on pages 9 - 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and referendum debt service fund, each of which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

Fiduciary Funds. The District has custodial responsibilities to maintain funds held for the use of various student organizations and the private purpose trust fund. The District's fiduciary activities are reported in a separate statement of net position and changes in net position on pages 15 - 16 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 - 40 of this report.

Required supplemental information. The District adopts an annual appropriated budget for all its governmental funds. As part of the required supplemental information, budgetary comparison statements have been provided for the general fund and for each individual, major special revenue fund to demonstrate compliance with the budget. The budgetary comparison statements and the pension and other post-employee benefit schedules can be found on pages 41 - 47.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 48 - 52.

District-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$75,138,468 as of June 30, 2017.

School District of Elmbrook's Net Position		
	2017	2016
Current and other assets	\$ 46,074,541	\$ 42,898,977
Capital assets	98,635,062	98,978,832
Total assets	144,709,603	141,877,809
Deferred outflows of resources		
Deferred charge on advance refunding	1,213,956	960,098
Pension plan	20,199,298	30,460,840
Other post-employment benefits	6,478	-
Total deferred outflows of resources	21,419,732	31,420,938
Long-term liabilities outstanding	70,659,868	76,674,712
Other liabilities	11,086,345	11,322,089
Total liabilities	81,746,213	87,996,801
Deferred inflows of resources		
Pension plan	8,936,576	11,992,027
Other post-employment benefits	308,078	-
Total deferred outflows of resources	9,244,654	11,992,027
Net position		
Net investment in capital assets	43,054,319	39,125,888
Restricted	1,627,354	1,597,642
Unrestricted	30,456,795	32,586,389
Total net position	\$ 75,138,468	\$ 73,309,919

The District reported a net pension liability of \$2,841,597 as of June 30, 2017 for its proportionate share of the Wisconsin Retirement System pension liability as of December 31, 2016, compared to a net pension liability of \$5,697,262 for the prior year. Changes in the District's proportionate share are reported as deferred outflows and inflows and amortized over a period to time to net position. Additional information on the pension plan is reported in note B.7 to the financial statements.

By far the largest portion of the District's net position (57%), reflects its investment in capital assets (e.g. land, building, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is \$30,456,795.

Change in net position. The District's net position increased by \$1,918,411 exclusive of the cumulative effect of change in accounting principle. Key elements of this increase are as follows:

School District of Elmbrook Change in Net Position		
	2017	2016
Revenues		
Program revenues		
Charges for services	\$ 10,021,661	\$ 9,983,025
Operating grants and contributions	6,890,608	9,817,238
Capital grants and contributions	-	-
General revenues		
Property taxes	77,190,101	76,193,176
Other taxes	19,758	10,536
Grants and contributions not restricted to specific programs	5,470,153	3,367,058
Other	939,063	754,483
Total Revenues	100,531,344	100,125,516
Expenses		
Instruction	57,266,261	57,779,747
Support service	38,606,624	41,134,936
Interest and fiscal charges	1,827,014	2,186,384
Non-program	913,034	-
Total expenses	98,612,933	101,101,067
Change in net position	1,918,411	(975,551)
Cumulative effect of change in accounting principle	(89,862)	-
Prior period adjustment	-	(2,085,894)
Net position - July 1	73,309,919	76,371,364
Net position - June 30	\$ 75,138,468	\$ 73,309,919

The increase in net position is due primarily to changes related to the District implementing GASB Statements No 74 and 75, which changed the way they record and accounting for their other post-employment benefits and a significant decrease in operating and maintenance of plant expenditures in the support services function.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$35,376,099, an increase of \$3,368,488 in comparison to the prior year. Approximately 39% of this amount (\$13,872,268) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. In addition fund balance is restricted to indicate that it is not available for new spending because it has already been restricted 1) for retirement of long-term debt (\$1,341,300), 2) expendable gifts (\$281,219), 3) food service (\$272,056), 4) community services (\$119,098) and 5) capital improvements (\$3,604,756).

The general fund is the main operating fund of the District. At the end of the current year, unassigned fund balance of the general fund was \$13,872,268. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Total fund balance represents 33% of the total general fund expenditures.

The fund balance of the District's general fund increased by \$1,586,871 during the current year while the final budget expected an increase of \$500,000.

The referendum debt service fund has a total fund balance of \$1,240,126. The entire balance is restricted for retirement of long term obligations and related interest.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities of June 30, 2017 amounts to \$98,635,062 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and machinery and equipment, decreased \$343,770 during the year.

Long term debt. At the end of the current fiscal year, the District had a total general obligation debt outstanding of \$59,760,000.

School District of Elmbrook's Outstanding Debt		
General Obligation Debt		
	2017	2016
General obligation debt		
Bonds	\$ 49,500,000	\$ 52,730,000
Notes	10,260,000	8,205,000
Total general obligation debt	<u>\$ 59,760,000</u>	<u>\$ 60,935,000</u>

The District's general obligation debt decreased by \$1,175,000 during the current fiscal year.

The District maintains an A1 rating from Moody's Investors Service for its general obligation debt.

State statutes limit the amount of general obligation debt the District may issue to 10% of its total equalized valuation. The current debt limitation for the District is \$804,330,223, which is significantly in excess of the District's \$59,760,000 in outstanding general obligation debt.

Factors Bearing on the District's Future

Since the 2012-13 school year, the School District of Elmbrook has consistently seen gains in annual enrollment. This growth is happening in a time where the district is no longer accepting pupils through the State Integration Program and on a very rare case still accepting pupil through the Open Enrollment program. The majority of growth since this time is due to resident enrollment increasing over that same time period. A five-year financial planning process aligned to the District's five-year strategic planning process assists in making sound long-term decisions.

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contract the Assistant Superintendent for Finance and Operations at (262) 781-3030.

Additional information about the District and its services can also be found on the District's website at <http://www.elmbrookschoools.org>.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Statement of Net Position

June 30, 2017

(With summarized financial information as of June 30, 2016)

	Governmental Activities	
	2017	2016
ASSETS		
Cash and investments	\$ 24,283,617	\$ 20,106,194
Receivables		
Taxes	19,316,319	19,116,933
Accounts	36,167	127,762
Due from other governments	2,346,618	3,512,764
Inventory	3,802	6,860
Prepaid items	87,518	1,962
Other assets	500	26,502
Capital Assets		
Land	2,054,466	2,054,466
Buildings	149,783,214	145,688,817
Equipment	11,737,512	11,802,194
Construction work in progress	-	925,670
Less: Accumulated depreciation	(64,940,130)	(61,492,315)
TOTAL ASSETS	144,709,603	141,877,809
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on advance refunding	1,213,956	960,098
Deferred outflows related to pension plan	20,199,298	30,460,840
Deferred outflows related to other post-employment benefits	6,478	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,419,732	31,420,938
LIABILITIES		
Accounts payable	323,629	625,812
Accrued payroll liabilities	8,893,697	8,788,763
Claims payable	1,015,902	1,281,000
Accrued interest payable	387,903	430,723
Due to other governments	310,560	39,496
Unearned revenues	154,641	156,282
Other fund liabilities	13	13
Long-term Obligations		
Due within one year	5,412,253	4,990,409
Due in more than one year	55,197,091	56,772,469
Other post-employment benefits liability	7,208,927	9,214,572
Net pension liability	2,841,597	5,697,262
TOTAL LIABILITIES	81,746,213	87,996,801
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension plan	8,936,576	11,992,027
Deferred inflows related to other post-employment benefits	308,078	-
TOTAL DEFERRED INFLOWS OF RESOURCES	9,244,654	11,992,027
NET POSITION		
Net investment in capital assets	43,054,319	39,125,888
Restricted for		
Debt service	953,397	997,649
Expendable gifts	281,219	293,588
Food service	273,640	204,154
Community service	119,098	102,251
Unrestricted	30,456,795	32,586,389
TOTAL NET POSITION	\$ 75,138,468	\$ 73,309,919

The notes to the basic financial statements are an integral part of this statement.

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Statement of Activities

For the Year Ended June 30, 2017

(With summarized financial information for the year ended June 30, 2016)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	2017	2016
Governmental Activities					
Regular instruction	\$ 39,488,906	\$ 3,133,576	\$ 991,896	\$ (35,363,434)	\$ (33,590,122)
Vocational instruction	1,809,460	68,579	2,741	(1,738,140)	(1,749,964)
Special education instruction	12,144,497	2,055,278	4,137,373	(5,951,846)	(5,306,631)
Other instruction	3,823,398	630,051	99,707	(3,093,640)	(2,785,179)
Total Instruction	57,266,261	5,887,484	5,231,717	(46,147,060)	(43,431,896)
Support Services					
Pupil services	5,341,251	172,994	40,904	(5,127,353)	(4,914,345)
Instructional staff services	4,421,252	272,149	902,288	(3,246,815)	(3,042,513)
General administration services	1,520,858	-	7,625	(1,513,233)	(1,649,978)
School administration services	3,676,007	181,851	26,875	(3,467,281)	(3,582,069)
Business services	1,241,713	-	-	(1,241,713)	(1,485,307)
Operation and maintenance of plant	12,131,748	36	70,415	(12,061,297)	(11,716,904)
Pupil transportation services	3,836,973	508,603	23,560	(3,304,810)	(3,311,205)
Food services	2,777,653	2,468,999	480,347	171,693	60,648
Central services	2,619,310	116,424	-	(2,502,886)	(3,410,424)
Insurance	880,023	-	-	(880,023)	(919,470)
Other support services	159,836	-	3,446	(156,390)	(1,710,957)
Total Support Services	38,606,624	3,721,056	1,555,460	(33,330,108)	(35,682,524)
Interest and fiscal charges	1,827,014	-	103,431	(1,723,583)	(2,186,384)
Non-program					
General tuition payments	763,296	-	-	(763,296)	-
Special education tuition payments	82,861	-	-	(82,861)	-
Revenue transits to others	-	413,121	-	413,121	-
Adjustments and refunds	66,877	-	-	(66,877)	-
Total Non-program	913,034	413,121	-	(499,913)	-
Total Governmental Activities	\$ 98,612,933	\$ 10,021,661	\$ 6,890,608	\$ (81,700,664)	\$ (81,300,804)
General revenues					
Property taxes, levied for general purposes				70,563,554	69,805,587
Property taxes, levied for debt service				6,253,946	6,017,751
Property taxes, levied for community services				372,601	369,838
Other taxes				19,758	10,536
State and federal aids not restricted to specific functions				5,470,153	3,367,058
Interest and investment earnings				152,479	55,505
Gain on sale of capital assets				16,367	225,543
Miscellaneous				770,217	473,435
Total General Revenues				83,619,075	80,325,253
Change in net position				1,918,411	(975,551)
Net position - July 1				73,309,919	74,285,470
Cumulative effect of change in accounting principle				(89,862)	-
Net position - July 1, as restated				73,220,057	74,285,470
Net position - June 30				\$ 75,138,468	\$ 73,309,919

The notes to the basic financial statements are an integral part of this statement.

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	General Fund	Referendum Debt Service	Other Governmental Funds	Total Governmental Funds	
				2017	2016
ASSETS					
Cash and investments	\$ 18,614,533	\$ 1,240,126	\$ 4,428,958	\$ 24,283,617	\$ 20,106,194
Receivables					
Taxes	19,316,319	-	-	19,316,319	19,116,933
Accounts	19,447	-	16,720	36,167	127,762
Due from other governments	2,303,379	-	43,239	2,346,618	3,512,764
Inventory	2,474	-	1,328	3,802	6,860
Prepaid items	87,262	-	256	87,518	1,962
Other assets	500	-	-	500	26,502
TOTAL ASSETS	\$ 40,343,914	\$ 1,240,126	\$ 4,490,501	\$ 46,074,541	\$ 42,898,977
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 320,368	\$ -	\$ 3,261	\$ 323,629	\$ 625,812
Accrued payroll liabilities	8,893,697	-	-	8,893,697	8,788,763
Claims payable	1,015,902	-	-	1,015,902	1,281,000
Due to other governments	310,560	-	-	310,560	39,496
Unearned revenues	47,288	-	107,353	154,641	156,282
Other fund liabilities	13	-	-	13	13
Total Liabilities	10,587,828	-	110,614	10,698,442	10,891,366
Fund Balances					
Nonspendable					
Inventory and prepaid items	89,736	-	1,584	91,320	8,822
Restricted					
Debt service	-	1,240,126	101,174	1,341,300	1,428,372
Expendable gifts	-	-	281,219	281,219	293,588
Food service	-	-	272,056	272,056	203,005
Community services	-	-	119,098	119,098	102,251
Capital improvements	-	-	3,604,756	3,604,756	1,810,031
Committed	2,800,000	-	-	2,800,000	2,800,000
Assigned	12,994,082	-	-	12,994,082	11,407,211
Unassigned	13,872,268	-	-	13,872,268	13,954,331
Total Fund Balances	29,756,086	1,240,126	4,379,887	35,376,099	32,007,611
TOTAL LIABILITIES AND FUND BALANCES	\$ 40,343,914	\$ 1,240,126	\$ 4,490,501	\$ 46,074,541	\$ 42,898,977

(Continued)

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Balance Sheet (Continued)

Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	2017	2016
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances from previous page	\$ 35,376,099	\$ 32,007,611
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	98,635,062	98,978,832
The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Deferred outflows of resources - pension plan	20,199,298	30,460,840
Net pension liability	(2,841,597)	(5,697,262)
Deferred inflows of resources - pension plan	(8,936,576)	(11,992,027)
The Districts other post employment benefit liability, and related outflows and inflows of resources are not available financial resources; therefore, they are not reported in the fund financial statements:		
Deferred outflows related to other post-employment benefits	6,478	-
Other post-employment benefits	(7,208,927)	(9,214,572)
Deferred inflows related to other post-employment benefits	(308,078)	-
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(59,760,000)	(60,935,000)
Premium on debt issuance	(574,882)	(502,660)
Compensated absences	(238,905)	(214,430)
Capital lease	(35,557)	(110,788)
Accrued interest on long-term obligations	(387,903)	(430,723)
Deferred charge on advance refunding	1,213,956	960,098
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 9)	<u>\$ 75,138,468</u>	<u>\$ 73,309,919</u>

The notes to the basic financial statements are an integral part of this statement.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017
 (With summarized financial information for the year ended June 30, 2016)

	General	Referendum Debt Service	Other Governmental Funds	Total Governmental Funds	
				2017	2016
Revenues					
Property taxes	\$ 70,563,554	\$ 4,845,491	\$ 1,408,455	\$ 76,817,500	\$ 75,823,338
Other local sources	2,756,487	9,764	3,250,221	6,016,472	5,896,922
Interdistrict sources	4,471,674	-	-	4,471,674	4,978,703
Intermediate sources	1,594	-	-	1,594	22,015
State sources	11,350,108	-	19,407	11,369,515	10,455,796
Federal sources	2,270,045	-	460,940	2,730,985	2,894,686
Other sources	745,739	-	110,539	856,278	473,433
Total Revenues	92,159,201	4,855,255	5,249,562	102,264,018	100,544,893
Expenditures					
Instruction					
Regular instruction	38,421,986	-	145,268	38,567,254	38,945,139
Vocational instruction	1,742,101	-	15,768	1,757,869	1,814,198
Special education instruction	11,173,062	-	-	11,173,062	11,278,452
Other instruction	3,601,977	-	91,660	3,693,637	3,486,251
Total Instruction	54,939,126	-	252,696	55,191,822	55,524,040
Support Services					
Pupil services	5,113,076	-	2,467	5,115,543	5,001,102
Instructional staff services	4,162,197	-	50,644	4,212,841	4,383,892
General administration services	1,474,906	-	-	1,474,906	1,624,905
School administration services	3,460,395	-	12,530	3,472,925	3,700,484
Business services	1,200,060	-	-	1,200,060	1,448,051
Operation and maintenance of plant	10,119,985	-	2,039,923	12,159,908	14,977,889
Pupil transportation services	3,795,525	-	17,739	3,813,264	3,785,876
Food services	-	-	2,703,389	2,703,389	2,855,469
Central services	2,391,958	-	-	2,391,958	3,805,875
Insurance	850,618	-	26,361	876,979	914,585
Other support services	1,041,036	-	13,192	1,054,228	1,716,109
Total Support Services	33,609,756	-	4,866,245	38,476,001	44,214,237
Debt Service					
Principal	75,231	3,405,000	1,230,000	4,710,231	4,376,472
Interest	7,257	1,555,788	281,537	1,844,582	2,086,274
Payments to escrow agent	-	61,826	-	61,826	-
Total Debt Service	82,488	5,022,614	1,511,537	6,616,639	6,462,746
Non-program					
General tuition payments	886,089	-	-	886,089	850,568
Co-curricular cooperative program charges	-	-	-	-	536,867
Special education tuition payments	434,614	-	-	434,614	649,505
Revenue transits to others	471,932	-	-	471,932	-
Adjustments and refunds	66,331	-	546	66,877	17,073
Other non-program	82,861	-	-	82,861	10,821
Total Non-program	1,941,827	-	546	1,942,373	2,064,834
Total Expenditures	90,573,197	5,022,614	6,631,024	102,226,835	108,265,857
Excess of Revenues Over (Under) Expenditures	1,586,004	(167,359)	(1,381,462)	37,183	(7,720,964)
Other Financing Sources (Uses)					
Long-term debt issued	-	6,760,000	3,235,000	9,995,000	9,995,000
Premium and accrued interest from debt refinancing	-	131,206	9,904	141,110	92,255
Payments to escrow agent	-	(6,821,172)	-	(6,821,172)	(7,712,255)
Sale of capital assets	300	-	15,500	15,800	30,085
Insurance recoveries	567	-	-	567	195,458
Total Other Financing Sources (Uses)	867	70,034	3,260,404	3,331,305	2,600,543
Net Change in Fund Balances	1,586,871	(97,325)	1,878,942	3,368,488	(5,120,421)
Fund Balances - July 1	28,169,215	1,337,451	2,500,945	32,007,611	37,128,032
Fund Balances - June 30	\$ 29,756,086	\$ 1,240,126	\$ 4,379,887	\$ 35,376,099	\$ 32,007,611

(Continued)

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended June 30, 2017
 (With summarized financial information for the year ended June 30, 2016)

	2017	2016
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ 3,368,488	\$ (5,120,421)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 3,828,204	
Depreciation expense reported in the statement of activities	<u>(4,158,398)</u>	
Amount in which depreciation is greater than capital outlays	(330,194)	4,129,552
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.	(13,576)	(309)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits (increased) decreased by:	(24,475)	1,716,007
Change in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	(4,350,426)	(3,601,742)
Change in the net OPEB liability and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	1,793,907	-
The issuance of long-term debt (e.g., bonds) provide current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premium, discounts, losses on advance refundings, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Long-term debt issued	\$ (9,995,000)	
Principal paid on long-term debt	11,170,000	
Payment on capital lease	75,231	
Change in interest accrued on long-term debt	42,820	
Change in premium on long-term debt	(72,222)	
Change in deferred charges on advanced refunding of long-term debt	<u>253,858</u>	
	1,474,687	1,901,362
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 10)	<u>\$ 1,918,411</u>	<u>\$ (975,551)</u>

The notes to the basic financial statements are an integral part of this statement.

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Statement of Net Position

Fiduciary Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Funds	Total Fiduciary Funds	
				2017	2016
ASSETS					
Cash and cash equivalents	\$ 19,150	\$ 5,323,503	\$ 433,396	\$ 5,776,049	\$ 7,833,591
TOTAL ASSETS	19,150	5,323,503	433,396	5,776,049	7,833,591
LIABILITIES					
Accounts payable	-	28,389	-	28,389	3,474
Health benefits deposits payable	-	5,037,902	-	5,037,902	7,113,895
Due to student organizations	-	-	433,396	433,396	351,198
TOTAL LIABILITIES	-	5,066,291	433,396	5,499,687	7,468,567
NET POSITION					
Restricted for					
Employee benefits	-	257,212	-	257,212	345,299
Scholarships	19,150	-	-	19,150	19,725
TOTAL NET POSITION	\$ 19,150	\$ 257,212	\$ -	\$ 276,362	\$ 365,024

The notes to the basic financial statements are an integral part of this statement.

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Statement of Changes in Net Position**Fiduciary Funds**

For the Year Ended June 30, 2017

(With summarized financial information for the year ended June 30, 2016)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2017	2016
ADDITIONS				
Other local sources	\$ 107	\$ 665	\$ 772	\$ 1,448
Other	-	2,072,063	2,072,063	4,462,671
Total Additions	107	2,072,728	2,072,835	4,464,119
DEDUCTIONS				
Trust fund disbursements	682	2,160,815	2,161,497	9,851,982
Change in Net Position	(575)	(88,087)	(88,662)	(5,387,863)
Net Position - July 1	19,725	345,299	365,024	5,752,887
Net Position - June 30	\$ 19,150	\$ 257,212	\$ 276,362	\$ 365,024

The notes to the basic financial statements are an integral part of this statement.

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital project funds. The District has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

REFERENDUM DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the government reports the following fund types:

The *private-purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.

The *employee benefit trust fund* is used to account for resources legally held in trust for other post-employment benefits.

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

b. Accounts Receivable

Accounts receivable are recorded at gross amount 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 to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is reduced as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental fund types in the fund financial statements are offset by nonspendable fund balance accounts to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items, and are accounted for on the consumption method.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance accounts to indicate that they do not represent spendable available financial resources.

f. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Governmental Activities Years
<u>Assets</u>	
Site improvements	20
Buildings	45
Furniture and equipment	5 - 20
Computer and related technology	5

g. Compensated Absences

The District allows employees to earn vacation pay for each year employed in accordance with District policies. Upon retirement or termination of employment, the employee is entitled to use accumulated vacation days until the vested amount is exhausted. All vacation is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualifies for reporting in this category.

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Deferred Outflows/Inflows of Resources (continued)

The first is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The third is related to the other post-employment benefit plan and is deferred and amortized over the expected remaining lives of the plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has two items that qualify for reporting in this category. The first item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The second item is related to the other post-employment benefit plan and is deferred and amortized over the expected remaining lives of the plan participants.

i. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond. Issuance costs are expensed during the current period.

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

j. Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

k. Pension

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.

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance** - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted fund balance** - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- **Assigned fund balance** - Amounts that are constrained for specific purposes by action of District management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- **Unassigned fund balance** - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

DISTRICT-WIDE STATEMENTS

Equity is classified as net position and displayed in three components:

- **Net investment in capital assets** - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- **Restricted net position** - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - Net position that is neither classified as restricted nor as net investment in capital assets.

5. Use of Estimates

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

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the governments' financial statements for the year ended June 30, 2016, from which the summarized information was derived.

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The debt service fund accounts for its transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the fiduciary funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act."

The carrying amount of the District's cash and investments totaled \$30,059,935 on June 30, 2017 as summarized below:

Petty cash and cash on hand	\$ 34,205
Deposits with financial institutions	17,624,515
Investments	
Wisconsin investment cooperative series	11,124,553
Local government investment pool	1,276,393
	<u>\$ 30,059,666</u>

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 24,283,617
Fiduciary Funds Statement of Net Position	
Employee benefit trust fund	5,323,503
Private purpose trust fund	19,150
Agency funds	433,396
	<u>\$ 30,059,666</u>

Fair Value Measurements

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 for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments that are subject to fair value measurement.

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings accounts and \$250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposit accounts per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On June 30, 2017 none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Additional types of investments are allowed for the private-purpose trust fund. The District does not have an additional credit risk policy.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Wisconsin investment series cooperative	\$ 11,124,553	\$ -	\$ -	\$ -	\$ 11,124,553
Local government investment pool	1,276,393	-	-	-	1,276,393
Total	<u>\$ 12,400,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,400,946</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the table on the following page that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin investment					
series cooperative	\$ 11,124,553	\$ 11,124,553	\$ -	\$ -	\$ -
Local government investment pool	1,276,393	1,276,393	-	-	-
	<u>\$ 12,400,946</u>	<u>\$ 12,400,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$11,124,553 at year end consisting of \$713,543 invested in the Cash Management Series and \$10,411,010 invested in the Investment Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

Investment in Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$1,276,393 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

2. Property Taxes

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

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,054,466	\$ -	\$ -	\$ 2,054,466
Construction in progress	925,670	1,463,888	2,389,558	-
Subtotals	2,980,136	1,463,888	2,389,558	2,054,466
Capital assets, being depreciated:				
Buildings	145,688,817	4,101,839	7,442	149,783,214
Equipment	11,802,194	652,035	716,717	11,737,512
Subtotals	157,491,011	4,753,874	724,159	161,520,726
Less accumulated depreciation:	61,492,315	4,158,398	710,583	64,940,130
Total capital assets, being depreciated, net	95,998,696	595,476	13,576	96,580,596
Governmental activities capital assets, net	<u>\$ 98,978,832</u>	<u>\$ 2,059,364</u>	<u>\$ 2,403,134</u>	98,635,062
Less related long-term debt outstanding				<u>55,580,743</u>
Net investment in capital assets				<u>\$ 43,054,319</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities	
Instruction	\$ 428,794
Support services	3,729,604
Total depreciation expense - governmental activities	<u>\$ 4,158,398</u>

4. Short-term Obligations

The District and the City of Brookfield entered into a Taxable Tax and Revenue Anticipation Promissory Note (the "Note") dated December 23, 2016 for working capital and operational cash flow needs until the District received its first installment of its property tax levy in January. The Note's accrued interest at a fixed rate of 0.90% per annum until paid with a maturity date of January 17, 2017.

Short-term debt activity for the year ended June 30, 2017 was as follows:

Outstanding 7/1/2016	Issued	Retired	Outstanding 6/30/2017
\$ -	\$ 4,000,000	\$ 4,000,000	\$ -

Interest paid for the year ended June 30, 2017 was \$2,400.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2017:

	Outstanding 7/1/2016	Issued	Retired	Outstanding 6/30/2017	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 52,730,000	\$ 6,760,000	\$ 9,990,000	\$ 49,500,000	\$ 3,550,000
Notes	8,205,000	3,235,000	1,180,000	10,260,000	1,505,000
Total General Obligation Debt	60,935,000	9,995,000	11,170,000	59,760,000	5,055,000
Premium on debt issuance	502,660	141,110	68,888	574,882	82,791
Capital lease	110,788	-	75,231	35,557	35,557
Compensated Absences	214,430	238,905	214,430	238,905	238,905
Governmental activities					
Long-term obligations	<u>\$ 61,762,878</u>	<u>\$ 10,375,015</u>	<u>\$ 11,528,549</u>	<u>\$ 60,609,344</u>	<u>\$ 5,412,253</u>

Total interest paid during the year on long-term debt totaled \$1,763,782.

Advance Refunding

During 2017, the District advance refunded certain maturities from its March 2, 2009 general obligation bonds. The District issued \$6,760,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 8 years by \$371,342 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$340,202.

At June 30, 2017, \$34,715,000 of outstanding general obligation bonds are considered defeased as follows:

Maturity Date	General Obligation Bonds		Total
	July 14, 2008	March 2, 2009	
4/1/2020	\$ 1,380,000	\$ -	\$ 1,380,000
4/1/2021	1,665,000	1,095,000	2,760,000
4/1/2022	1,740,000	2,035,000	3,775,000
4/1/2023	1,820,000	2,130,000	3,950,000
4/1/2024	1,905,000	2,235,000	4,140,000
4/1/2025	1,995,000	2,345,000	4,340,000
4/1/2026	2,090,000	2,465,000	4,555,000
4/1/2027	2,195,000	2,590,000	4,785,000
4/1/2028	2,305,000	2,725,000	5,030,000
	<u>\$ 17,095,000</u>	<u>\$ 17,620,000</u>	<u>\$ 34,715,000</u>
Call date	4/1/2018	4/1/2019	

Qualified School Construction Bonds (QSCB)

The District issued \$2,115,000 Qualified School Construction Bonds (QSCB) dated February 11, 2011. The QSCB program, created by the American Recovery and Reinvestment Act (Recovery Act), rebates interest costs associated with financing school renovations and new construction. While the District expects the QACB program to continue, future changes in the law may reduce or eliminate these credits. The District received \$103,431 from the United States Treasury during 2017.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$31,000,000 issued 7/14/08; \$220,000 to \$1,530,000 due annually through 2020; interest rate 4.000% to 4.375%	\$ 3,220,000
\$31,190,000 issued 3/2/09; \$850,000 to \$1,855,000 due annually through 2024; interest rate 3.000% to 4.000%	6,205,000
\$785,000 issued 2/15/11; \$50,000 to \$220,000 due annually through 2022; interest rate 3.000% to 4.000%	440,000
\$2,115,000 issued 2/15/11; \$2,115,000 due in 2024 with mandatory sinking fund deposits of \$195,000, \$960,000 and \$960,000 due from 2022 to 2024; interest rate 5.250%	2,115,000
\$9,540,000 issued 12/19/13; \$120,000 to \$2,325,000 due annually through 2028; interest rate 2.000% to 3.050%	9,335,000
\$10,000,000 issued 4/1/14; \$15,000 to \$1,935,000 due annually through 2025; interest rate 1.000% to 2.625%	9,405,000
\$4,550,000 issued 6/18/15; \$35,000 to \$2,720,000 due annually through 2028; interest rate 2.000% to 2.750%	4,480,000
\$7,620,000 issued 5/3/16; \$80,000 to \$2,445,000 due annually through 2027; interest rate 1.500% to 2.000%	7,540,000
\$6,760,000 issued 4/10/17; \$65,000 to \$2,120,000 due annually through 2024; interest rate 2.000% to 2.500%	6,760,000
Total Bonds	49,500,000

Notes

\$5,230,000 issued 6/18/15; \$580,000 to \$1,095,000 due annually through 2022; interest rate 2.000%	4,140,000
\$1,510,000 issued 6/18/15; \$495,000 to \$510,000 due annually through 2018; interest rate 0.600% to 2.000%	510,000
\$2,375,000 issued 5/3/16; \$170,000 to \$470,000 due annually from 2019 through 2024; interest rate 1.500% to 2.000%	2,375,000
\$3,235,000 issued 4/10/17; \$275,000 to \$365,000 due annually through 2027; interest rate 1.500% to 2.550%	3,235,000
Total Notes	10,260,000

Total Outstanding General Obligation Debt **\$ 59,760,000**

Annual principal and interest maturities of the outstanding general obligation debt of \$59,760,000 on June 30, 2017 are detailed below:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2018	\$ 5,055,000	\$ 1,593,590	\$ 6,648,590
2019	5,260,000	1,426,369	6,686,369
2020	5,430,000	1,272,763	6,702,763
2021	5,765,000	1,113,338	6,878,338
2022	5,905,000	967,729	6,872,729
2023-2027	27,300,000	2,778,885	30,078,885
2028	5,045,000	145,713	5,190,713
	\$ 59,760,000	\$ 9,298,386	\$ 69,058,386

For the governmental activities, the other long-term liabilities are generally liquidated by the general fund.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2017 was \$745,150,060 as follows:

Equalized valuation of the County	\$ 8,043,302,233
Statutory limitation percentage	(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	804,330,223
Total outstanding general obligation debt applicable to debt limitation	\$ 59,760,000
Less: Amounts available for financing general obligation debt	
Debt service fund, less interest of \$761,463 due October 1	579,837
Net outstanding general obligation debt applicable to debt limitation	59,180,163
Legal Margin for New Debt	<u>\$ 745,150,060</u>

Capital lease obligation

As of June 30, 2017, the District had assets held under several capital lease obligations. Included in equipment are the following assets held under capital leases as of June 30, 2017:

Equipment	\$ 1,683,747
Less accumulated depreciation	(1,536,617)
	<u>\$ 147,130</u>

Future minimum lease payments for assets held under capital leases are as follows:

	Year Ending June 30,	Amount
Total Minimum lease payments	2018	\$ 37,002
Less: Amount representing interest		1,445
Present value of future minimum lease payments		<u>\$ 35,557</u>

6. Operating lease agreements

The District has entered into lease agreements for copiers, computers, vehicles and space. Total costs for such leases were approximately \$320,000 in the year ended June 30, 2017. The future minimum lease payments under these operating leases at June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	\$ 324,443
2019	324,443
2020	315,923
2021	197,067
2022	175,000
	<u>\$ 1,336,876</u>

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

7. Pension Liability

a. Pension Plan - Wisconsin Retirement System (WRS)

1. Plan Description

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

b. 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)

c. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee category. Required contributions for protective employees are the same rate as 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 \$3,254,796 in contributions from the District.

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

At June 30, 2017, the District reported a liability of \$2,841,597 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.34475407%, which was a decrease of 0.00585085% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$7,408,109.

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	\$ 1,083,501	\$ 8,936,576
Net differences between projected and actual earnings on pension plan investments	14,144,568	-
Changes in assumptions	2,970,999	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	304,925	-
Employer contributions subsequent to the measurement date	1,695,305	-
Total	<u>\$ 20,199,298</u>	<u>\$ 8,936,576</u>

The \$1,695,305 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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 ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 6,717,580	\$ 2,853,131
2018	6,717,580	2,853,131
2019	5,501,735	2,853,131
2020	(439,193)	377,183
2021	6,291	-
Total	<u>\$ 18,503,993</u>	<u>\$ 8,936,576</u>

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

e. 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 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. The 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:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class				
Global Equities	50.0%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	16%	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%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

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

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

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 37,383,026	\$ 2,841,597	\$ (23,756,869)

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>.

f. Payable to the WRS

At June 30, 2017, the District reported a payable of \$1,359,219 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

8. Fund Equity

In the fund financial statements, portions of governmental fund balances in the general fund are committed and/or assigned by Board of Education action. At June 30, 2017, fund balance was committed and assigned as follows:

Committed for:	
Self-funded health insurance risk	\$ 1,500,000
Health reimbursement accounts	1,300,000
	<u>\$ 2,800,000</u>
Assigned for:	
Energy return on investment projects	\$ 193,544
HVAC replacement	7,126,500
Central administrative office relocation	3,000,000
Athletic Site Repair/Replacement	2,674,038
	<u>\$ 12,994,082</u>

Minimum Fund Balance Policy

The Board of Education has adopted a policy that fund balance in the amount of 15% of general fund, special education fund, food service fund, and community service fund subsequent year budgeted expenditures, less transfers between funds, be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2017-2018 Expenditures (less transfers)	\$96,617,894
Minimum Fund Balance %	15%
Minimum Fund Balance Amount	<u>\$14,492,684</u>

The District's unassigned general fund balance of \$13,872,268 is less than the amount noted above. The District considers the minimum fund balance calculated above to be a target and is working towards achieving the balance.

NOTE C - OTHER INFORMATION

1. Other Postemployment Benefits Other Than Pension Benefits (OPEB)

The District has adopted GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2017. These statements revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended June 30, 2016 have not been restated.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

The cumulative effect of this change was to decrease the June 30, 2016 net position by \$89,862 as follows:

Other postemployment liability	
Balance previously reported	\$ 9,214,572
Actuarially determined balance	9,304,434
Change in other postemployment liability	<u>\$ (89,862)</u>

a. Plan Description

The Plan is a single-employer defined benefit postemployment health and life insurance plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage and life insurance coverage through the District's group plan. District paid medical benefits and life insurance coverage are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

b. Benefits Provided

The District shall make contributions to individual HRA accounts based upon years of service or pay 75% of the medical premium for the retiree. The District will provide life insurance covers for eligible employees.

c. At June 30, 2017, the following employees were covered by the benefit terms:

Retirees (Medical)	137
Retirees (Life insurance)	641
Active employees	<u>121</u>
	<u>899</u>

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

d. Contributions

Teacher	Age & Years of Service eligibility	52 years old by August 31, 2015; 10 years service
	Benefit retirement eligibility	Up to 5 years health insurance ending at age 65- retiree pays 25% of premium rate at time of retirement; guaranteed for 5 yrs (end 2019-2020 school yr), after 5 years will need to be age 59 & 17 yrs. All staff that are 59 have choose to retire w/ 5 yrs of district health insurance or payment of \$12,000 in HRA for us to 5 yrs or age 65 to max of \$60,000. For those not age 59 after the 5 yrs, at end of year that staff turns 59 yrs old and has 17 yrs they must choose retirement option, once chosen cannot change. Age 58 and 17 years of Elmbrook experience
Administrator	Age & Years of Service eligibility	52 years old by June 30, 2015
	Benefit retirement eligibility	Up to 5 years health insurance ending at age 65- retiree pays 25% of premium rate at time of retirement; guaranteed for 5 yrs (end 2019-2020 school yr), after 5 years will need to be age 59 & 17 yrs. All staff that are 59 have choose to retire w/ 5 yrs of district health insurance or payment of \$12,000 in HRA for us to 5 yrs or age 65 to max of \$60,000. For those not age 59 after the 5 yrs, at end of year that staff turns 59 yrs old and has 17 yrs they must choose retirement option, once chosen cannot change. Age 58 and 17 years of Elmbrook experience
Special Category - Leadership	Age & Years of Service eligibility	52 years old by June 30, 2015; 10 years service
	Benefit retirement eligibility	Up to 5 years health insurance ending at age 65- retiree pays 25% of premium rate at time of retirement; guaranteed for 5 yrs (end 2019-2020 school yr), after 5 years will need to be age 59 & 17 yrs. All staff that are 59 have choose to retire w/ 5 yrs of district health insurance or payment of \$12,000 in HRA for us to 5 yrs or age 65 to max of \$60,000. For those not age 59 after the 5 yrs, at end of year that staff turns 59 yrs old and has 17 yrs they must choose retirement option, once chosen cannot change. Age 58 and 17 years of Elmbrook experience
Special Category - Confidential	Age & Years of Service eligibility	52 years old by June 30, 2015; 10 years service
	Benefit retirement eligibility	Up to 5 years health insurance ending at age 65- retiree pays 25% of premium rate at time of retirement; guaranteed for 3 yrs (end 2019-2020 school yr), after 3 years will need to be age 59 & 17 yrs. All staff that are 59 have choose to retire w/ 5 yrs of district health insurance or payment of \$12,000 in HRA for us to 5 yrs or age 65 to max of \$60,000. For those not age 59 after the 3 yrs, at end of year that staff turns 59 yrs old and has 17 yrs they must choose retirement option, once chosen cannot change. Age 58 and 17 years of Elmbrook experience
Support/ Other	Age & Years of Service eligibility	52 years old by June 30, 2015; 12 years service
	Benefit retirement eligibility	Up to 5 years health insurance ending at age 65- retiree pays 25% of premium rate at time of retirement; guaranteed for 3 yrs (end 2019-2020 school yr), after 3 years will need to be age 59 & 17 yrs. All staff that are 59 have choose to retire w/ 5 yrs of district health insurance or payment of \$12,000 in HRA for us to 5 yrs or age 65 to max of \$60,000. For those not age 59 after the 3 yrs, at end of year that staff turns 59 yrs old and has 17 yrs they must choose retirement option, once chosen cannot change. Age 58 and 17 years of Elmbrook experience
The District shall provide eligible retirees life insurance coverage at the employees' last salary level to age 65. The percent of coverage will drop to 75% at age 65, 50% at age 66 and 25% or ages 67 and older. This benefit is only available to participants who retired prior to July 1, 2014.		

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

e. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.30 percent
Investment Rate of Return:	2.67 percent
	2017 - 5.60%
	2018-2022 - 5.30%
	2023-2024 - 5.40%
Healthcare cost trend rates:	2025 - 5.50%
	2026 - 5.90%
	2027-2031 - 6.30%
	Ultimate - 4.40%

Mortality rates are the same as those used in the December 31, 2014 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30 2016.

The long-term expected rate of return on OPEB plan investments was valued at 2.67 percent. The 90 day Treasury bill rate, factoring in inflation as of the measurement date was used for all years of benefit payments.

Discount rate. The discount rate used to measure the total OPEB liability was 3.58 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

f. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2016	\$ 9,653,207	\$ 348,773	\$ 9,304,434
Changes for the year:			
Service cost	104,273	-	104,273
Interest	250,147	-	250,147
Differences between expected and actual experience	-	-	-
Changes in assumptions	(539,715)	-	(539,715)
Contributions - employer	-	1,909,856	(1,909,856)
Net investment income	-	356	(356)
Benefit payments	(1,974,620)	(1,974,620)	-
Administrative expense	-	-	-
Net changes	(2,159,915)	(64,408)	(2,095,507)
Balance at June 30, 2017	\$ 7,493,292	\$ 284,365	\$ 7,208,927

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease to Discount Rate (2.58%)	Current Discount Rate (3.58%)	1% Increase to Discount Rate (4.58%)
Net OPEB Liability	\$ 7,967,282	\$ 7,208,927	\$ 6,573,589

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.6 percent decreasing to 3.4 percent) or 1-percentage-point higher (6.6 percent decreasing to 5.4 percent) than the current healthcare cost trend rates:

	1% Decrease (4.6% decreasing to 3.4%)	Healthcare Cost Trend Rates (5.6% decreasing to 4.4%)	1% Increase (6.6% decreasing to 5.4%)
Net OPEB liability	\$ 7,125,594	\$ 7,208,927	\$ 7,294,448

OPEB plan fiduciary net position. Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements.

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

- g. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$115,949. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 308,078
Net difference between projected and actual earnings on OPEB plan investments	6,478	-
Total	<u>\$ 6,478</u>	<u>\$ 308,078</u>

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

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,619	\$ 231,637
2018	1,619	76,441
2019	1,619	-
2020	1,621	-
Total	<u>\$ 6,478</u>	<u>\$ 308,078</u>

- h. Payable to the OPEB Plan

At June 30, 2017, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2017.

2. Self-Funded Insurance Program

On September 1, 1988 the District established a self-funded health and dental plan for its employees. The plan administrators, Humana and Delta Dental are responsible for the approval, processing, and payments of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending December 31.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$250,000 per individual and/or 125% of the annual estimated claims. The District has no stop-loss coverage for dental care coverage of the Plan.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

At June 30, 2017 the District reported a liability of \$1,015,902, which represents reported and unreported claims which were incurred on or before June 30, 2017, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Change in the claims liability for the year ended June 30, 2017 is as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2016	\$ 1,150,000	\$ 11,140,975	\$ 11,009,975	\$ 1,281,000
2017	1,281,000	10,415,817	10,680,915	1,015,902

3. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

4. Contingencies

- a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

5. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for 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 referendum prior to August 12, 1993.
- b. A referendum on or after August 12, 1993.

6. Upcoming Accounting Pronouncements

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund - Budgetary Basis
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 71,038,853	\$ 70,563,554	\$ 70,563,554	\$ -
Other local sources	2,534,741	2,505,009	2,756,487	251,478
Interdistrict sources	2,088,617	2,178,396	2,264,437	86,041
Intermediate sources	20,545	20,948	-	(20,948)
State sources	6,493,105	7,517,718	7,567,861	50,143
Federal sources	942,722	748,778	569,698	(179,080)
Other sources	50,000	562,000	743,730	181,730
Total Revenues	83,168,583	84,096,403	84,465,767	369,364
Expenditures				
Instruction				
Regular instruction	39,911,775	39,737,199	38,391,488	1,345,711
Vocational instruction	1,790,618	1,828,142	1,742,101	86,041
Other instruction	3,320,774	3,369,208	3,584,322	(215,114)
Total Instruction	45,023,167	44,934,549	43,717,911	1,216,638
Support Services				
Pupil services	3,316,320	3,353,727	3,262,728	90,999
Instructional staff services	3,603,868	3,506,180	3,552,667	(46,487)
General administration services	1,591,615	1,490,209	1,470,749	19,460
School administration services	3,368,342	3,574,807	3,402,622	172,185
Business services	1,285,440	1,288,134	1,193,092	95,042
Operation and maintenance of plant	9,078,741	9,183,614	9,894,021	(710,407)
Pupil transportation services	3,269,641	3,216,778	2,995,567	221,211
Central services	2,310,552	2,368,484	2,384,517	(16,033)
Insurance	749,715	794,501	727,498	67,003
Other support services	32,000	133,748	806,716	(672,968)
Total Support Services	28,606,234	28,910,182	29,690,177	(779,995)
Debt Service				
Principal	75,231	75,231	75,231	-
Interest	5,000	9,858	7,257	2,601
Total Debt Service	80,231	85,089	82,488	2,601
Non-program				
General tuition payments	1,031,422	984,837	886,089	98,748
Special education tuition payments	20,000	20,000	-	20,000
Adjustments and refunds	10,000	15,000	66,331	(51,331)
Other non-program	-	-	82,861	(82,861)
Total Non-program	1,061,422	1,019,837	1,035,281	(15,444)
Total Expenditures	74,771,054	74,949,657	74,525,857	423,800
Excess of Revenues Over Expenditures	8,397,529	9,146,746	9,939,910	793,164
Other Financing Sources (Uses)				
Sale of capital assets	-	-	300	300
Insurance recoveries	-	-	567	567
Transfers out	(8,392,671)	(8,646,746)	(8,353,906)	292,840
Total Other Financing Sources (Uses)	(8,392,671)	(8,646,746)	(8,353,039)	293,707
Net Change in Fund Balances	4,858	500,000	1,586,871	1,086,871
Fund Balances - July 1	28,169,215	28,169,215	28,169,215	-
Fund Balances - June 30	\$ 28,174,073	\$ 28,669,215	\$ 29,756,086	\$ 1,086,871

See Notes to Required Supplementary Information.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Special Education Fund - Budgetary Basis
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 2,638,420	\$ 2,626,540	\$ 2,207,237	\$ (419,303)
Intermediate sources	-	-	1,594	1,594
State sources	3,631,468	3,520,577	3,782,247	261,670
Federal sources	1,819,937	1,825,944	1,700,347	(125,597)
Other sources	3,390	3,250	2,009	(1,241)
Total Revenues	8,093,215	7,976,311	7,693,434	(282,877)
Expenditures				
Instruction				
Regular instruction	31,126	31,050	30,498	552
Special education instruction	11,816,305	11,823,452	11,173,062	650,390
Other instruction	16,008	18,065	17,655	410
Total Instruction	11,863,439	11,872,567	11,221,215	651,352
Support Services				
Pupil services	1,745,142	1,931,548	1,850,348	81,200
Instructional staff services	650,235	652,440	609,530	42,910
General administration services	-	-	4,157	(4,157)
School administration services	63,914	64,663	57,773	6,890
Business services	6,688	7,116	6,968	148
Operation and maintenance of plant	302,429	272,690	225,964	46,726
Pupil transportation services	568,708	563,932	799,958	(236,026)
Central services	8,300	8,300	7,441	859
Insurance	151,678	132,890	123,120	9,770
Other support services	-	-	234,320	(234,320)
Total Support Services	3,497,094	3,633,579	3,919,579	(286,000)
Non-program				
Special education tuition payments	593,957	590,006	434,614	155,392
Revenue transits to others	531,396	526,905	471,932	54,973
Total Non-program	1,125,353	1,116,911	906,546	210,365
Total Expenditures	16,485,886	16,623,057	16,047,340	575,717
Excess of Revenues Under Expenditures	(8,392,671)	(8,646,746)	(8,353,906)	292,840
Other Financing Sources				
Transfers in	8,392,671	8,646,746	8,353,906	(292,840)
Net Change in Fund Balances	-	-	-	-
Fund Balances - July 1	-	-	-	-
Fund Balances - June 30	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of Changes in Net OPEB Liability and Related Ratios
 Last 10 Fiscal Years

	2017
Total OPEB Liability	
Service cost	\$ 104,273
Interest	250,147
Benefit payments	(1,974,620)
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(539,715)
Net change in total OPEB liability	(2,159,915)
Total OPEB liability - beginning	9,653,207
Total OPEB liability - ending (a)	\$ 7,493,292
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,909,856
Net investment income	356
Benefit payments	(1,974,620)
Administrative expenses	-
Net change in plan fiduciary net position	(64,408)
Plan fiduciary net position - beginning	348,773
Plan fiduciary net position - ending (b)	\$ 284,365
District's net OPEB liability - ending (a) - (b)	\$ 7,208,927
Plan fiduciary net position as a percentage of the total OPEB liability	3.79%
Covered-employee payroll	\$ 6,751,405
District's net OPEB liability as a percentage of covered-employee payroll	106.78%

* The amounts presented for each fiscal year were determined as of the current fiscal year end.
 Amounts for prior years were not available.

See Notes to Required Supplementary Information.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of Employer Contributions
 Other Postemployment Benefits
 Last 10 Fiscal Years

	2017
Actuarially determined contribution (ADC)	\$ 524,000
Contributions in relation to the ADC	1,909,856
Contribution deficiency (excess)	<u>\$ (1,385,856)</u>
Covered-employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Unit Credit
Asset valuation method	Market Value
Amortization method	30 year Level Dollar
Discount rate	3.58%
Inflation	2.30%

* The amounts presented for each fiscal year were determined as of the current fiscal year end.
 Amounts for prior years were not available.

The notes to the required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of Proportionate Share of the Net Pension Liability (Asset)
 Wisconsin Retirement System
 Last 10 Fiscal Years

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered- Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
6/30/15	0.35702406%	\$ (8,769,488)	\$ 48,610,258	18.04%	102.74%
6/30/16	0.35060492%	5,697,262	48,828,821	11.67%	98.20%
6/30/17	0.34475407%	2,841,597	49,299,927	5.76%	99.12%

Schedule of Contributions
 Wisconsin Retirement System
 Last 10 Fiscal Years

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
6/30/15	\$ 3,410,971	\$ 3,410,971	\$ -	\$ 48,610,258	7.02%
6/30/16	3,331,762	3,331,762	-	48,828,821	6.82%
6/30/17	3,254,796	3,254,796	-	49,299,927	6.60%

See Notes to Required Supplementary Information.

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

NOTE A - WISCONSIN RETIREMENT SYSTEM

There were no changes of benefit terms or assumptions for any participating employer in WRS.

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

NOTE B - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 74 AND 75

The District implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2017. Information for prior years is not available.

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- 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.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once 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.
- 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 in the fund financial statements.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2017.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Notes to Required Supplementary Information (Continued)
 For the Year Ended June 30, 2017

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a separate budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for funds on a budgetary fund basis and a GAAP basis is summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 84,465,767	\$ 7,693,434
Reclassification of special education	7,693,434	(7,693,434)
Total Revenues	<u>92,159,201</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	74,525,857	16,047,340
Reclassification of special education	16,047,340	(16,047,340)
Total Expenditures	<u>90,573,197</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	9,939,910	(8,353,906)
Reclassification of special education	(8,353,906)	8,353,906
Excess of Revenues Over (Under) Expenditures	<u>1,586,004</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(8,353,039)	8,353,906
Reclassification of special education	8,353,906	(8,353,906)
Total Other Financing Sources (Uses)	<u>867</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>1,586,871</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>28,169,215</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u><u>\$ 29,756,086</u></u>	<u><u>\$ -</u></u>

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue Funds			Debt Service
	Special Revenue Trust Fund	Food Service	Community Service	Non- Referendum Debt Service
ASSETS				
Cash and investments	\$ 283,783	\$ 320,004	\$ 119,241	\$ 101,174
Receivables				
Accounts	515	16,205	-	-
Due from other governments	-	43,239	-	-
Inventory	-	1,328	-	-
Prepaid expenses	-	256	-	-
TOTAL ASSETS	\$ 284,298	\$ 381,032	\$ 119,241	\$ 101,174
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,079	\$ 39	\$ 143	\$ -
Unearned revenues	-	107,353	-	-
Total Liabilities	3,079	107,392	143	-
Fund Balances				
Nonspendable				
Inventory and prepaid items	-	1,584	-	-
Restricted				
Debt service	-	-	-	101,174
Expendable gifts	281,219	-	-	-
Food service	-	272,056	-	-
Community services	-	-	119,098	-
Capital improvements	-	-	-	-
Total Fund Balances	281,219	273,640	119,098	101,174
TOTAL LIABILITIES AND FUND BALANCES	\$ 284,298	\$ 381,032	\$ 119,241	\$ 101,174

Capital Projects	Long-Term Capital Projects Fund	Total Nonmajor Governmental Funds
---------------------	---------------------------------------	---

\$ 3,603,752 \$ 1,004 \$ 4,428,958

- - 16,720

- - 43,239

- - 1,328

- - 256

\$ 3,603,752 \$ 1,004 \$ 4,490,501

\$ - \$ - \$ 3,261

- - 107,353

- - 110,614

- - 1,584

- - 101,174

- - 281,219

- - 272,056

- - 119,098

3,603,752 1,004 3,604,756

3,603,752 1,004 4,379,887

\$ 3,603,752 \$ 1,004 \$ 4,490,501

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

(With summarized financial information for the year ended June 30, 2016)

	Special Revenue Funds			Debt Service
	Special Revenue Trust Fund	Food Service	Community Service	Non- Referendum Debt Service
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 1,408,455
Other local sources	399,692	2,468,999	372,601	-
State sources	-	19,407	-	-
Federal sources	-	460,940	-	-
Other sources	-	7,108	-	103,431
Total Revenues	399,692	2,956,454	372,601	1,511,886
Expenditures				
Instruction				
Regular instruction	145,268	-	-	-
Vocational instruction	15,768	-	-	-
Other instruction	91,660	-	-	-
Total Instruction	252,696	-	-	-
Support Services				
Pupil services	2,467	-	-	-
Instructional staff services	50,644	-	-	-
School administration services	12,530	-	-	-
Operation and maintenance of plant	75,985	147,661	351,573	-
Pupil transportation services	17,739	-	-	-
Food services	-	2,703,389	-	-
Insurance	-	26,361	-	-
Other support services	-	9,011	4,181	-
Total Support Services	159,365	2,886,422	355,754	-
Debt Service				
Principal	-	-	-	1,230,000
Interest	-	-	-	281,537
Total Debt Service	-	-	-	1,511,537
Non-program				
Adjustments and refunds	-	546	-	-
Total Expenditures	412,061	2,886,968	355,754	1,511,537
Excess of Revenues Over (Under) Expenditures	(12,369)	69,486	16,847	349
Other Financing Sources				
Long-term debt issued	-	-	-	-
Premium and accrued interest from debt refinancing	-	-	-	9,904
Sale of capital assets	-	-	-	-
Total Other Financing Sources	-	-	-	9,904
Net Change in Fund Balances	(12,369)	69,486	16,847	10,253
Fund Balances - July 1	293,588	204,154	102,251	90,921
Fund Balances - June 30	\$ 281,219	\$ 273,640	\$ 119,098	\$ 101,174

Capital Projects		Total Nonmajor Governmental Funds
Capital Projects	Long-Term Capital Projects Fund	
\$ -	\$ -	\$ 1,408,455
8,925	4	3,250,221
-	-	19,407
-	-	460,940
-	-	110,539
8,925	4	5,249,562
-	-	145,268
-	-	15,768
-	-	91,660
-	-	252,696
-	-	2,467
-	-	50,644
-	-	12,530
1,464,704	-	2,039,923
-	-	17,739
-	-	2,703,389
-	-	26,361
-	-	13,192
1,464,704	-	4,866,245
-	-	1,230,000
-	-	281,537
-	-	1,511,537
-	-	546
1,464,704	-	6,631,024
(1,455,779)	4	(1,381,462)
3,235,000	-	3,235,000
-	-	9,904
15,500	-	15,500
3,250,500	-	3,260,404
1,794,721	4	1,878,942
1,809,031	1,000	2,500,945
\$ 3,603,752	\$ 1,004	\$ 4,379,887

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of Changes in Assets and Liabilities
 Pupil Activity Funds
 June 30, 2017

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17
ASSETS				
Cash and cash equivalents	\$ 351,198	\$ 1,875,140	\$ 1,792,942	\$ 433,396
LIABILITIES				
Due to student organizations	\$ 351,198	\$ 1,875,140	\$ 1,792,942	\$ 433,396

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

**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 Elmbrook
Brookfield, 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 Elmbrook 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 Elmbrook's basic financial statements, and have issued our report thereon, which included an emphasis of matter paragraph as indicated on page 2 dated December 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District of Elmbrook'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 Elmbrook's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of Elmbrook'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 District'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District of Elmbrook'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 Elmbrook's Response to Finding

School District of Elmbrook's response to the finding identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. School District of Elmbrook'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 result of that testing, and not to provide an opinion on the effectiveness of the School District of Elmbrook's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District of Elmbrook's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
December 1, 2017

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

To the Board of Education
School District of Elmbrook
Brookfield, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited School District of Elmbrook's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the State of Wisconsin that could have a direct and material effect on each of School District of Elmbrook's major federal and state programs for the year ended June 30, 2017. School District of Elmbrook's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

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



Certified Public Accountants
Green Bay, Wisconsin
December 1, 2017

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Grantor Agency/Cluster or Grant Title	Pass-through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/16	Cash Received	Accrued (Deferred) Revenue 6/30/17	Total Expenditures	Subrecipient Payments
<u>U.S. DEPARTMENT OF AGRICULTURE</u>								
<i>Child Nutrition Cluster</i>								
School Breakfast Program		10.553						
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		A546-00000-670714	\$ (2,602)	\$ 2,602	\$ -	\$ -	\$ -
July 1, 2016 - June 30, 2017	WI Department of Public Instruction		2017-670714-SB-546	-	8,360	1,680	10,040	-
National School Lunch Program		10.555						
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		A547-00000-670714	(41,157)	41,157	-	-	-
July 1, 2016 - June 30, 2017	WI Department of Public Instruction		2017-670714-NSL-547	-	224,122	41,559	265,681	-
Donated Commodities	WI Department of Public Instruction		2017-670714-NSL-547	-	185,219	-	185,219	-
Total National School Lunch Program				(41,157)	450,498	41,559	450,900	-
<i>Total Child Nutrition Cluster and U.S. Department of Agriculture</i>				(43,759)	461,460	43,239	460,940	-
<u>U.S. DEPARTMENT OF EDUCATION</u>								
Title I Grants to Local Educational Agencies		84.010						
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		A141-00000-670714	(90,130)	90,130	-	-	-
July 1, 2016 - June 30, 2017	WI Department of Public Instruction		17-670714-Title I-141	-	72,608	82,549	155,157	-
Title I Grants to Local Educational Agencies								
July 1, 2015 - June 30, 2016	Milwaukee Public School District		None	(8,947)	8,947	-	-	-
July 1, 2016 - June 30, 2017	Milwaukee Public School District		None	-	7,928	2,408	10,336	-
Title I Grants to Local Educational Agencies								
July 1, 2016 - June 30, 2017	Wauwatosa Public School District		None	-	1,964	-	1,964	-
Total Title I Grants to Local Educational Agencies				(99,077)	181,577	84,957	167,457	-
<i>Special Education Cluster</i>								
Special Education - Grants to States		84.027						
Special Education Flow-Through								
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		A341-00000-670714	(349,321)	349,321	-	-	-
July 1, 2016 - June 30, 2017	WI Department of Public Instruction		2017-670714-IDEA-341	-	927,816	373,379	1,301,195	-
Special Education Flow-Through CEIS								
July 1, 2015 - June 30, 2016	WI Department of Public Instruction		A341-00000-670714	(54,098)	54,098	-	-	-
July 1, 2016 - June 30, 2017	WI Department of Public Instruction		2017-670714-IDEA-341	-	110,437	40,029	150,466	-
Special Education Discretionary	WI Department of Public Instruction		2017-670714-IDEA-342	-	104,970	-	104,970	-
Total Special Education - Grants to States				(403,419)	1,546,642	413,408	1,556,631	-

(Continued)

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2017

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/16	Cash Received	Accrued (Deferred) Revenue 6/30/17	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF EDUCATION (Continued)								
<i>Special Education Cluster (continued)</i>								
Special Education - Preschool Grants								
Preschool Entitlement								
July 1, 2015 - June 30, 2016	WI Department of Public Instruction	84.173	A347-00000-670714	(15,112)	15,112	-	-	-
July 1, 2016 - June 30, 2017	WI Department of Public Instruction		17-670714-Pre-S-347	-	13,725	8,296	22,021	-
<i>Total Special Education Cluster</i>				(418,531)	1,575,479	421,704	1,578,652	-
Title III-English Language Acquisition								
July 1, 2015 - June 30, 2016	WI Department of Public Instruction	84.365	A391-00000-670714	(6,493)	6,493	-	-	-
July 1, 2016 - June 30, 2017	WI Department of Public Instruction		17-670714-Title III A-391	-	32,751	11,305	44,056	-
Title II A Improving Teacher Quality								
July 1, 2015 - June 30, 2016	WI Department of Public Instruction	84.367	A365-00000-670714	(8,310)	8,310	-	-	-
July 1, 2016 - June 30, 2017	WI Department of Public Instruction		17-670714-Title II-365	-	31,722	37,198	68,920	-
<i>Total U.S. Department of Education</i>				(532,411)	1,836,332	555,164	1,859,085	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
<i>Medicaid Cluster</i>								
Medical Assistance								
Medicaid School Based Services								
July 1, 2015 - June 30, 2016	WI Department of Health Services	93.778	44210600	(76,745)	76,745	-	-	-
July 1, 2016 - June 30, 2017	WI Department of Health Services		44210600	-	394,017	29,243	423,260	-
<i>Total Medicaid Cluster</i>				(76,745)	470,762	29,243	423,260	-
TOTAL FEDERAL AWARDS				\$ (652,915)	\$ 2,768,554	\$ 627,646	\$ 2,743,285	\$ -
Reconciliation to Basic Financial Statements								
Governmental Funds - Federal Sources							\$ 2,730,985	
Add: Interdistrict sources								
Title I Grants to Local Educational Agencies							12,300	
Total Federal Awards							<u>\$ 2,743,285</u>	

See notes to Schedule of Expenditures of Federal Awards.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of State Financial Assistance
 For the Year Ended June 30, 2017

Grantor Agency/State Program Title	Pass-through Agency	State ID Number	State Identifying Number	(Accrued) Receivable Deferred Revenue 7/1/16	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/17	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	Direct Program	255.101	670714-100	\$ -	\$ 3,415,823	\$ -	\$ 3,415,823	\$ -
State School Lunch Aid	Direct Program	255.102	670714-107	-	18,279	-	18,279	-
Common School Fund Library Aid	Direct Program	255.103	670714-104	-	295,403	-	295,403	-
General Transportation Aid for Public School Pupils	Direct Program	255.107	670714-102	-	160,055	-	160,055	-
Equalization Aid	Direct Program	255.201	670714-116	(47,439)	2,781,928	44,486	2,778,975	-
Integration Aid	Direct Program	255.204	670714-106	-	1,576,485	-	1,576,485	-
High Cost Special Education Aid	Direct Program	255.210	670714-119	-	366,424	-	366,424	-
School Breakfast Program	Direct Program	255.344	670714-108	-	1,128	-	1,128	-
Educator Effective Eval Sys Grants Public	Direct Program	255.940	670714-154	(44,080)	44,080	44,400	44,400	-
Per Pupil Adjustment Aid	Direct Program	255.945	670714-113	(983,550)	2,646,300	-	1,662,750	-
Career and Tech Education	Direct Program	255.950	670714-152	-	10,893	-	10,893	-
Assessments of Reading Readiness	Direct Program	255.956	670714-166	-	10,472	-	10,472	-
Aid of Special Ed Transition Grant BBL	Direct Program	255.960	670714-168	-	2,130	(2,130)	-	-
TOTAL STATE FINANCIAL ASSISTANCE				\$ (1,075,069)	\$ 11,329,400	\$ 86,756	\$ 10,341,087	\$ -

Reconciliation to Basic Financial Statements

Governmental Funds - state sources

\$ 11,369,515

Less: Revenues not considered state financial assistance

Tax-exempt computer aids

(1,028,428)

Total State Awards

\$ 10,341,087

See notes to Schedule of State Financial Assistance.

SCHOOL DISTRICT OF ELMBROOK

Brookfield, Wisconsin

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2017

NOTE A - 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 Elmbrook and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has not elected to charge a de minimis indirect cost rate of 10% of modified total direct costs.

NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2016-2017 eligible costs under the State Special Education Program as reported by the District are \$13,135,443.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed.

NOTE D - OVERSIGHT AGENCIES

The U.S. Department of Education has been designated the federal oversight agency for the District. The Wisconsin Department of Public Instruction is the state oversight agency for the District.

SCHOOL DISTRICT OF ELMBROOK
 Brookfield, Wisconsin
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	Yes
Noncompliance material to basic financial statements noted?	No

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified?	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 the Uniform Guidance?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes
Identification of major federal and state programs:	

CFDA Number	Name of Federal Programs
	<i>Special Education Cluster</i>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
93.778	Medical Assistance Program

State ID Number	Name of State Programs
255.103	Common School Fund Library Aid
255.201	Equalization Aids
255.210	High Cost Special Education Aid

Audit threshold used to determine between Type A and Type B programs:	
Federal	\$750,000
State	\$250,000
Auditee qualified as low-risk auditee	Yes

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II - Basic Financial Statement Findings

Finding No.	Internal Control Deficiency
-------------	-----------------------------

2017-001 Preparation of Annual Financial Report

Repeat of Finding 2016-001

Condition: Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Cause: District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the District continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

Section III - Federal Award and State Financial Assistance Findings and Questioned Costs

There are no findings to note.

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section IV - Other Issues

Does the auditors' report or the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

_____ Yes X No

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

Department of Public Instruction

 X Yes _____ No

Department of Health Services

 X Yes _____ No

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

 X Yes _____ No



Name and signature of shareholder

David Maccoux, CPA

Date of report

December 1, 2017

SCHOOL DISTRICT OF ELMBROOK
Brookfield, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2017

Status of Prior Year Audit Findings

The findings noted in the 2016 Schedule of Findings and Questioned Costs have been reported to the proper Federal and State agencies. The current status of the prior audit findings, as provided by management, follows:

2016-001 Preparation of Annual Financial Report

Management continues to rely upon the audit firm to prepare its financial statements.
The finding is repeated as 2017-001.

2016-002 Uniform Grant Guidance Implementation

Management has reviewed and documented their controls over Federal grants at the entity wide level and grant specific level.

Corrective Action Plan for Audit Findings

2017-001 Preparation of Annual Financial Report

Management feels the cost of training additional staff to completely prepare the annual financial statements and note disclosures outweighs the benefits. Our Accounting staff has reviewed and approved the financial statements and other information prior to issuance.