

**MEQUON-THIENSVILLE SCHOOL DISTRICT  
MEQUON, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2016**

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

June 30, 2016

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**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin  
June 30, 2016

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Mequon-Thiensville School District  
Mequon, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mequon-Thiensville School District, ("the District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 did not audit the financial statements of the discretely presented component unit, Mequon-Thiensville Education Foundation, Inc. ("the Foundation"). Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Foundation, is based solely on the report of the other auditors. 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. The financial statements of the Mequon-Thiensville Education Foundation, Inc., a discretely presented component unit of the District, were not audited in accordance with *Government Auditing Standards*. 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, 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.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules relating to other postemployment benefits and pensions on pages 36 through 41 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.

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 schedules 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 2015 financial statements, and our report dated October 23, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type 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, 2015, 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 13, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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  
Sheboygan, Wisconsin  
December 13, 2016

## **BASIC FINANCIAL STATEMENTS**

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
**Mequon, Wisconsin**  
**Statement of Net Position**  
**June 30, 2016**  
(With summarized financial information as of June 30, 2015)

	Governmental Activities		Mequon-Thiensville Education Foundation, Inc.
	2016	2015	
<b>ASSETS</b>			
Cash and investments	\$ 15,369,677	\$ 27,238,825	\$ 340,963
Receivables			
Taxes	8,808,526	8,850,315	-
Accounts	234,039	276,643	-
Pledges	-	-	11,457
Interest	10,715	-	-
Due from other governments	1,014,630	255,690	-
Prepaid items	-	-	1,427
Other assets			
Other pension benefits	-	12,846	-
Net pension asset - WRS	-	3,822,929	-
Capital assets			
Land	167,438	167,438	-
Land improvements	3,096,454	2,013,638	-
Buildings	54,707,808	54,704,466	-
Machinery, equipment and textbooks	10,849,538	10,282,474	1,492
Construction in progress	9,395,125	-	-
Less: Accumulated depreciation	(37,462,231)	(35,873,559)	(596)
Beneficial interest in net assets - Greater Milwaukee Foundation	-	-	538,085
<b>TOTAL ASSETS</b>	<b>66,191,719</b>	<b>71,751,705</b>	<b>892,828</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on advance refunding	164,244	225,836	-
Deferred outflows related to pension - WRS	13,480,203	3,429,257	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>13,644,447</b>	<b>3,655,093</b>	<b>-</b>
<b>LIABILITIES</b>			
Short-term notes payable	1,400,000	2,000,000	-
Accounts payable	719,066	255,439	107,516
Accrued payroll liabilities	928,432	919,982	-
Accrued interest payable	206,647	132,400	-
Unearned revenues	60,115	56,985	-
Other liabilities	-	-	306
Long-term obligations			
Due within one year	2,490,737	2,435,337	-
Due in more than one year	26,526,997	28,838,529	-
Net pension liability - WRS	2,505,777	-	-
<b>TOTAL LIABILITIES</b>	<b>34,837,771</b>	<b>34,638,672</b>	<b>107,822</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension - WRS	5,273,365	-	-
<b>NET POSITION</b>			
Net investment in capital assets	23,922,187	21,615,912	896
Restricted for			
Donor intent	249,247	1,292,663	-
Debt service	390,669	999,679	-
Capital improvements	85,039	60,000	-
Food service	320,839	317,902	-
Pension benefits	-	3,822,929	-
Foundation activities	-	-	328,657
Unrestricted	14,757,049	12,659,041	455,453
<b>TOTAL NET POSITION</b>	<b>\$ 39,725,030</b>	<b>\$ 40,768,126</b>	<b>\$ 785,006</b>

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



**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Statement of Activities  
For the Year Ended June 30, 2016  
(With summarized financial information for the year ended June 30, 2015)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 26,215,235	\$ 740,015	\$ 3,010,453
Support services	18,699,230	1,395,934	1,485,281
Interest and fiscal charges	674,633	-	-
Depreciation - unallocated	1,665,704	-	-
Community services	712,349	503,033	-
Non-program	840,389	-	-
<b>Total Primary Government</b>	<b>\$ 48,807,540</b>	<b>\$ 2,638,982</b>	<b>\$ 4,495,734</b>
Component unit			
Mequon-Thiensville Education Foundation, Inc.	\$ 319,871	\$ -	\$ 334,893

General revenues  
Property taxes  
State and federal aids not restricted to specific functions  
Interest and investment earnings  
Miscellaneous  
Gain on disposal of capital assets  
**Total General Revenues**

Change in net position

Net Position - July 1

Net Position - June 30

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		Component Unit
Governmental Activities		Mequon-Thiensville Education Foundation, Inc.
2016	2015	

\$ (22,464,767)	\$ (19,463,635)	\$ -
(15,818,015)	(15,119,298)	-
(674,633)	(452,454)	-
(1,665,704)	(1,582,660)	-
(209,316)	(153,335)	-
(840,389)	(758,907)	-

<u>\$ (41,672,824)</u>	<u>\$ (37,530,289)</u>	<u>\$ -</u>
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-	-	15,022
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37,713,405	37,296,669	-
2,711,160	2,748,170	-
63,764	19,101	474
141,399	163,436	6,335
-	2,748,895	-
<u>40,629,728</u>	<u>42,976,271</u>	<u>6,809</u>
(1,043,096)	5,445,982	21,831
<u>40,768,126</u>	<u>35,322,144</u>	<u>763,175</u>
<u>\$ 39,725,030</u>	<u>\$ 40,768,126</u>	<u>\$ 785,006</u>

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2016

(With summarized financial information as of June 30, 2015)

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	
				2016	2015
ASSETS					
Cash and investments	\$ 5,190,265	\$ 8,706,267	\$ 1,473,145	\$ 15,369,677	\$ 27,238,825
Receivables					
Taxes	8,808,526	-	-	8,808,526	8,850,315
Accounts	208,381	-	25,658	234,039	276,643
Interest	3,491	7,224	-	10,715	-
Due from other funds	-	-	25,000	25,000	70,338
Due from other governments	1,006,737	-	7,893	1,014,630	255,690
TOTAL ASSETS	\$ 15,217,400	\$ 8,713,491	\$ 1,531,696	\$ 25,462,587	\$ 36,691,811
LIABILITIES AND FUND BALANCES					
Liabilities					
Short-term notes payable	\$ 1,400,000	\$ -	\$ -	\$ 1,400,000	\$ 2,000,000
Accounts payable	431,048	209,050	78,968	719,066	255,439
Accrued payroll liabilities	914,441	-	13,991	928,432	919,982
Accrued interest payable	18,647	-	-	18,647	15,500
Due to other funds	25,000	-	-	25,000	70,338
Unearned revenues	6,880	-	53,235	60,115	56,985
Total Liabilities	2,796,016	209,050	146,194	3,151,260	3,318,244
Fund Balances					
Restricted					
Donor intent	-	-	249,247	249,247	1,292,663
Retirement of long-term debt	-	-	597,316	597,316	1,132,079
Capital improvements	-	8,504,441	85,039	8,589,480	18,262,523
Food service	-	-	320,839	320,839	317,902
Assigned					
Community service programs	-	-	133,061	133,061	157,592
Building additions	2,100,000	-	-	2,100,000	-
Unassigned	10,321,384	-	-	10,321,384	12,210,808
Total Fund Balances	12,421,384	8,504,441	1,385,502	22,311,327	33,373,567
TOTAL LIABILITIES AND FUND BALANCES					
	\$ 15,217,400	\$ 8,713,491	\$ 1,531,696	\$ 25,462,587	\$ 36,691,811

(Continued)

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Balance Sheet (Continued)

Governmental Funds

June 30, 2016

(With summarized financial information as of June 30, 2015)

	2016	2015
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances from previous page	\$ 22,311,327	\$ 33,373,567
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.	40,754,132	31,294,457
The District's proportionate share of the Wisconsin Retirement System (WRS) pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension asset	-	3,822,929
Deferred outflows of resources	13,480,203	3,429,257
Net pension liability	(2,505,777)	-
Deferred inflows of resources	(5,273,365)	-
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(24,385,000)	(26,595,000)
Bond premium	(1,115,630)	(1,286,068)
Deferred outflows - loss on advance refunding	164,244	225,836
Other post-employment benefits obligation	(3,380,323)	(3,300,180)
Other pension benefits asset (obligation)	(17,230)	12,846
Vested unused employee benefits	(119,551)	(92,618)
Accrued interest payable	(188,000)	(116,900)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 39,725,030</u>	<u>\$ 40,768,126</u>

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

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2016  
(With summarized financial information for the year ended June 30, 2015)

	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds	
				2016	2015
<b>Revenues</b>					
Property taxes	\$ 35,118,975	\$ -	\$ 2,594,430	\$ 37,713,405	\$ 37,296,669
Other local sources	1,190,990	35,681	1,807,439	3,034,110	4,147,730
Interdistrict sources	977,046	-	-	977,046	766,003
Intermediate sources	-	-	-	-	1,078
State sources	4,640,295	-	12,165	4,652,460	4,714,773
Federal sources	964,451	-	281,573	1,246,024	1,023,344
Other sources	138,327	-	1,429	139,756	47,042
<b>Total Revenues</b>	<b>43,030,084</b>	<b>35,681</b>	<b>4,697,036</b>	<b>47,762,801</b>	<b>47,996,639</b>
<b>Expenditures</b>					
Instruction					
Regular instruction	17,336,936	-	191,013	17,527,949	17,160,189
Vocational instruction	516,867	-	-	516,867	434,224
Special education instruction	4,877,278	-	-	4,877,278	4,611,329
Other instruction	2,215,753	-	61,935	2,277,688	2,265,604
<b>Total Instruction</b>	<b>24,946,834</b>	<b>-</b>	<b>252,948</b>	<b>25,199,782</b>	<b>24,471,346</b>
Support Services					
Pupil services	2,805,680	-	-	2,805,680	2,707,755
Instructional staff services	2,038,732	-	48,148	2,086,880	1,988,436
General administration services	839,825	-	-	839,825	858,920
School administration services	2,500,953	-	8,170	2,509,123	2,301,302
Business services	493,269	-	-	493,269	518,538
Operation and maintenance of plant	4,543,843	9,733,763	1,057,589	15,335,195	4,289,720
Pupil transportation services	2,164,149	-	-	2,164,149	2,255,204
Food services	-	-	1,263,700	1,263,700	1,240,823
Central services	1,350,772	-	27,845	1,378,617	1,502,568
Insurance	283,436	-	-	283,436	308,058
Other support services	1,490	-	-	1,490	58,404
<b>Total Support Services</b>	<b>17,022,149</b>	<b>9,733,763</b>	<b>2,405,452</b>	<b>29,161,364</b>	<b>18,029,728</b>
Community Services	-	-	702,770	702,770	674,067
Debt Service					
Principal	-	-	2,210,000	2,210,000	3,540,000
Interest and fiscal charges	19,546	-	692,833	712,379	373,862
<b>Total Debt Service</b>	<b>19,546</b>	<b>-</b>	<b>2,902,833</b>	<b>2,922,379</b>	<b>3,913,862</b>
Non-program					
General tuition payments	466,174	-	-	466,174	450,775
Parental choice private school payments	40,323	-	-	40,323	-
Special education tuition payments	295,528	-	-	295,528	226,615
Indirect costs	5,597	-	32,767	38,364	81,517
<b>Total Non-program</b>	<b>807,622</b>	<b>-</b>	<b>32,767</b>	<b>840,389</b>	<b>758,907</b>
<b>Total Expenditures</b>	<b>42,796,151</b>	<b>9,733,763</b>	<b>6,296,770</b>	<b>58,826,684</b>	<b>47,847,910</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>233,933</b>	<b>(9,698,082)</b>	<b>(1,599,734)</b>	<b>(11,063,883)</b>	<b>148,729</b>
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	-	-	-	18,200,000
Bond premium	-	-	-	-	881,506
Sale of capital assets	1,643	-	-	1,643	2,913,005
Transfers in	-	-	25,000	25,000	2,517,568
Transfers out	(25,000)	-	-	(25,000)	(1,834,528)
<b>Total Other Financing Sources (Uses)</b>	<b>(23,357)</b>	<b>-</b>	<b>25,000</b>	<b>1,643</b>	<b>22,677,551</b>
<b>Net Change in Fund Balances</b>	<b>210,576</b>	<b>(9,698,082)</b>	<b>(1,574,734)</b>	<b>(11,062,240)</b>	<b>22,826,280</b>
<b>Fund Balances - July 1</b>	<b>12,210,808</b>	<b>18,202,523</b>	<b>2,960,236</b>	<b>33,373,567</b>	<b>10,547,287</b>
<b>Fund Balances - June 30</b>	<b>\$ 12,421,384</b>	<b>\$ 8,504,441</b>	<b>\$ 1,385,502</b>	<b>\$ 22,311,327</b>	<b>\$ 33,373,567</b>

(Continued)

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2016  
(With summarized financial information for the year ended June 30, 2015)

	2016	2015
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ (11,062,240)	\$ 22,826,280
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital assets purchased 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 assets purchased in governmental fund statements	\$ 11,134,961	
Depreciation expense reported in the statement of activities	<u>(1,665,704)</u>	
Amount by which capital outlay exceeds depreciation	9,469,257	(1,154,915)
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.		
Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$ -	
Loss on disposition reported on the statement of activities	<u>(9,582)</u>	
Cost of assets disposed of	(9,582)	(161,080)
The book value of capital assets transferred from business-type activities to governmental activities due to the reclassification of the food service fund from a proprietary fund to a special revenue fund.	-	137,063
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 decreased (increased) by:		
Other post-employment benefits (OPEB)	(80,143)	58,814
Other pensions benefits obligation (asset)	(30,076)	48,038
Vested unused employee benefits	(26,933)	(20,356)
Change in net position 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.	(1,551,125)	35,771
Loss on advance refunding is reported in the governmental funds as an other financing use, but is deferred and amortized over the life of the new bonds in the statement of activities. The amount of current year amortization is:	(61,592)	(61,592)
Proceeds from long-term debt are reported in the governmental funds as other financing sources, but are reported as an increase in long-term debt in the statement of net position and does not affect the statement of activities. Proceeds from long-term debt in the current year are:	-	(18,200,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments:	2,210,000	3,540,000
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.	(71,100)	(17,000)
Premiums received on debt issuances are reported in the governmental funds as other financing sources, but are deferred and amortized over the life of the bonds in the statement of activities.	<u>170,438</u>	<u>(764,938)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 5 - 6)	<u>\$ (1,043,096)</u>	<u>\$ 6,266,085</u>

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

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

**Statement of Net Position**

Fiduciary Funds

June 30, 2016

(With summarized financial information as of June 30, 2015)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
				2016	2015
<b>ASSETS</b>					
Cash and investments	\$ 12,081	\$ 1,050,560	\$ 143,762	\$ 1,206,403	\$ 1,131,868
Interest receivable	45	1,024	-	1,069	30
<b>TOTAL ASSETS</b>	<b>12,126</b>	<b>1,051,584</b>	<b>143,762</b>	<b>1,207,472</b>	<b>1,131,898</b>
<b>LIABILITIES</b>					
Due to student organizations	-	-	143,762	143,762	146,125
<b>NET POSITION</b>					
Restricted for scholarships	12,126	-	-	12,126	12,072
Restricted for other post employment benefits	-	1,051,584	-	1,051,584	973,701
	<b>\$ 12,126</b>	<b>\$ 1,051,584</b>	<b>\$ -</b>	<b>\$ 1,063,710</b>	<b>\$ 985,773</b>

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

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

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

For the Year Ended June 30, 2016

(With summarized financial information for the year ended June 30, 2015)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2016	2015
<b>ADDITIONS</b>				
Other local sources	\$ 54	\$ 2,883	\$ 2,937	\$ 1,711
Other	-	1,202,122	1,202,122	1,331,562
Total Additions	54	1,205,005	1,205,059	1,333,273
<b>DEDUCTIONS</b>				
Trust fund disbursements	-	1,127,122	1,127,122	1,231,562
Change in Net Position	54	77,883	77,937	101,711
Net Position - July 1	12,072	973,701	985,773	884,062
Net Position - June 30	\$ 12,126	\$ 1,051,584	\$ 1,063,710	\$ 985,773

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



## MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Mequon-Thiensville School District ("the District"), Mequon, Wisconsin, 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 District 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 three 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 component unit discussed below is included in the basic financial statements in accordance with standards established by GASB Statement No. 61 because of the significance of its relationship with the District.

The component unit column in the district-wide financial statements provides the financial data for the Mequon-Thiensville Education Foundation, Inc. The component unit is reported in a separate column to emphasize that it is legally separate from the District.

The Mequon-Thiensville Education Foundation, Inc. exists for the purpose of raising money and generating contributions from the members of the Mequon-Thiensville community to enhance student educational opportunities. The Mequon-Thiensville Education Foundation, Inc. is reported as a component unit because it raises and holds economic resources almost entirely for the direct benefit of the District or its constituents. Complete financial statements for the component unit can be obtained from the Mequon-Thiensville Education Foundation, Inc., P.O. Box 514, Mequon, WI 53092.

#### 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 and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, are primarily supported by taxes and intergovernmental revenues.

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 projects funds. The District does not have any proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**CAPITAL PROJECT FUND**

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District reports the following nonmajor governmental funds:

**SPECIAL REVENUE TRUST FUND**

This fund is used to account for donations that can be used for District operations. Significant revenue sources of this fund include gifts and donations.

**FOOD SERVICE FUND**

This fund is used to account for transactions of the District's Food Service operation. Significant revenue sources include user charges and federal and state aid.

**COMMUNITY SERVICE FUND**

This fund is used to account for transactions of the District's Community Service programs. Significant revenue sources include user charges and property taxes.

**DEBT SERVICE FUNDS**

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

**CAPITAL IMPROVEMENT TRUST FUND**

This trust fund is used to account for financial resources to be used for the acquisition or construction of capital projects in accordance with the District's approved long-term capital plan.

Additionally, the government reports the following fund types:

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

The District accounts for resources held in trust for formally established employee benefit plans as an *employee benefit trust fund*.

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

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 the fiduciary fund financial statements. Revenues are recorded when the transaction occurs 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.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

d. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

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

e. Capital Assets

Capital assets, which include property, machinery and equipment assets, are reported in the applicable governmental activities or component unit columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of one year. The District also capitalizes textbooks and library books with an estimated useful life in excess of one year. The individual cost threshold of \$1,000 does not apply to these types of assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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	Component Unit
	Years	
<u>Assets</u>		
Land improvements	20	-
Buildings	25 - 50	-
Machinery, equipment and textbooks	5 - 20	5 - 7

f. Compensated Absences

Vacation

The District's policy allows employees to earn varying amounts of vacation pay for each year employed which accumulates and vests to the employees when earned and must be used within the following year. Upon retirement or termination of employment, the employee is entitled to payment of earned vacation.

Sick

The District's policy does not allow accumulated sick pay benefits to vest for teachers and administrators. For these employee groups, unused accumulated employee sick pay is forfeited upon retirement or termination of employment.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District's policy allows educational support staff to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. Upon retirement or termination of employment, educational support staff is entitled to apply the vested amounts towards the cost of group health insurance coverage. The benefits can only be used for the payment of health insurance premiums on behalf of retired employees.

All vacation and sick leave is accrued when incurred in the district-wide financial statements. A liability for this amount 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. The compensated absences liability is calculated based on the pay or salary rates in effect at June 30, 2016.

**g. 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 two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-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.

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 one item that qualifies for reporting in this category. The 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.

**h. 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.

**i. Pensions**

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

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

j. Fund Equity/Net Position

**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.

Fund balances will be reported in the categories established by the Government Accounting Standards Board Statement 54 (GASB 54) and in consultation with the Superintendent or designee. The Board will impose constraints on any funds placed in the committed and assigned classifications through consultation with the Superintendent or designee. The Board authorizes the Superintendent or designee to assign funds as necessary accounting to GASB 54.

**DISTRICT-WIDE FINANCIAL STATEMENTS**

In the district-wide financial statements, net position is 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 a) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or b) 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.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

7. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

**NOTE B - STEWARDSHIP AND COMPLIANCE**

1. Deficit Fund Equity

No funds had deficit fund equity as of June 30, 2016.

**NOTE C - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

The debt service funds and employee benefit trust fund account for their transactions through separate and distinct bank and investment accounts as required by Wisconsin Statutes. In addition, the agency fund and private-purpose trust fund 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 and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "*Uniform Prudent Investor Act*".

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

The carrying amount of the District's cash and investments totaled \$16,576,080 on June 30, 2016 as summarized below:

Primary government:

Deposits with financial institutions	\$ 10,845,271
Investment	
Wisconsin Investment Series Cooperative	5,730,809
	<u>\$ 16,576,080</u>

Component unit:

Deposits with financial institutions	<u>\$ 340,963</u>
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Reconciliation to the basic financial statements:

District-wide Statement of Net Position

Cash and investments	\$ 15,369,677
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Fiduciary funds Statement of Net Position

Private-purpose trust fund	12,081
Employee benefit trust fund	1,050,560
Agency fund	143,762
	<u>\$ 16,576,080</u>

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.

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 time and savings deposits and \$250,000 for the combined amount of 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 all deposit accounts per official custodian per depository institution. 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.



**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

On June 30, 2016, \$5,116,741 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. The entire amount was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

**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. The District does not have an additional credit risk policy. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
WISC					
Cash Management Series	\$ 1,398,209	\$ -	\$ 1,398,209	\$ -	\$ -
Investment Management Series	4,332,600	-	4,332,600	-	-
Totals	<u>\$ 5,730,809</u>	<u>\$ -</u>	<u>\$ 5,730,809</u>	<u>\$ -</u>	<u>\$ -</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. The District does not have investments in any one issuer (other than U.S. Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

**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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table 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
WISC					
Cash Management Series	\$ 1,398,209	\$ 1,398,209	\$ -	\$ -	\$ -
Investment Management Series	4,332,600	4,332,600	-	-	-
Totals	<u>\$ 5,730,809</u>	<u>\$ 5,730,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$5,730,809 at year end consisting of \$1,398,209 invested in the Cash Management Series and \$4,332,600 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 Management 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 fair value.

Fair Value Measurements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2016. 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 subject to fair value measurements.

Component Unit - Beneficial Interest in Net Assets Held by Greater Milwaukee Foundation

Beneficial interest in net assets held by the Greater Milwaukee Foundation represent amounts held at the Greater Milwaukee Foundation for the Mequon-Thiensville Education Foundation. These investments are the legal assets of the Greater Milwaukee Foundation with the restriction that the assets are held on behalf of the Mequon-Thiensville Education Foundation in accordance with the agreement governing the assets.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)****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.

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 9,395,125	\$ -	\$ 9,395,125
Land	167,438	-	-	167,438
Total capital assets, not being depreciated	167,438	9,395,125	-	9,562,563
Capital assets, being depreciated:				
Land improvements	2,013,638	1,082,816	-	3,096,454
Buildings	54,704,466	3,342	-	54,707,808
Machinery, equipment and textbooks	10,282,474	653,678	86,614	10,849,538
Subtotals	67,000,578	1,739,836	86,614	68,653,800
Less accumulated depreciation for:				
Land improvements	1,491,730	85,578	-	1,577,308
Buildings	25,830,174	1,054,049	-	26,884,223
Machinery, equipment and textbooks	8,551,655	526,077	77,032	9,000,700
Subtotals	35,873,559	1,665,704	77,032	37,462,231
Total capital assets, being depreciated, net	31,127,019	74,132	9,582	31,191,569
Governmental activities capital assets, net	<u>\$ 31,294,457</u>	<u>\$ 9,469,257</u>	<u>\$ 9,582</u>	40,754,132
Less related long-term debt outstanding				16,831,945
Net investment in capital assets				<u>\$ 23,922,187</u>

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component unit:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,492	\$ -	\$ -	\$ 1,492
Less accumulated depreciation for:				
Machinery and equipment	298	298	-	596
Total capital assets, being depreciated, net	1,194	(298)	-	896
Component unit capital assets, net	\$ 1,194	\$ (298)	\$ -	\$ 896

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

Governmental activities	
Unallocated	\$ 1,665,704

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

**4. Interfund Receivables, Payables and Transfers**

Interfund receivables and payables between individual funds of the District as of June 30, 2016 are detailed below:

	Interfund Receivables	Interfund Payables
General	\$ -	\$ 25,000
Capital improvement trust	25,000	-
Totals	\$ 25,000	\$ 25,000

The purpose of these interfunds is to account for the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made or to account for temporary cash advances to finance operating cash deficits of other funds.

Interfund transfers for the year ended June 30, 2016 were as follows:

	Transfer To:
	Capital
	Projects Fund
	Capital
	Improvement
	Trust
Transfers from:	
General fund	\$ 25,000

Transfers are used to: 1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; 2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and 3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**5. Short-Term Debt**

The District issues tax anticipation notes in advance of property tax collections. Short-term debt activity for the year ended June 30, 2016 was as follows:

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Robert W. Baird & Co., tax anticipation note issued 9/24/14, principal plus interest due 9/4/15, accruing interest at 1.0%	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -
Oppenheimer & Co, Inc., tax anticipation note issued 9/30/15, principal plus interest due 2/4/16, accruing interest at 1.75%	-	2,000,000	2,000,000	-
Oppenheimer & Co, Inc., tax anticipation note issued 9/30/15, principal plus interest due 9/2/16, accruing interest at 1.75%	-	1,400,000	-	1,400,000
Tax anticipation notes	<u>\$ 2,000,000</u>	<u>\$ 3,400,000</u>	<u>\$ 4,000,000</u>	<u>\$ 1,400,000</u>

Interest paid on short-term debt for the year totaled \$16,399.

**6. Leases**

The District leases various equipment under the terms of long-term operating lease agreements. Following is a schedule, by years, of future minimum rental payments required under long-term operating lease agreements:

Year Ending June 30,	Amount
2017	\$ 106,000
2018	73,000
2019	53,000
Total Minimum Payments Required	<u>\$ 232,000</u>

Rent expense under all operating leases for the year ended June 30, 2016 amounted to \$105,567.

**7. Long-Term Obligations**

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2016:

	Outstanding 7/1/15	Issued	Retired	Outstanding 6/30/16	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 26,595,000	\$ -	\$ 2,210,000	\$ 24,385,000	\$ 2,265,000
Vested unused employee benefits	92,618	82,530	55,597	119,551	55,300
Other post-employment benefits	3,300,180	1,143,061	1,062,918	3,380,323	-
Other pension benefits	-	67,230	50,000	17,230	-
Bond premium	1,286,068	-	170,438	1,115,630	170,437
Governmental activities					
Long-term obligations	<u>\$ 31,273,866</u>	<u>\$ 1,292,821</u>	<u>\$ 3,548,953</u>	<u>\$ 29,017,734</u>	<u>\$ 2,490,737</u>

Total interest paid during the year on long-term debt totaled \$692,833.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
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Notes to Basic Financial Statements  
June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

**Bonds**

\$12,640,000 issued 12/3/12; \$1,610,000 to \$2,310,000 due annually through 2019; interest 2.00%	\$ 6,185,000
\$18,200,000 issued 6/8/2015; \$1,355,000 to \$1,955,000 due annually 2020 through 2030; interest 3.00% to 4.00%	<u>18,200,000</u>
<b>Total Outstanding General Obligation Debt</b>	<u><u>\$ 24,385,000</u></u>

Annual principal and interest maturities of the outstanding general obligation debt of \$24,385,000 on June 30, 2016 are detailed below:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 2,265,000	\$ 784,149	\$ 3,049,149
2018	2,310,000	738,849	3,048,849
2019	1,610,000	692,649	2,302,649
2020	1,355,000	660,449	2,015,449
2021	1,410,000	606,249	2,016,249
2022-2026	7,960,000	2,137,644	10,097,644
2027-2030	7,475,000	593,685	8,068,685
	<u>\$ 24,385,000</u>	<u>\$ 6,213,674</u>	<u>\$ 30,598,674</u>

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

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2016 was \$441,969,675 as follows:

Equalized valuation of the District	\$ 4,661,494,333
Statutory limitation percentage	<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	466,149,433
Total outstanding general obligation debt applicable to debt limitation	\$ 24,385,000
Less: Amounts available for financing general obligation debt	
Debt service funds (1)	<u>205,242</u>
Net outstanding general obligation debt applicable to debt limitation	24,179,758
Legal Margin for New Debt	<u><u>\$ 441,969,675</u></u>

(1) - Debt service funds, less \$392,074 of interest payments due in 2016.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

**8. Pension Plan**

**a. 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 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

**NOTE C - 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
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

**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. 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 \$1,498,535 in contributions from the District.

Contribution rates as of June 30, 2016 are:

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



**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE C - 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, 2016, the District reported a liability of \$2,505,777 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.15420350%, which was a decrease of .00143589% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,043,921.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 427,854	\$ 5,273,365
Changes in assumptions	1,753,151	-
Net differences between projected and actual earnings on pension plan investments	10,272,183	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	79,988	-
Employer contributions subsequent to the measurement date	947,027	-
Total	<u>\$ 13,480,203</u>	<u>\$ 5,273,365</u>

\$947,027 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30,	Deferred Outflow of Resources	Deferred Inflows of Resources
2016	\$ 3,257,212	\$ 1,276,164
2017	3,257,212	1,276,164
2018	3,257,212	1,276,164
2019	2,704,955	1,276,164
2020	56,585	168,709
Total	<u>\$ 12,533,176</u>	<u>\$ 5,273,365</u>

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

e. Actuarial Assumption

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

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability	December 31, 2015
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. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

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

*Long-term expected Return on Plan Assets.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 %
<b>Core Fund Asset Class</b>				
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
<b>Variable Fund Asset Class</b>				
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%

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE C - 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 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*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)	\$ 17,575,567	\$ 2,505,777	\$ (9,263,998)

*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, 2016, the District reported a payable of \$603,801 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2016.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

**NOTE D - OTHER INFORMATION****1. Other Post-Employment Benefits**

The District has established the Mequon-Thiensville Post-Employee Benefits Trust (the "Plan") which provides eligible employees and former employees of the District (the "Participants") health, dental and life insurance benefits. The Plan is reported as a fiduciary fund of the District and the significant accounting policies of the Plan are consistent with the District's significant accounting policies discussed in Note A. The Plan financial statements are prepared on the accrual basis of accounting.

*Plan Description* - The Plan is a single-employer defined benefit postemployment health, dental and life insurance plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plans. District paid medical, dental and life insurance benefits last until the retiree reaches age 65 while coverage for the spouse lasts until the retiree or spouse reaches age 65, whichever comes first. All employees of the District are eligible for the Plan if they meet the following age and service requirements:

Teachers	Age 58 and 20 years of service
Administrators & Management	Age 55 and 10 years of service

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of insurance premiums based on the employee group and their retirement date.

Membership of the Plan at July 1, 2014, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	256	46	302
Administrators & Management	29	7	36
Educational Support Staff	111	1	112
Total	396	54	450

*Annual OPEB Cost and Net OPEB Obligation* - The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 1,192,768
Interest on net OPEB obligation	165,009
Adjustment to annual required contribution	(214,716)
Annual OPEB cost (expense)	1,143,061
Contributions made	1,062,918
Change in net OPEB obligation	80,143
Net OPEB obligation - beginning of year	3,300,180
Net OPEB obligation - end of year	\$ 3,380,323

The annual required contribution for the current year was determined as part of the July 1, 2014 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 5 % discount rate, and (b) projected salary increases at 3%.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE D - OTHER INFORMATION (Continued)**

*Trend Information* - The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 1,143,061	93.0%	\$ 3,380,323
6/30/2015	\$ 1,142,748	105.1%	\$ 3,300,180
6/30/2014	\$ 1,298,083	96.1%	\$ 3,358,994

*Funded Status and Funding Progress* - As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$9,556,783. The annual payroll for active employees covered by the plan for the 2014 fiscal year (most recent actuarial valuation date) was \$21,509,297 a ratio of the UAAL to covered payroll of 44%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

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

In the July 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a rate of 5% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 7.5% for medical and reduced by decrements to an ultimate rate of 5% for medical and 5% for dental after nine years. The UAAL is being amortized as an open level dollar amount.

**2. Pension Plan**

*Plan Description* - The plan, a single-employer pension plan, is a defined benefit pension plan established to provide benefits after early retirement. The benefit is equal to \$20,000 and is to be paid at the individual's option of either a lump sum payment or in up to five equal annual payments. The plan is administered by the District. Employees of the District are eligible for the Plan if they meet the following age and service requirements:

Teachers	Age 58 and 20 years of service
Administrators	Age 55 and 10 years of service

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE D - OTHER INFORMATION (Continued)**

*Annual Pension Cost and Net Pension Obligation* - The District's annual pension costs for the year ended June 30, 2016 and related actuarial assumptions used for the current year are as follows:

Annual required pension cost	\$ 79,847
Interest on net pension obligation	(514)
Adjustment to annual required contribution	743
Annual pension cost (expense)	<u>80,076</u>
Contributions made	<u>50,000</u>
Change in net pension obligation	<u>30,076</u>
OPEB obligation (asset) - beginning of year	(12,846)
OPEB obligation - end of year	<u><u>\$ 17,230</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2014 actuarial valuation using the projected entry age normal method. The actuarial assumptions included (a) 4% discount rate, and (b) projected salary increases at 3%.

*Trend Information* - The District's annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension obligation is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
6/30/2016	\$ 80,076	62.4%	\$ 17,230
6/30/2015	\$ 81,962	158.6%	\$ (12,846)
6/30/2014	\$ 82,861	53.2%	\$ 35,192

*Funded Status and Funding Progress* - As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$613,991. The annual payroll for active employees covered by the plan for the 2014 fiscal year (most recent actuarial valuation date) was \$21,509,297 a ratio of the UAAL to covered payroll of 3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

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

In the July 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a rate of 4% to discount expected liabilities to the valuation date. The UAAL is being amortized as an open level dollar amount.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2016

**NOTE D - OTHER INFORMATION (Continued)**

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 June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*. Statement No. 73 requires governments providing defined benefit pension plans not administered through a trust or equivalent arrangement to recognize their unfunded pension benefit obligation as a liability, similar to the provisions of Statement No. 68. Statement No. 73 is effective for fiscal years beginning after June 15, 2016. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The District will, after adoption of GASB No. 75, recognize on the face of the financial statements its net OPEB liability. GASB No. 74 is effective for fiscal years beginning after June 15, 2016 whereas GASB No. 75 is effective one year later. The District is currently evaluating the impact these standards will have on the financial statements when adopted.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund - Budgetary Basis  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 34,761,901	\$ 35,118,975	\$ 35,118,975	\$ -
Other local sources	1,143,986	1,143,986	1,190,990	47,004
Interdistrict sources	793,413	865,651	872,855	7,204
State sources	3,020,591	3,004,770	3,049,962	45,192
Federal sources	325,779	118,579	296,360	177,781
Other sources	42,000	42,000	138,327	96,327
<b>Total Revenues</b>	<b>40,087,670</b>	<b>40,293,961</b>	<b>40,667,469</b>	<b>373,508</b>
<b>Expenditures</b>				
Instruction				
Regular instruction	17,423,226	17,384,846	17,336,936	47,910
Vocational instruction	532,360	532,360	516,867	15,493
Other instruction	2,108,719	2,109,865	2,215,753	(105,888)
<b>Total Instruction</b>	<b>20,064,305</b>	<b>20,027,071</b>	<b>20,069,556</b>	<b>(42,485)</b>
Support Services				
Pupil services	1,876,674	1,878,306	1,911,435	(33,129)
Instructional staff services	1,579,625	1,616,712	1,730,586	(113,874)
General administration services	718,838	793,838	837,904	(44,066)
School administration services	2,374,001	2,361,501	2,500,953	(139,452)
Business services	477,877	477,877	493,269	(15,392)
Operation and maintenance of plant	3,973,851	4,023,346	4,543,445	(520,099)
Pupil transportation services	1,661,454	1,810,303	1,763,184	47,119
Central services	1,276,945	1,339,945	1,350,772	(10,827)
Insurance	285,966	292,966	282,601	10,365
Other support services	769,868	771,401	1,490	769,911
<b>Total Support Services</b>	<b>14,995,099</b>	<b>15,366,195</b>	<b>15,415,639</b>	<b>(49,444)</b>
Debt Service				
Interest and fiscal charges	23,612	23,612	19,546	4,066
Non-program				
General tuition payments	453,885	518,974	466,174	52,800
Parental choice private school payments	-	-	40,323	(40,323)
Indirect costs	5,000	5,000	5,597	(597)
<b>Total Non-program</b>	<b>458,885</b>	<b>523,974</b>	<b>512,094</b>	<b>11,880</b>
<b>Total Expenditures</b>	<b>35,541,901</b>	<b>35,940,852</b>	<b>36,016,835</b>	<b>(75,983)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>4,545,769</b>	<b>4,353,109</b>	<b>4,650,634</b>	<b>297,525</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	2,000	2,000	1,643	(357)
Transfers out	(4,460,784)	(4,560,784)	(4,441,701)	119,083
<b>Total Other Financing Sources (Uses)</b>	<b>(4,458,784)</b>	<b>(4,558,784)</b>	<b>(4,440,058)</b>	<b>118,726</b>
<b>Net Change in Fund Balance</b>	<b>86,985</b>	<b>(205,675)</b>	<b>210,576</b>	<b>416,251</b>
<b>Fund Balance - July 1</b>	<b>12,210,808</b>	<b>12,210,808</b>	<b>12,210,808</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ 12,297,793</b>	<b>\$ 12,005,133</b>	<b>\$ 12,421,384</b>	<b>\$ 416,251</b>

See Notes to Required Supplemental Information.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Special Education Special Revenue Fund - Budgetary Basis  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interdistrict sources	\$ 49,388	\$ 109,388	\$ 104,191	\$ (5,197)
Intermediate sources	15,000	15,000	-	(15,000)
State sources	1,705,000	1,605,000	1,590,333	(14,667)
Federal sources	708,323	708,323	668,091	(40,232)
<b>Total Revenues</b>	<b>2,477,711</b>	<b>2,437,711</b>	<b>2,362,615</b>	<b>(75,096)</b>
<b>Expenditures</b>				
Instruction				
Special education instruction	4,915,899	4,975,899	4,877,278	98,621
Support Services				
Pupil services	922,816	922,816	894,245	28,571
Instructional staff services	285,080	285,080	308,146	(23,066)
General administration services	33,000	33,000	1,921	31,079
Operation and maintenance of plant	-	-	398	(398)
Pupil transportation services	513,000	513,000	400,965	112,035
Insurance	10,000	10,000	835	9,165
<b>Total Support Services</b>	<b>1,763,896</b>	<b>1,763,896</b>	<b>1,606,510</b>	<b>157,386</b>
Non-program				
Special education tuition payments	258,700	258,700	295,528	(36,828)
<b>Total Expenditures</b>	<b>6,938,495</b>	<b>6,998,495</b>	<b>6,779,316</b>	<b>219,179</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(4,460,784)</b>	<b>(4,560,784)</b>	<b>(4,416,701)</b>	<b>144,083</b>
<b>Other Financing Sources</b>				
Transfers in	4,460,784	4,560,784	4,416,701	(144,083)
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See Notes to Required Supplementary Information.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Schedule of Funding Progress  
Other Post-Employment Benefit Plans  
For the Year Ended June 30, 2016

**Other Post Employment Benefit Plan:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2014	\$ 872,020	\$ 10,428,803	\$ 9,556,783	8%	\$ 21,509,297	44%
7/1/2012	279,830	11,733,461	11,453,631	2%	21,103,335	54%
7/1/2010	93,032	15,951,267	15,858,235	1%	22,054,624	72%

**Pension Plan:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2014	\$ -	\$ 613,991	\$ 613,991	0%	\$ 21,509,297	3%
7/1/2012	-	677,034	677,034	0%	21,103,335	3%
7/1/2010	-	1,940,391	1,940,391	0%	22,054,624	9%

See Notes to Required Supplementary Information.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Schedule of Employer Contributions  
Other Post-Employment Benefit Plan  
For the Year Ended June 30, 2016

Other Post Employment Benefit Plan:

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2014	\$ 1,247,453	\$ 1,343,756	93%
2015	1,201,562	1,193,305	101%
2016	1,062,918	1,192,768	89%

Pension Plan:

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2014	\$ 44,063	\$ 82,341	54%
2015	130,000	82,589	157%
2016	50,000	79,847	63%

See Notes to Required Supplementary Information.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
**Mequon, Wisconsin**  
**Schedule of Proportionate Share of the Net Pension Liability (Asset)**  
**Wisconsin Retirement System**  
**Last 10 Fiscal Years\***

	2015	2016
Proportion of the net pension liability (asset)	0.15563939%	0.15420350%
Proportionate share of the net pension liability (asset)	\$ (3,822,929)	\$ 2,505,777
Covered-employee payroll	\$ 21,251,565	\$ 21,942,337
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

\* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
**Mequon, Wisconsin**  
**Schedule of Contributions**  
**Wisconsin Retirement System**  
**Last 10 Fiscal Years\***

	2015	2016
Contractually required contributions	\$ 1,493,242	\$ 1,498,535
Contributions in relation to the contractually required contributions	\$ 1,493,242	\$ 1,498,535
Covered-employee payroll	\$ 21,251,565	\$ 21,942,337
Contributions as a percentage of covered-employee payroll	7.03%	6.83%

\* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Required Supplementary Information  
June 30, 2016

**NOTE A - SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFIT PLAN**

There have been no changes in actuarial assumptions that have a significant effect on the amounts presented in the schedule of funding progress for one year compared to the information presented for prior years.

**NOTE B - WISCONSIN RETIREMENT SYSTEM**

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

**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 reserved or designated fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year. Encumbrances are not carried over at year end.
- The DPI requires the District to separate special education revenues and expenditures from other general fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2016.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2016

**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 budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 40,667,469	\$ 2,362,615
Reclassification of special education	2,362,615	(2,362,615)
Total Revenues	<u>43,030,084</u>	<u>-</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	36,016,835	6,779,316
Reclassification of special education	6,779,316	(6,779,316)
Total Expenditures	<u>42,796,151</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	4,650,634	(4,416,701)
Reclassification of special education	(4,416,701)	4,416,701
Excess of Revenues Over (Under) Expenditures	<u>233,933</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(4,440,058)	4,416,701
Reclassification of special education	4,416,701	(4,416,701)
Total Other Financing Sources (Uses)	<u>(23,357)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis)	<u>210,576</u>	<u>-</u>
<b>Fund Balance - July 1</b>		
Actual amounts (budgetary basis)	<u>12,210,808</u>	<u>-</u>
<b>Fund Balance - June 30</b>		
Actual amounts (budgetary basis)	<u><u>\$ 12,421,384</u></u>	<u><u>\$ -</u></u>



## **SUPPLEMENTARY INFORMATION**

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2016

(With summarized financial information as of June 30, 2015)

	Special Revenue Funds			Debt Service Funds	
	Special Revenue Trust	Food Service	Community Service	Non- Referendum Debt Service	Referendum Approved Debt Service
<b>ASSETS</b>					
Cash and investments	\$ 223,589	\$ 443,395	\$ 148,806	\$ -	\$ 597,316
Accounts receivable	25,658	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	7,893	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 249,247</b>	<b>\$ 451,288</b>	<b>\$ 148,806</b>	<b>\$ -</b>	<b>\$ 597,316</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 77,214	\$ 1,754	\$ -	\$ -
Accrued payroll liabilities	-	-	13,991	-	-
Unearned revenues	-	53,235	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>130,449</b>	<b>15,745</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
<b>Restricted</b>					
Retirement of long-term debt	-	-	-	-	597,316
Donor intent	249,247	-	-	-	-
Capital improvements	-	-	-	-	-
Food service	-	320,839	-	-	-
<b>Assigned</b>					
Community service programs	-	-	133,061	-	-
<b>Total Fund Balances</b>	<b>249,247</b>	<b>320,839</b>	<b>133,061</b>	<b>-</b>	<b>597,316</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 249,247</b>	<b>\$ 451,288</b>	<b>\$ 148,806</b>	<b>\$ -</b>	<b>\$ 597,316</b>

Capital Project Fund	Total	
Capital Improvement Trust Fund	Total Non-Major Governmental Funds	
	2016	2015

\$	60,039	\$	1,473,145	\$	2,859,706
	-		25,658		175,348
	25,000		25,000		70,338
	-		7,893		-

\$	85,039	\$	1,531,696	\$	3,105,392
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\$	-	\$	78,968	\$	69,931
	-		13,991		22,660
	-		53,235		52,565
	-		146,194		145,156

-	597,316	1,132,079
-	249,247	1,292,663
85,039	85,039	60,000
-	320,839	317,902
-	133,061	157,592
85,039	1,385,502	2,960,236

\$	85,039	\$	1,531,696	\$	3,105,392
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**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the Year Ended June 30, 2016

(With summarized financial information for the year ended June 30, 2015)

	Special Revenue Funds			Debt Service Funds	
	Special Revenue Trust	Food Service	Community Service	Non- Referendum Debt Service	Referendum Approved Debt Service
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ 227,580	\$ -	\$ 2,366,850
Other local sources	331,364	971,470	503,346	-	1,220
State sources	-	12,165	-	-	-
Federal sources	-	281,573	-	-	-
Other sources	-	1,429	-	-	-
<b>Total Revenues</b>	<b>331,364</b>	<b>1,266,637</b>	<b>730,926</b>	<b>-</b>	<b>2,368,070</b>
<b>Expenditures</b>					
Instruction					
Regular instruction	191,013	-	-	-	-
Other instruction	61,935	-	-	-	-
<b>Total Instruction</b>	<b>252,948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Support Services					
Pupil services	-	-	-	-	-
Instructional staff services	48,148	-	-	-	-
School administration services	8,170	-	-	-	-
Operation and maintenance of plant	1,000,020	-	57,569	-	-
Food services	-	1,263,700	-	-	-
Central services	27,845	-	-	-	-
<b>Total Support Services</b>	<b>1,084,183</b>	<b>1,263,700</b>	<b>57,569</b>	<b>-</b>	<b>-</b>
Community Services	4,882	-	697,888	-	-
Debt Service					
Principal	-	-	-	-	2,210,000
Interest and fiscal charges	-	-	-	20,338	672,495
<b>Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,338</b>	<b>2,882,495</b>
Non-program					
Adjustments and refunds	32,767	-	-	-	-
<b>Total Expenditures</b>	<b>1,374,780</b>	<b>1,263,700</b>	<b>755,457</b>	<b>20,338</b>	<b>2,882,495</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	(1,043,416)	2,937	(24,531)	(20,338)	(514,425)
<b>Other Financing Sources (Uses)</b>					
Bond premium	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,043,416)</b>	<b>2,937</b>	<b>(24,531)</b>	<b>(20,338)</b>	<b>(514,425)</b>
<b>Fund Balances - July 1</b>	<b>1,292,663</b>	<b>317,902</b>	<b>157,592</b>	<b>20,338</b>	<b>1,111,741</b>
<b>Fund Balances - June 30</b>	<b>\$ 249,247</b>	<b>\$ 320,839</b>	<b>\$ 133,061</b>	<b>\$ -</b>	<b>\$ 597,316</b>

Capital Project Fund	Total Non-Major Governmental Funds	
Capital Improvement Trust		
	2016	2015

\$	-	\$	2,594,430	\$	2,589,680
	39		1,807,439		3,005,637
	-		12,165		12,067
	-		281,573		268,117
	-		1,429		1,789
	39		4,697,036		5,877,290

	-		191,013		230,117
	-		61,935		123,956
	-		252,948		354,073

	-		-		1,563
	-		48,148		43,739
	-		8,170		20,115
	-		1,057,589		117,010
	-		1,263,700		1,240,823
	-		27,845		-
	-		2,405,452		1,423,250
	-		702,770		674,067

	-		2,210,000		3,540,000
	-		692,833		358,390
	-		2,902,833		3,898,390

	-		32,767		-
	-		6,296,770		6,349,780

	39		(1,599,734)		(472,490)
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	-		-		881,506
	25,000		25,000		2,517,568
	-		-		(250,000)
	25,000		25,000		3,149,074

	25,039		(1,574,734)		2,676,584
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	60,000		2,960,236		283,652
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\$	85,039	\$	1,385,502	\$	2,960,236
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**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

**Schedule of Changes in Assets and Liabilities - Pupil Activity Agency Funds  
For the Year Ended June 30, 2016**

	Balance 7/1/15	Additions	Deletions	Balance 6/30/16
<b>ASSETS</b>				
Cash	\$ 146,125	\$ 577,357	\$ 579,720	\$ 143,762
<b>LIABILITIES</b>				
Due to student organizations				
Homestead High School	\$ 121,577	\$ 535,637	\$ 529,359	\$ 127,855
Lake Shore Middle School	11,637	10,597	17,303	4,931
Steffen Middle School	11,092	22,527	24,807	8,812
Donges Bay Elementary School	275	535	535	275
Oriole Lane Elementary School	704	2,005	1,822	887
Wilson Elementary School	840	6,056	5,894	1,002
<b>TOTAL LIABILITIES</b>	<u>\$ 146,125</u>	<u>\$ 577,357</u>	<u>\$ 579,720</u>	<u>\$ 143,762</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 *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Mequon-Thiensville School District  
Mequon, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mequon-Thiensville School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mequon-Thiensville School District's basic financial statements, and have issued our report thereon dated December 13, 2016. Our report includes a reference to other auditors who audited the financial statements of the Mequon-Thiensville Education Foundation, Inc., as described in our report on the Mequon-Thiensville School District's financial statements. The financial statements of the Mequon-Thiensville Education Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 items 2015-001 that we consider to be a significant deficiency.



## **Compliance and Other Matters**

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

### **Mequon-Thiensville School District's Response to Finding**

Mequon-Thiensville School District's response to the finding identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. Mequon-Thiensville School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Certified Public Accountants  
Sheboygan, Wisconsin  
December 13, 2016

## **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  
Mequon-Thiensville School District  
Mequon, Wisconsin

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

We have audited Mequon-Thiensville School District'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 Wisconsin Department of Administration that could have a direct and material effect on each of Mequon-Thiensville School District's major federal and state programs for the year ended June 30, 2016. Mequon-Thiensville School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Mequon-Thiensville School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and 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 Mequon-Thiensville School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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

Handwritten signature in black ink, appearing to read "S. Schenk".

Certified Public Accountants  
Sheboygan, Wisconsin  
December 13, 2016

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

Grantor Agency/Federal Program Title	Pass-through Agency	Pass-through Entity Identifying Number	Federal Catalog Number
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Child Nutrition Cluster</i>			
Cash Assistance			
School Breakfast Program	DPI	A546-00000-453479	10.553
July 1, 2015 to June 30, 2016			
School Lunch Program	DPI	A547-00000-453479	10.555
July 1, 2015 to June 30, 2016			
Cash Assistance Subtotal			
Non-Cash Assistance (Commodities)			
Donated Commodities	DPI	A001-00000-453479	10.555
Total <i>Child Nutrition Cluster</i> and U.S. Department of Agriculture			
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Title I Grants to Local Educational Agencies	DPI		84.010
Basic Grant		A141-00000-453479	
July 1, 2014 to June 30, 2015			
July 1, 2015 to June 30, 2016			
State Program Improvement		A145-00000-453479	
July 1, 2015 to June 30, 2016			
Total Title I Grants to States			
Special Education Cluster			
Special Education - Grants to States	DPI		84.027
Flow Through		A341-00000-453479	
July 1, 2014 to June 30, 2015			
July 1, 2015 to June 30, 2016			
High Cost Special Education Aid		A341-00000-453479	
July 1, 2015 to June 30, 2016			
CEIS Entitlement		A341-00000-453479	
July 1, 2015 to June 30, 2016			
Total Special Education - Grants to States			
Special Education Preschool Grants	DPI	A347-00000-453479	84.173
July 1, 2015 to June 30, 2016			
English Language Acquisition State Grants	DPI	A391-00000-453479	84.365
July 1, 2014 to June 30, 2015			
July 1, 2015 to June 30, 2016			
Improving Teacher Quality State Grants	DPI	A365-00000-453479	84.367
July 1, 2014 to June 30, 2015			
July 1, 2015 to June 30, 2016			
Total U.S. Department of Education			

(Continued)

Revenues				Total Expenditures	Subrecipient Payments
(Accrued) or Deferred Revenues 7/1/15	Amount Received	Accrued or (Deferred) Revenue 6/30/16	Total Revenues		
\$ -	\$ 19,375	\$ 794	\$ 20,169	\$ 20,169	\$ -
-	185,460	7,099	192,559	192,559	-
-	204,835	7,893	212,728	212,728	-
-	68,845	-	68,845	68,845	-
-	273,680	7,893	281,573	281,573	-
(36,368)	36,368	-	-	-	-
-	41,162	30,602	71,764	71,764	-
-	8,538	5,462	14,000	14,000	-
(36,368)	86,068	36,064	85,764	85,764	-
(45,579)	45,579	-	-	-	-
-	340,079	246,256	586,335	586,335	-
-	18,998	-	18,998	18,998	-
-	29,376	19,821	49,197	49,197	-
(45,579)	434,032	266,077	654,530	654,530	-
-	16,257	2,179	18,436	18,436	-
(5,146)	5,146	-	-	-	-
-	10,897	7,053	17,950	17,950	-
(33,669)	33,669	-	-	-	-
-	34,744	37,060	71,804	71,804	-
(120,762)	620,813	348,433	848,484	848,484	-

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2016

Grantor Agency/Federal Program Title	Pass-through Agency	Pass-through Entity Identifying Number	Federal Catalog Number
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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

*Medicaid Cluster*

Medical Assistance - School Based Services	DHS	44222900	93.778
July 1, 2014 to June 30, 2015			
July 1, 2015 to June 30, 2016			

Total *Medicaid Cluster* and U.S. Department of Health and Human Services

Total Federal Financial Assistance

DPI - Wisconsin Department of Public Instruction

DHS - Wisconsin Department of Health Services

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

Revenues				Total Expenditures	Subrecipient Payments
(Accrued) or Deferred Revenues 7/1/2015	Amount Received	Accrued or (Deferred) Revenue 6/30/2016	Total Revenues		
-	71,645	-	71,645	71,645	-
-	44,322	-	44,322	44,322	-
-	115,967	-	115,967	115,967	-
\$ (120,762)	\$ 1,010,460	\$ 356,326	\$ 1,246,024	\$ 1,246,024	\$ -



**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

**Schedule of State Financial Assistance**

For the Year Ended June 30, 2016

Grantor/Agency/State Program Title/ Grant Period	Pass Through Agency	Pass-through Entity Identifying Number	State I.D. Number
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**WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

Special Education and School-Age Parents	Direct Program	453479-100	255.101
State School Lunch Aid	Direct Program	453479-107	255.102
Common School Fund Library Aid	Direct Program	453479-104	255.103
General Transportation Aid	Direct Program	453479-102	255.107
Equalization Aid	Direct Program	453479-116	255.201
Integration Transfer - Non Resident	Direct Program	453479-106	255.204
High Cost Special Education Aid	Direct Program	453479-119	255.210
School Breakfast Program	Direct Program	453479-108	255.344
Education Effective Evaluation System Grants Public	Direct Program	453479-154	255.940
Per Pupil Aid	Direct Program	453479-113	255.945
Total Wisconsin Department of Public Instruction			

Total State Programs

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

Accrued Receivable (Deferred Revenue) 7/1/15	Grantor Reimbursements	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures
\$ -	\$ 1,562,400	\$ -	\$ 1,562,400	\$ 1,562,400
-	10,979	-	10,979	10,979
-	146,380	-	146,380	146,380
-	79,869	-	79,869	79,869
22,731	1,192,691	20,901	1,190,861	1,190,861
-	995,449	-	995,449	995,449
-	27,933	-	27,933	27,933
-	1,186	-	1,186	1,186
15,761	15,761	20,795	20,795	20,795
-	-	524,850	524,850	524,850
38,492	4,032,648	566,546	4,560,702	4,560,702
\$ 38,492	\$ 4,032,648	\$ 566,546	\$ 4,560,702	\$ 4,560,702

**MEQUON-THIENSVILLE SCHOOL DISTRICT**

Mequon, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance  
For the Year Ended June 30, 2016

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and schedule of state financial assistance include the federal and state grant activity of the Mequon-Thiensville School District 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 the amounts presented in or used in the preparation of, the basic financial statement.

**NOTE B - SPECIAL EDUCATION AND SCHOOL-AGE PARENTS PROGRAM**

The 2015-2016 eligible costs under the State Special Education Program as reported by the District are \$5,833,130.

**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.

**NOTE E – INDIRECT COSTS**

The District has not elected to charge a de minimis indirect rate of 10% of modified total direct costs.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

**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 deficiency(ies) 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 deficiency(ies) 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 Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs
	Special Education Cluster
84.027	Special Education - Grants to States
84.173	Special Education Preschool Grants

  

State ID Number	Name of State Programs
255.107	General Transportation Aid
255.201	Equalization Aids
255.204	Integration Transfer - Non-Resident
255.210	High Cost Special Education Aid

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

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2016

**Section II - Financial Statement Findings**

Finding No.	Internal Control Deficiencies
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**2015-001      Preparation of Annual Financial Report**

**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 in accordance with accounting principles generally accepted in the United States of America, 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.

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
 Mequon, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2016

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

Finding No.	Internal Control Deficiencies
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There are no findings related to the internal control or compliance required to be reported under the Uniform Guidance or the *State Single Audit Guidelines* for the year ended June 30, 2016.

**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 Health Services

  X   Yes      \_\_\_\_\_ No

Department of Public Instruction

  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

 CPA

Bryan Grunewald, CPA

Date of report

December 13, 2016

**MEQUON-THIENSVILLE SCHOOL DISTRICT**  
Mequon, Wisconsin  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended June 30, 2016

**Status of Prior Year Audit Findings**

Finding 2015-001: Preparation of Annual Financial Report, noted in the June 30, 2015 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies.

**Corrective Action Plan for Audit Findings**

Finding No.	Corrective Action Plan
2015-001	<b>Preparation of Annual Financial Report</b>  District management believes that the cost of employing internal resources to draft financial statements and related notes under the GASB 34 model, including the related GASB 34 conversion entries, would outweigh the benefits to be received. Furthermore, District management will continue to employ personnel who have the capability to review, approve and accept responsibility for the financial statements.