

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

June 30, 2017

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MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

June 30, 2017

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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, Mequon, Wisconsin (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note C.5, the District adopted new accounting guidance, GASB No. 73, *Accounting and Financial Reporting for Pension and Related Assets That are Now Within the Scope of GASB Statement 68*, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Other Than Pensions*. Our opinions are not modified with respect to these matters.

Prior Period Adjustment

As discussed in Note C.6, the District increased its capitalization threshold for capital assets resulting in a decrease in net position of \$1,213,162 in the governmental activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 42 through 44 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 schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the District's 2016 financial statements, and our report dated December 13, 2016, expressed unmodified opinions on those respective financial statements of the governmental activities, the discretely presented compartment unit, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

S. Chenck SC

Certified Public Accountants
Sheboygan, Wisconsin
November 20, 2017

BASIC FINANCIAL STATEMENTS

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Statement of Net Position
June 30, 2017
(With summarized financial information as of June 30, 2016)

	Governmental Activities		Mequon-Thiensville Education Foundation, Inc.
	2017	2016	
ASSETS			
Cash and investments	\$ 6,763,712	\$ 15,369,677	\$ 334,195
Receivables			
Taxes	8,652,776	8,808,526	-
Accounts	55,839	234,039	-
Pledges	-	-	2,689
Interest	-	10,715	-
Due from other governments	449,749	1,014,630	-
Prepaid items	-	-	847
Capital assets			
Land	167,438	167,438	-
Land improvements	3,047,203	3,096,454	-
Buildings	72,451,675	54,707,808	-
Machinery, equipment and textbooks	3,777,279	10,849,538	1,492
Construction in progress	34,837	9,395,125	-
Less: Accumulated depreciation	(32,897,413)	(37,462,231)	(894)
Beneficial interest in net assets - Greater Milwaukee Foundation	-	-	639,678
TOTAL ASSETS	62,503,095	66,191,719	978,007
DEFERRED OUTFLOWS OF RESOURCES			
Loss on advance refunding	102,652	164,244	-
Deferred outflows related to OPEB	1,152,914	-	-
Deferred outflows related to pensions	9,372,871	13,480,203	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,628,437	13,644,447	-
LIABILITIES			
Short-term notes payable	2,500,000	1,400,000	-
Accounts payable	198,755	719,066	125,406
Accrued payroll liabilities	941,962	928,432	-
Accrued interest payable	191,789	206,647	-
Unearned revenues	65,565	60,115	14,075
Other liabilities	-	-	550
Long-term obligations			
Due within one year	2,540,673	2,490,737	-
Due in more than one year	20,664,294	23,129,444	-
Other post-employment benefits liability	10,874,324	3,380,323	-
Net Pension liability	1,996,713	2,523,007	-
TOTAL LIABILITIES	39,974,075	34,837,771	140,031
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension - WRS	4,017,997	5,273,365	-
NET POSITION			
Net investment in capital assets	23,515,826	23,922,187	598
Restricted for			
Donor intent	193,537	249,247	-
Debt service	337,482	390,669	-
Capital improvements	185,560	85,039	-
Food service	323,690	320,839	-
Foundation activities	-	-	299,649
Unrestricted	4,583,365	14,757,049	537,729
TOTAL NET POSITION	\$ 29,139,460	\$ 39,725,030	\$ 837,976

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, 2017
(With summarized financial information for the year ended June 30, 2016)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions

Governmental Activities

Instruction	\$ 27,013,151	\$ 1,288,823	\$ 4,210,243
Support services	21,256,108	1,445,729	1,714,922
Interest and fiscal charges	692,135	-	-
Depreciation - unallocated	1,649,400	-	-
Community services	854,085	513,521	-
Non-program	1,062,409	-	-

Total Primary Government	\$ 52,527,288	\$ 3,248,073	\$ 5,925,165
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Component unit

Mequon-Thiensville Education Foundation, Inc.	\$ 340,703	\$ -	\$ 388,905
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General revenues

Property taxes
State and federal aids not restricted to
specific functions
Interest and investment earnings
Miscellaneous
Total General Revenues

Change in net position

Net position - July 1, as originally reported

**Cumulative effect of change in accounting
principle (Note B.8.b) and (Note C.1)**

**Prior period adjustment
(Note C.6)**

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.
2017	2016	

\$ (21,514,085)	\$ (22,464,767)	\$ -
(18,095,457)	(15,818,015)	-
(692,135)	(674,633)	-
(1,649,400)	(1,665,704)	-
(340,564)	(209,316)	-
(1,062,409)	(840,389)	-

<u>\$ (43,354,050)</u>	<u>\$ (41,672,824)</u>	<u>\$ -</u>
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-	-	48,202
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38,228,889	37,713,405	-
2,475,776	2,711,160	-
70,493	63,764	468
90,124	141,399	4,300
<u>40,865,282</u>	<u>40,629,728</u>	<u>4,768</u>

<u>(2,488,768)</u>	<u>(1,043,096)</u>	<u>52,970</u>
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39,725,030	40,768,126	785,006
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(6,883,640)	-	-
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<u>(1,213,162)</u>	<u>-</u>	<u>-</u>
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<u>31,628,228</u>	<u>40,768,126</u>	<u>785,006</u>
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<u>\$ 29,139,460</u>	<u>\$ 39,725,030</u>	<u>\$ 837,976</u>
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MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2017

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

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	
				2017	2016
ASSETS					
Cash and investments	\$ 5,390,491	\$ -	\$ 1,373,221	\$ 6,763,712	\$ 15,369,677
Receivables					
Taxes	8,652,776	-	-	8,652,776	8,808,526
Accounts	8,965	-	46,874	55,839	234,039
Interest	-	-	-	-	10,715
Due from other funds	-	-	100,000	100,000	25,000
Due from other governments	449,749	-	-	449,749	1,014,630
TOTAL ASSETS	\$ 14,501,981	\$ -	\$ 1,520,095	\$ 16,022,076	\$ 25,462,587
LIABILITIES AND FUND BALANCES					
Liabilities					
Short-term notes payable	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ 1,400,000
Accounts payable	124,718	-	74,037	198,755	719,066
Accrued payroll liabilities	931,579	-	10,383	941,962	928,432
Accrued interest payable	18,889	-	-	18,889	18,647
Due to other funds	100,000	-	-	100,000	25,000
Unearned revenues	6,500	-	59,065	65,565	60,115
Total Liabilities	3,681,686	-	143,485	3,825,171	3,151,260
Fund Balances					
Restricted					
Donor intent	-	-	193,537	193,537	249,247
Retirement of long-term debt	-	-	510,382	510,382	597,316
Capital improvements	-	-	185,560	185,560	8,589,480
Food service	-	-	323,690	323,690	320,839
Assigned					
Community service programs	-	-	163,441	163,441	133,061
Capital projects	1,800,000	-	-	1,800,000	2,100,000
Unassigned	9,020,295	-	-	9,020,295	10,321,384
Total Fund Balances	10,820,295	-	1,376,610	12,196,905	22,311,327
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,501,981	\$ -	\$ 1,520,095	\$ 16,022,076	\$ 25,462,587

(Continued)

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Balance Sheet (Continued)
Governmental Funds
June 30, 2017
(With summarized financial information as of June 30, 2016)

	2017	2016
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances from previous page	\$ 12,196,905	\$ 22,311,327
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.	46,581,019	40,754,132
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 liability	(1,277,618)	(2,505,777)
Deferred outflows of resources	9,245,371	13,480,203
Deferred inflows of resources	(4,017,997)	(5,273,365)
The District's other post employment benefit liability, and related deferred outflows and inflows of resources are not available financial resources; therefore, they are not reported in the fund financial statements:		
Other post-employment benefits liability	(10,874,324)	(3,380,323)
Deferred outflows related to OPEB	1,152,914	-
The District's supplemental pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Pension liability	(719,095)	(17,230)
Deferred outflows related to supplemental pension	127,500	-
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	(22,120,000)	(24,385,000)
Bond premium	(945,193)	(1,115,630)
Deferred outflows - loss on advance refunding	102,652	164,244
Vested unused employee benefits	(139,774)	(119,551)
Accrued interest payable	(172,900)	(188,000)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)	<u>\$ 29,139,460</u>	<u>\$ 39,725,030</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, 2017
(With summarized financial information for the year ended June 30, 2016)

	General	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds	
				2017	2016
Revenues					
Property taxes	\$ 35,043,597	\$ -	\$ 3,185,292	\$ 38,228,889	\$ 37,713,405
Other local sources	1,261,055	7,662	1,849,153	3,117,870	3,034,110
Interdistrict sources	1,162,681	-	-	1,162,681	977,046
State sources	5,305,908	-	12,948	5,318,856	4,652,460
Federal sources	1,145,493	-	300,169	1,445,662	1,246,024
Other sources	71,765	-	116,278	188,043	139,756
Total Revenues	43,990,499	7,662	5,463,840	49,462,001	47,762,801
Expenditures					
Instruction					
Regular instruction	17,281,433	-	200,367	17,481,800	17,527,949
Vocational instruction	470,736	-	-	470,736	516,867
Special education instruction	4,849,563	-	-	4,849,563	4,877,278
Other instruction	2,248,419	-	37,218	2,285,637	2,277,688
Total Instruction	24,850,151	-	237,585	25,087,736	25,199,782
Support Services					
Pupil services	3,017,346	-	-	3,017,346	2,805,680
Instructional staff services	2,199,781	-	46,666	2,246,447	2,086,880
General administration services	866,067	-	-	866,067	839,825
School administration services	2,644,798	-	84	2,644,882	2,509,123
Business services	496,245	-	-	496,245	493,269
Operation and maintenance of plant	6,543,914	8,512,103	57,569	15,113,586	15,335,195
Pupil transportation services	2,104,519	-	-	2,104,519	2,164,149
Food services	-	-	1,282,830	1,282,830	1,263,700
Central services	1,270,542	-	-	1,270,542	1,378,617
Insurance	292,838	-	-	292,838	283,436
Other support services	127,500	-	-	127,500	1,490
Total Support Services	19,563,550	8,512,103	1,387,149	29,462,802	29,161,364
Community Services	-	-	898,849	898,849	702,770
Debt Service					
Principal	-	-	2,265,000	2,265,000	2,210,000
Interest and fiscal charges	31,931	-	784,149	816,080	712,379
Total Debt Service	31,931	-	3,049,149	3,081,080	2,922,379
Non-program					
General tuition payments	482,269	-	-	482,269	466,174
Parental choice private school payments	94,122	-	-	94,122	40,323
Special education tuition payments	482,580	-	-	482,580	295,528
Indirect costs	3,438	-	-	3,438	38,364
Total Non-program	1,062,409	-	-	1,062,409	840,389
Total Expenditures	45,508,041	8,512,103	5,572,732	59,592,876	58,826,684
Excess of Revenues Under Expenditures	(1,517,542)	(8,504,441)	(108,892)	(10,130,875)	(11,063,883)
Other Financing Sources (Uses)					
Sale of capital assets	16,453	-	-	16,453	1,643
Transfers in	-	-	100,000	100,000	25,000
Transfers out	(100,000)	-	-	(100,000)	(25,000)
Total Other Financing Sources (Uses)	(83,547)	-	100,000	16,453	1,643
Net Change in Fund Balances	(1,601,089)	(8,504,441)	(8,892)	(10,114,422)	(11,062,240)
Fund Balances - July 1	12,421,384	8,504,441	1,385,502	22,311,327	33,373,567
Fund Balances - June 30	\$ 10,820,295	\$ -	\$ 1,376,610	\$ 12,196,905	\$ 22,311,327

(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, 2017
(With summarized financial information for the year ended June 30, 2016)

	2017	2016
Reconciliation to the Statement of Activities		
Net Change in Fund Balances from previous page	\$ (10,114,422)	\$ (11,062,240)
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	\$ 8,689,449	
Depreciation expense reported in the statement of activities	<u>(1,649,400)</u>	
Amount by which capital outlay exceeds depreciation	7,040,049	9,469,257
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.		
Cost of assets disposed of	-	(9,582)
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:		
Vested unused employee benefits	(20,223)	(26,933)
Other Post-employment benefits (OPEB)	-	(80,143)
Other pensions benefits obligation (Asset)	-	(30,076)
Change in WRS Pension liability and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	(1,751,305)	(1,551,125)
Change in net supplemental pension liability and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	52,787	-
Change in net other post employment benefit liability and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	(84,599)	-
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)
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:	2,265,000	2,210,000
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.	15,100	(71,100)
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.	170,437	170,438
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 5 - 6)	<u>\$ (2,488,768)</u>	<u>\$ (1,043,096)</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, 2017

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

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
				2017	2016
ASSETS					
Cash and investments	\$ 12,081	\$ 1,134,040	\$ 35,771	\$ 1,181,892	\$ 1,206,403
Interest receivable	146	-	-	146	1,069
Due from other governments	-	-	9,415	9,415	-
TOTAL ASSETS	12,227	1,134,040	45,186	1,191,453	1,207,472
LIABILITIES					
Due to student organizations	-	-	45,186	45,186	143,762
NET POSITION					
Restricted for scholarships	12,227	-	-	12,227	12,126
Restricted for other post employment benefits	-	1,134,040	-	1,134,040	1,051,584
	\$ 12,227	\$ 1,134,040	\$ -	\$ 1,146,267	\$ 1,063,710

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, 2017

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

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2017	2016
ADDITIONS				
Other local sources	\$ 101	\$ 7,456	\$ 7,557	\$ 2,937
Other	-	1,245,474	1,245,474	1,202,122
Total Additions	101	1,252,930	1,253,031	1,205,059
DEDUCTIONS				
Trust fund disbursements	-	1,170,474	1,170,474	1,127,122
Change in Net Position	101	82,456	82,557	77,937
Net Position - July 1	12,126	1,051,584	1,063,710	985,773
Net Position - June 30	\$ 12,227	\$ 1,134,040	\$ 1,146,267	\$ 1,063,710

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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The 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, 2017

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 funds 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, 2017

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, 2017

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, and are accounted for on the consumption method.

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 \$5,000 or higher and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

	Governmental Activities	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, 2017

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, 2017.

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 several 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 item relates to the District's pension plans, including its proportionate share of the Wisconsin Retirement System pension plan and its supplemental pension plan. One portion of that item includes District contributions to the Wisconsin Retirement System pension plan and the District's supplemental pension plan subsequent to the measurement date which are recognized as expenditures in the subsequent year. The remaining portion of this item is deferred and amortized over the expected remaining service lives of the pension plan participants. The third item relates to the District's other post-employment benefits plan. This item includes District contributions to the plan subsequent to the measurement date which are recognized as expenditures in the subsequent year.

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.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Other Postemployment Benefits Other Than Pensions (OPEB)

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

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

k. 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.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2016, 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 - 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, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the District's cash and investments totaled \$7,945,604 on June 30, 2017 as summarized below:

Primary government:

Deposits with financial institutions	\$ 194,633
Investment	
Wisconsin Investment Series Cooperative	7,750,971
	<u>\$ 7,945,604</u>

Component unit:

Deposits with financial institutions	<u>\$ 334,195</u>
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Reconciliation to the basic financial statements:

District-wide Statement of Net Position

Cash and investments	\$ 6,763,712
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Fiduciary funds Statement of Net Position

Private-purpose trust fund	12,081
Employee benefit trust fund	1,134,040
Agency fund	35,771
	<u>\$ 7,945,604</u>

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The primary government currently has no investments subject to fair value measurements. The beneficial interest in net assets held at the Greater Milwaukee Foundation as reported by the Mequon-Thiensville Education Foundation, Inc., a component unit, is a level three investment.

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, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin Statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. 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	\$ 76,450	\$ -	\$ 76,450	\$ -	\$ -
Investment Management Series	7,674,521	-	7,674,521	-	-
Totals	<u>\$ 7,750,971</u>	<u>\$ -</u>	<u>\$ 7,750,971</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	\$ 76,450	\$ 76,450	\$ -	\$ -	\$ -
Investment Management Series	7,674,521	7,674,521	-	-	-
Totals	<u>\$ 7,750,971</u>	<u>\$ 7,750,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$7,750,971 at year end consisting of \$76,450 invested in the Cash Management Series and \$7,674,521 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.

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.

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.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Adjustment	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 9,395,125	\$ 34,837	\$ 9,395,125	\$ -	34,837
Land	167,438	-	-	-	167,438
Total capital assets, not being depreciated	9,562,563	34,837	9,395,125	-	202,275
Capital assets, being depreciated:					
Land improvements	3,096,454	-	-	(49,251)	3,047,203
Buildings	54,707,808	17,765,163	-	(21,296)	72,451,675
Machinery, equipment and textbooks	10,849,538	284,574	39,095	(7,317,738)	3,777,279
Subtotals	68,653,800	18,049,737	39,095	(7,388,285)	79,276,157
Less accumulated depreciation for:					
Land improvements	1,577,308	115,191	-	(37,432)	1,655,067
Buildings	26,884,223	1,381,370	-	(4,819)	28,260,774
Machinery, equipment and textbooks	9,000,700	152,839	39,095	(6,132,872)	2,981,572
Subtotals	37,462,231	1,649,400	39,095	(6,175,123)	32,897,413
Total capital assets, being depreciated, net	31,191,569	16,400,337	-	(1,213,162)	46,378,744
Governmental activities capital assets, net	<u>\$ 40,754,132</u>	<u>\$ 16,435,174</u>	<u>\$ 9,395,125</u>	<u>\$ (1,213,162)</u>	<u>46,581,019</u>
Less related long-term debt outstanding					<u>23,065,193</u>
Net investment in capital assets					<u>\$ 23,515,826</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,492	\$ -	\$ -	\$ 1,492
Less accumulated depreciation for:				
Machinery and equipment	596	298	-	894
Total capital assets, being depreciated, net	896	(298)	-	598
Component unit capital assets, net	<u>\$ 896</u>	<u>\$ (298)</u>	<u>\$ -</u>	<u>\$ 598</u>

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
Unallocated	<u>\$ 1,649,400</u>

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, 2017 are detailed below:

	Interfund Receivables	Interfund Payables
General	\$ -	\$ 100,000
Capital improvement trust	100,000	-
Totals	<u>\$ 100,000</u>	<u>\$ 100,000</u>

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, 2017 were as follows:

	Transfer To:
	Capital Projects Fund
	Capital Improvement Trust
Transfers from:	
General fund	<u>\$ 100,000</u>

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, 2017

NOTE B - 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, 2017 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
<u>Description</u>				
Robert W. Baird & Co., tax anticipation note issued 9/28/16, principal plus interest due 2/22/17, accruing interest at 1.0%	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -
Robert W. Baird & Co., tax anticipation note issued 9/28/16, principal plus interest due 9/6/17, accruing interest at 1.0%	-	2,500,000	-	2,500,000
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>\$ 1,400,000</u>	<u>\$ 5,500,000</u>	<u>\$ 4,400,000</u>	<u>\$ 2,500,000</u>

Interest paid on short-term debt for the year totaled \$29,431.

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
2018	\$ 214,000
2019	181,000
2020	161,000
Total Minimum Payments Required	<u>\$ 556,000</u>

Rent expense under all operating leases for the year ended June 30, 2017 amounted to \$107,282.

7. Long-Term Obligations

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

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 24,385,000	\$ -	\$ 2,265,000	\$ 22,120,000	\$ 2,310,000
Vested unused employee benefits	119,551	95,685	75,462	139,774	60,236
Bond premium	1,115,630	-	170,437	945,193	170,437
Governmental activities					
Long-term obligations	<u>\$ 25,620,181</u>	<u>\$ 95,685</u>	<u>\$ 2,510,899</u>	<u>\$ 23,204,967</u>	<u>\$ 2,540,673</u>

Total interest paid during the year on long-term debt totaled \$784,149.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin
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NOTE B - 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%	\$ 3,920,000
\$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>
Total Outstanding General Obligation Debt	<u><u>\$ 22,120,000</u></u>

Annual principal and interest maturities of the outstanding general obligation debt of \$22,120,000 on June 30, 2017 are detailed below:

Year Ended June 30	Principal	Interest	Total
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	1,470,000	549,849	2,019,849
2023-2027	8,275,000	1,819,244	10,094,244
2028-2030	5,690,000	362,238	6,052,238
	<u>\$22,120,000</u>	<u>\$ 5,429,527</u>	<u>\$ 27,549,527</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, 2017 was \$456,244,931 as follows:

Equalized valuation of the District	\$ 4,785,058,886
Statutory limitation percentage	(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>478,505,889</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 22,120,000
Less: Amounts available for financing general obligation debt Debt service funds (1)	<u>140,958</u>
Net outstanding general obligation debt applicable to debt limitation	<u>22,260,958</u>
Legal Margin for New Debt	<u><u>\$ 456,244,931</u></u>

(1) - Debt service funds, less \$369,424 of interest payments due in 2017.

8. Pension Liability

The District reports a pension liability of \$1,996,713 as summarized below:

	Pension Liability	Deferred Outflows	Deferred Inflows
Wisconsin Retirement System (WRS)	\$ 1,277,618	\$ 9,245,371	\$ 4,017,997
Supplemental pension plan	719,095	127,500	-
Total Pension Liability	<u>\$ 1,996,713</u>	<u>\$ 9,372,871</u>	<u>\$ 4,017,997</u>

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

a. Pension Plan - Wisconsin Retirement System (WRS)

1. Plan Description

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

2. 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:

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.9%	2%
2016	0.5%	(5)%

3. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,503,238 in contributions from the District.

Contribution rates as of June 30, 2017 are:

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

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

At June 30, 2017, the District reported a liability of \$1,277,618 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.15500576% which was an increase of 0.00080226% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017 the District recognized pension expense of \$3,318,936.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 487,156	\$ 4,017,997
Net differences between projected and actual earnings on pension plan investments	6,359,576	-
Changes in assumptions	1,335,799	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	84,293	-
Employer contributions subsequent to the measurement date	978,547	-
Total	<u>\$ 9,245,371</u>	<u>\$ 4,017,997</u>

\$978,547 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 3,008,465	\$ 1,282,803
2018	3,008,465	1,282,803
2019	2,458,409	1,282,803
2020	(210,740)	169,588
2021	2,225	-
Total	<u>\$ 8,266,824</u>	<u>\$ 4,017,997</u>

5. Actuarial Assumptions

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

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

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

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

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

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

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

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

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

MEQUON-THIENSVILLE SCHOOL DISTRICT

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Notes to Basic Financial Statements
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NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

	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)	\$ 16,807,878	\$ 1,277,618	\$ (10,681,386)

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>.

6. Payables to the Pension Plan

At June 30, 2017 the District reported a payable of \$608,176 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

1. Plan Description

The plan, a single-employer pension plan, is a defined benefit pension plan established to provide a cash stipend to some retirees. The plan is administered by the District. The plan does not issue separate financial statements.

2. Plan Participants and Benefits Provided

A summary of eligibility requirements and plan benefits follows:

Pension	Eligibility Requirements		Benefit Duration	Plan Benefit
	Age	Service		
Administrators	55	10	Lump Sum	\$20,000 upon retirement
Teachers	58	20	Lump Sum	\$10,000 upon retirement

3. Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	286
	<u>299</u>

4. Funding Policy

The entire cost of these benefits is paid by the District. Benefits are currently funded on a pay-as-you-go basis and no assets exist to prefund retiree benefits.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

Component	Amount
Balance at July 1, 2016	\$ 694,382
Changes for the year:	
Service cost	53,824
Interest	20,889
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(50,000)
Net changes	24,713
Balances at June 30, 2017	<u>\$ 719,095</u>

For the year ended June 30, 2017, the District recognized pension expense of \$74,713. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
District contributions subsequent to the measurement date	127,500	-
Total	<u>\$ 127,500</u>	<u>\$ -</u>

\$127,500 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

6. Actuarial Assumptions

The District's total pension liability was measured as of July 1, 2016 and rolled forward to June 30, 2017.

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2016
Actuarial cost method	Entry Age normal
Amortization method	Level percentage of salary, closed basis
Actuarial assumptions:	
Discount rate	3.00%
Inflation	2.50%

MEQUON-THIENSVILLE SCHOOL DISTRICT

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Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Single Discount rate. A single discount rate of 3.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investment.

Sensitivity of the District's total pension liability to changes in the discount rate. The following presents the District's total pension liability at July 1, 2016 calculated using the discount rate of 3.00 percent, as well as what the District's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate.

	1% Decrease to Discount Rate (2.00%)	Current Discount Rate (3.00%)	1% Increase to Discount Rate (4.00%)
Total Pension Liability	\$ 745,769	\$ 719,095	\$ 692,383

The sensitivity of the District's total pension liability was determined based on the actuarial date while the total pension liability of \$719,095 was based on the District's fiscal year ended June 30, 2017, as rolled forward by the District's actuary. Sensitivity information as of June 30, 2016 was not available.

7. Payable to the Supplemental Pension Plan

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

NOTE C - OTHER INFORMATION

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

a. Plan Description and Benefits Provided

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

b. Benefits Provided

The District shall make contributions for retiree premiums.

c. Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	50
Active employees	354
	<u>404</u>

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

d. Contributions

Contributions are made for administrators, teachers, and educational support staff in the following manner:

The District will contribute 89% of medical premiums and 100% dental premiums until age 65 for administrators and management confidential employees who are 55 years of age with 10 years of service to the district.

The District will contribute 89 % of medical premiums and 100% of dental premiums frozen at the amount at the time of the retirement for teachers, psychologists, and social worker employees who are 58 years of age with 20 years of service to the district.

The district will contribute via the implicit rate subsidy only for education support staff of their unused sick leave accumulated and converted to the retiree's final per diem rate may be used towards premiums on the District's group medical plan. Educational support staff are eligible if they are 58 years of age and 20 years of service to the district.

e. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50 percent
Salary Increases:	3.00 percent
Investment Rate of Return:	3.00 percent
	7.50 percent decreasing by 0.50 percent per year down to 6.50
Healthcare cost trend rates:	percent, then by 0.10 percent per year down to 5.0 percent, and level thereafter

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study using Wisconsin Retirement System (WRS) experience from 2009-2011.

The long-term expected rate of return on OPEB plan investments was valued at 3.00%.

MEQUON-THIENSVILLE SCHOOL DISTRICT

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NOTE C - OTHER INFORMATION (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 3.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

f. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2016	\$ 11,673,430	\$ 973,701	\$ 10,699,729
Changes for the year:			
Service cost	892,377	-	892,377
Interest	348,020	-	348,020
Differences between expected and actual experience	-	-	-
Contributions - employer	-	1,062,918	(1,062,918)
Net investment income	-	2,884	(2,884)
Benefit payments	(987,918)	(987,918)	-
Administrative expense	-	-	-
Net changes	252,479	77,884	174,595
Balance at June 30, 2017	\$ 11,925,909	\$ 1,051,585	\$ 10,874,324

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

	1% Decrease to Discount Rate (2.00%)	Current Discount Rate (3.00%)	1% Increase to Discount Rate (4.00%)
Net OPEB Liability	\$ 11,536,709	\$ 10,874,324	\$ 10,233,606

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 9,957,619	\$ 10,874,324	\$ 11,929,643

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

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,237,513. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
District contributions subsequent to the measurement date	1,152,914	-
Total	\$ 1,152,914	\$ -

\$1,152,914 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018.

h. Payable to the OPEB Plan

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

MEQUON-THIENSVILLE SCHOOL DISTRICT

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Notes to Basic Financial Statements

June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

2. 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.

3. 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.

4. 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.

5. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68* for the year ended June 30, 2017. This statement revised and established new financial reporting requirements for governments that provide their employees with pension benefits.

The cumulative effect of change in accounting principle was to decrease net position by \$627,152 as follows:

Total Pension Liability, as of July 1, 2016	\$ 694,382
Less: Amount previously recognized by the District	17,230
Less: Amount of prior year contributions deferred outflows	50,000
Cumulative Effect of Change in Accounting Principle	<u>\$ 627,152</u>

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

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

The cumulative effect of this change was to decrease the June 30, 2016 net position by \$6,256,488 as follows:

Other postemployment liability	
Balance previously reported	\$ 3,380,323
Actuarially determined balance	10,699,729
Change in other postemployment liability	<u>\$ (7,319,406)</u>
Deferred outflows of resources	
Employer contributions subsequent to the measurement date	1,062,918
	<u>\$ (6,256,488)</u>

6. Prior Period Adjustment

During 2016-2017, the District increased its capitalization threshold from assets with an initial, individual cost of \$1,000 or higher to assets with an initial, individual cost of \$5,000 or higher. This change resulted in \$7,388,285 in previously capitalized assets and related accumulated depreciation of \$6,175,123 to be expensed in the current year and decrease the June 30, 2017 net position of the governmental activities by \$1,213,162.

7. Upcoming Accounting Pronouncements

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 35,239,875	\$ 35,043,597	\$ 35,043,597	\$ -
Other local sources	1,232,098	1,232,098	1,261,055	28,957
Interdistrict sources	958,436	1,073,829	1,110,610	36,781
State sources	3,193,742	3,654,018	3,678,554	24,536
Federal sources	302,468	97,577	339,994	242,417
Other sources	65,000	65,000	71,765	6,765
Total Revenues	40,991,619	41,166,119	41,505,575	339,456
Expenditures				
Instruction				
Regular instruction	17,133,005	17,206,594	17,281,433	(74,839)
Vocational instruction	507,630	507,630	470,736	36,894
Other instruction	2,147,329	2,089,869	2,248,419	(158,550)
Total Instruction	19,787,964	19,804,093	20,000,588	(196,495)
Support Services				
Pupil services	1,942,641	1,944,641	2,110,811	(166,170)
Instructional staff services	1,791,153	1,819,795	1,860,258	(40,463)
General administration services	751,766	782,210	857,463	(75,253)
School administration services	2,547,043	2,581,318	2,644,798	(63,480)
Business services	494,131	496,131	496,245	(114)
Operation and maintenance of plant	6,239,597	6,402,697	6,543,553	(140,856)
Pupil transportation services	1,783,945	1,788,253	1,692,250	96,003
Central services	1,291,555	1,296,555	1,270,542	26,013
Insurance	302,966	302,966	281,595	21,371
Other support services	919,982	919,982	127,500	792,482
Total Support Services	18,064,779	18,334,548	17,885,015	449,533
Debt Service				
Interest and fiscal charges	138,790	159,490	31,931	127,559
Non-program				
General tuition payments	473,280	473,435	482,269	(8,834)
Parental choice private school payments	40,000	134,122	94,122	40,000
Indirect costs	5,000	5,000	3,438	1,562
Total Non-program	518,280	612,557	579,829	32,728
Total Expenditures	38,509,813	38,910,688	38,497,363	413,325
Excess of Revenues Over Expenditures	2,481,806	2,255,431	3,008,212	752,781
Other Financing Sources (Uses)				
Sale of capital assets	2,000	22,700	16,453	(6,247)
Transfers out	(4,583,806)	(4,583,806)	(4,625,754)	(41,948)
Total Other Financing Sources (Uses)	(4,581,806)	(4,561,106)	(4,609,301)	(48,195)
Net Change in Fund Balance	(2,100,000)	(2,305,675)	(1,601,089)	704,586
Fund Balance - July 1	12,421,384	12,421,384	12,421,384	-
Fund Balance - June 30	\$ 10,321,384	\$ 10,115,709	\$ 10,820,295	\$ 704,586

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 Fund - Budgetary Basis
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 68,000	\$ 68,000	\$ 52,071	\$ (15,929)
Intermediate sources	15,000	15,000	-	(15,000)
State sources	1,605,000	1,569,000	1,627,354	58,354
Federal sources	545,651	761,055	805,499	44,444
Total Revenues	2,233,651	2,413,055	2,484,924	71,869
Expenditures				
Instruction				
Special education instruction	4,755,589	4,901,596	4,849,563	52,033
Support Services				
Pupil services	884,919	884,917	906,535	(21,618)
Instructional staff services	325,857	328,857	339,523	(10,666)
General administration services	20,000	20,000	8,604	11,396
Operation and maintenance of plant	942	942	361	581
Pupil transportation services	501,000	465,000	412,269	52,731
Insurance	10,000	10,000	11,243	(1,243)
Principal and interest	20,700	-	-	-
Total Support Services	1,763,418	1,709,716	1,678,535	31,181
Non-program				
Special education tuition payments	298,450	385,549	482,580	(97,031)
Total Expenditures	6,817,457	6,996,861	7,010,678	(13,817)
Excess of Revenues Under Expenditures	(4,583,806)	(4,583,806)	(4,525,754)	58,052
Other Financing Sources				
Transfers in	4,583,806	4,583,806	4,525,754	(58,052)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

	2017
Total OPEB Liability	
Service cost	\$ 892,377
Interest	348,020
Benefit payments	(987,918)
Net change in total OPEB liability	252,479
Total OPEB liability - beginning	11,673,430
Total OPEB liability - ending (a)	\$ 11,925,909
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,062,918
Net investment income	2,884
Benefit payments	(987,918)
Net change in plan fiduciary net position	77,884
Plan fiduciary net position - beginning	973,701
Plan fiduciary net position - ending (b)	\$ 1,051,585
District's net OPEB liability - ending (a) - (b)	\$ 10,874,324
Plan fiduciary net position as a percentage of the total OPEB liability	8.82%
Covered-employee payroll	\$ 20,712,252
District's net OPEB liability as a percentage of covered-employee payroll	52.50%

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

See Notes to Required Supplementary Information.

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin
Schedule of Employer Contributions
Other Postemployment Benefits
Last 10 Fiscal Years

	2017
Actuarially determined contribution (ADC)	\$ 1,193,305
Contributions in relation to the ADC	1,062,918
Contribution deficiency (excess)	<u>\$ 130,387</u>
Covered-employee payroll	\$ 20,712,252
Contributions as a percentage of covered-employee payroll	5.13%

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	30 year Level Dollar
Discount rate	5.00%
Inflation	3.00%

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

See Notes to Required Supplementary Information.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Changes in Pension Liability and Related Ratios
Supplemental Pension Benefit
Last 10 Fiscal Years*

	2017
Total Pension Liability	
Service cost	\$ 53,824
Interest	20,889
Benefit payments	(50,000)
Net change in total pension liability	24,713
Total pension liability - beginning	694,382
Total pension liability - ending	\$ 719,095
 Covered-employee payroll	 \$ 18,691,519
 District's net pension liability as a percentage of covered-employee payroll	 3.85%

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

See Notes to Required Supplementary Information.

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

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered- Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
6/30/15	0.15563939%	\$ (3,822,929)	\$ 21,251,565	17.99%	102.74%
6/30/16	0.15420350%	2,505,777	21,942,337	11.42%	98.20%
6/30/17	0.15500576%	1,277,618	22,776,327	5.61%	99.12%

Schedule of Contributions
Wisconsin Retirement System
Last 10 Fiscal Years

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
06/30/15	\$ 1,493,242	\$ 1,493,242	\$ -	\$ 21,251,565	7.03%
06/30/16	1,498,535	1,498,535	-	21,942,337	6.83%
06/30/17	1,503,238	1,503,238	-	22,776,327	6.60%

See Notes to Required Supplementary Information.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Required Supplementary Information
June 30, 2017

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 73

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68* for the fiscal year ended June 30, 2017. Information for prior years is not available.

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

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

NOTE C - WISCONSIN RETIREMENT SYSTEM

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

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

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Required Supplementary Information
June 30, 2017

NOTE D - 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, 2017.

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

NOTE D - 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
Revenues		
Actual amounts (budgetary basis)	\$ 41,505,575	\$ 2,484,924
Reclassification of special education	2,484,924	(2,484,924)
Total Revenues	<u>43,990,499</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	38,497,363	7,010,678
Reclassification of special education	7,010,678	(7,010,678)
Total Expenditures	<u>45,508,041</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	3,008,212	(4,525,754)
Reclassification of special education	(4,525,754)	4,525,754
Excess of Revenues Over (Under) Expenditures	<u>(1,517,542)</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(4,609,301)	4,525,754
Reclassification of special education	4,525,754	(4,525,754)
Total Other Financing Sources (Uses)	<u>(83,547)</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>(1,601,089)</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>12,421,384</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 10,820,295</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

MEQUON-THIENSVILLE SCHOOL DISTRICT

Mequon, Wisconsin

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2017

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

	Special Revenue Funds			Debt Service Fund	Capital Project Fund
	Special Revenue Trust	Food Service	Community Service	Referendum Approved Debt Service	Capital Improvement Trust Fund
ASSETS					
Cash and investments	\$ 146,663	\$ 454,900	\$ 175,716	\$ 510,382	\$ 85,560
Accounts receivable	46,874	-	-	-	-
Due from other funds	-	-	-	-	100,000
Due from other governments	-	-	-	-	-
TOTAL ASSETS	\$ 193,537	\$ 454,900	\$ 175,716	\$ 510,382	\$ 185,560
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 72,145	\$ 1,892	\$ -	\$ -
Accrued payroll liabilities	-	-	10,383	-	-
Unearned revenues	-	59,065	-	-	-
Total Liabilities	-	131,210	12,275	-	-
Fund Balances					
Restricted					
Retirement of long-term debt	-	-	-	510,382	-
Donor intent	193,537	-	-	-	-
Capital improvements	-	-	-	-	185,560
Food service	-	323,690	-	-	-
Assigned					
Community service programs	-	-	163,441	-	-
Total Fund Balances	193,537	323,690	163,441	510,382	185,560
TOTAL LIABILITIES AND FUND BALANCES	\$ 193,537	\$ 454,900	\$ 175,716	\$ 510,382	\$ 185,560

Total Non-Major Governmental Funds	
2017	2016

\$ 1,373,221	\$ 1,473,145
46,874	25,658
100,000	25,000
-	7,893

<u>\$ 1,520,095</u>	<u>\$ 1,531,696</u>
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\$ 74,037	\$ 78,968
10,383	13,991
59,065	53,235
<u>143,485</u>	<u>146,194</u>

510,382	597,316
193,537	249,247
185,560	85,039
323,690	320,839
163,441	133,061
<u>1,376,610</u>	<u>1,385,502</u>

<u>\$ 1,520,095</u>	<u>\$ 1,531,696</u>
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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, 2017

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

	Special Revenue Funds			Debt Service Fund	Capital Project Fund
	Special Revenue Trust	Food Service	Community Service	Referendum Approved Debt Service	Capital Improvement Trust
Revenues					
Property taxes	\$ -	\$ -	\$ 227,580	\$ 2,957,712	\$ -
Other local sources	359,371	970,658	514,100	4,503	521
State sources	-	12,948	-	-	-
Federal sources	-	300,169	-	-	-
Other sources	114,372	1,906	-	-	-
Total Revenues	473,743	1,285,681	741,680	2,962,215	521
Expenditures					
Instruction					
Regular instruction	200,367	-	-	-	-
Other instruction	37,218	-	-	-	-
Total Instruction	237,585	-	-	-	-
Support Services					
Instructional staff services	46,666	-	-	-	-
School administration services	84	-	-	-	-
Operation and maintenance of plant	-	-	57,569	-	-
Food services	-	1,282,830	-	-	-
Central services	-	-	-	-	-
Total Support Services	46,750	1,282,830	57,569	-	-
Community Services	245,118	-	653,731	-	-
Debt Service					
Principal	-	-	-	2,265,000	-
Interest and fiscal charges	-	-	-	784,149	-
Total Debt Service	-	-	-	3,049,149	-
Non-program					
Adjustments and refunds	-	-	-	-	-
Total Expenditures	529,453	1,282,830	711,300	3,049,149	-
Excess of Revenues Over (Under) Expenditures	(55,710)	2,851	30,380	(86,934)	521
Other Financing Sources					
Transfers in	-	-	-	-	100,000
Net Change in Fund Balances	(55,710)	2,851	30,380	(86,934)	100,521
Fund Balances - July 1	249,247	320,839	133,061	597,316	85,039
Fund Balances - June 30	\$ 193,537	\$ 323,690	\$ 163,441	\$ 510,382	\$ 185,560

Total Non-Major Governmental Funds	
2017	2016

\$	3,185,292	\$	2,594,430
	1,849,153		1,807,439
	12,948		12,165
	300,169		281,573
	116,278		1,429
	<u>5,463,840</u>		<u>4,697,036</u>

	200,367		191,013
	37,218		61,935
	<u>237,585</u>		<u>252,948</u>

	46,666		48,148
	84		8,170

	57,569		1,057,589
	1,282,830		1,263,700
	-		27,845
	<u>1,387,149</u>		<u>2,405,452</u>
	<u>898,849</u>		<u>702,770</u>

	2,265,000		2,210,000
	784,149		692,833
	<u>3,049,149</u>		<u>2,902,833</u>

	-		32,767
	<u>5,572,732</u>		<u>6,296,770</u>

	<u>(108,892)</u>		<u>(1,599,734)</u>
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	100,000		25,000
	(8,892)		(1,574,734)

	<u>1,385,502</u>		<u>2,960,236</u>
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\$	<u>1,376,610</u>	\$	<u>1,385,502</u>
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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, 2017

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17
ASSETS				
Cash	\$ 143,762	\$ 112,955	\$ 220,946	\$ 35,771
Due from other governments	-	9,415	-	9,415
TOTAL ASSETS	<u>\$ 143,762</u>	<u>\$ 122,370</u>	<u>\$ 220,946</u>	<u>\$ 45,186</u>
LIABILITIES				
Due to student organizations				
Homestead High School	\$ 127,855	\$ 90,106	\$ 193,825	\$ 24,136
Lake Shore Middle School	4,931	9,192	4,790	9,333
Steffen Middle School	8,812	15,424	13,858	10,378
Donges Bay Elementary School	275	271	271	275
Oriole Lane Elementary School	887	1,899	2,433	353
Wilson Elementary School	1,002	5,478	5,769	711
TOTAL LIABILITIES	<u>\$ 143,762</u>	<u>\$ 122,370</u>	<u>\$ 220,946</u>	<u>\$ 45,186</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, 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, 2017, 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 which included an emphasis of matter paragraph as indicated on page 2 dated November 20, 2017. Our report includes a reference to other auditors who audited the financial statements on 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 School District'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 schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 Findings

Mequon-Thiensville School District's response to the findings 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
November 20, 2017

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

To the Board of Education
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, 2017. 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, 2017.

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
November 20, 2017

MEQUON THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	Revenues			Total Expenditures	Subrecipient Payment
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017		
U.S. DEPARTMENT OF AGRICULTURE								
Child Nutrition Cluster								
School Breakfast Program	10.553	WI Department of Public Instruction						
July 1, 2015 to June 30, 2016			A546-00000-453479	\$ (794)	\$ 794	\$ -	\$ -	\$ -
July 1, 2016 to June 30, 2017			2017-453479-SB-546	-	24,618	-	24,618	-
National School Lunch Program	10.555	WI Department of Public Instruction						
July 1, 2015 to June 30, 2016			A547-00000-453479	(7,099)	7,099	-	-	-
July 1, 2016 to June 30, 2017			2017-453479-NSL-547	-	204,643	-	204,643	-
Total National School Lunch Program				(7,893)	237,154	-	229,261	-
Non-Cash Assistance (Commodities)	10.555	WI Department of Public Instruction	2017-453479-NSL-547	-	70,908	-	70,908	-
Total Child Nutrition Cluster				(7,893)	333,474	-	300,169	-
Total U.S. Department of Agriculture				(7,893)	333,474	-	300,169	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies								
Basic Grant	84.010	WI Department of Public Instruction						
July 1, 2015 to June 30, 2016			A141-00000-453479	(30,602)	30,602	-	-	-
July 1, 2016 to June 30, 2017			17-453479-Title I-141	-	69,492	59,168	128,660	-
Focus Schools	84.010	WI Department of Public Instruction						
July 1, 2015 to June 30, 2016			A145-00000-453479	(5,462)	5,462	-	-	-
July 1, 2016 to June 30, 2017			2017-453479-Focus-145	-	-	14,000	14,000	-
Total Title I Grants to Local Educational Agencies				(36,064)	105,556	73,168	142,660	-
Special Education Cluster (IDEA)								
Special Education Grants to States	84.027	WI Department of Public Instruction						
July 1, 2015 to June 30, 2016			A341-00000-453479	(246,256)	246,256	-	-	-
July 1, 2016 to June 30, 2017			2017-453479-IDEA-341	-	481,570	223,085	704,655	-
High Cost Special Education Aid								
July 1, 2016 to June 30, 2017			2017-453479-IDEA-341	-	25,843	-	25,843	-
CEIS Entitlement								
July 1, 2015 to June 30, 2016			A341-00000-453479	(19,821)	19,821	-	-	-
July 1, 2016 to June 30, 2017			2017-453479-IDEA-341	-	40,214	17,564	57,778	-
Total Special Education Grants to States				(266,077)	813,704	240,649	788,276	-
Special Education Preschool Grants	84.173	WI Department of Public Instruction						
July 1, 2015 to June 30, 2016			A347-00000-453479	(2,179)	2,179	-	-	-
July 1, 2016 to June 30, 2017			17-453479-Pre-S-347	-	10,036	9,361	19,397	-
Total Special Education Cluster (IDEA)				(2,179)	12,215	9,361	19,397	-
English Language Acquisition State Grants	84.365	WI Department of Public Instruction						
July 1, 2015 to June 30, 2016			A391-00000-453479	(7,053)	7,053	-	-	-
July 1, 2016 to June 30, 2017			17-453479-Title III A-391	-	15,495	3,780	19,276	-
Improving Teacher Quality State Grants	84.367	WI Department of Public Instruction						
July 1, 2015 to June 30, 2016			A365-00000-453479	(37,060)	37,060	-	-	-
July 1, 2016 to June 30, 2017			17-453479-Title II-365	-	70,470	-	70,470	-
Total U.S. Department of Education				(348,433)	1,061,553	326,959	1,040,079	-

(Continued)

MEQUON THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	Revenues			Total Expenditures	Subrecipient Payment
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017		
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>								
Medicaid Cluster								
Medical Assistance Program	93.778	WI Department of Health Services	44222900					
July 1, 2015 to June 30, 2016				-	49,809	-	49,809	-
July 1, 2016 to June 30, 2017				-	55,605	-	55,605	-
Total Medicaid Cluster				-	105,414	-	105,414	-
Total U.S. Department of Health and Human Services				-	105,414	-	105,414	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ (356,326)	\$ 1,500,441	\$ 326,959	\$ 1,445,662	\$ -

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

MEQUON THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of State Financial Assistance
For the Year Ended June 30, 2017

Grantor Agency/State Program Title	State I.D. Number	Pass-through Agency	State Identifying Number	Revenues				Total Expenditures	Subrecipient Payments
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017	Total Revenues		
DEPARTMENT OF PUBLIC INSTRUCTION									
Special Education and School Age Parents	255.101	Direct Program	453479-100	\$ -	\$ 1,530,421	\$ -	\$ 1,530,421	\$ 1,530,421	\$ -
State School Lunch Aid	255.102	Direct Program	453479-107	-	10,998	-	10,998	10,998	-
Common School Fund Library Aid	255.103	Direct Program	453479-104	-	118,502	-	118,502	118,502	-
General Transportation Aid	255.107	Direct Program	453479-102	-	93,152	-	93,152	93,152	-
Equalization Aids	255.201	Direct Program	453479-116	(20,901)	1,154,044	19,668	1,152,811	1,152,811	-
Integration Transfer - Non Resident	255.204	Direct Program	453479-106	-	1,322,965	-	1,322,965	1,322,965	-
High Cost Special Education Aid	255.210	Direct Program	453479-119	-	96,933	-	96,933	96,933	-
State School Breakfast Aid	255.344	Direct Program	453479-108	-	1,950	-	1,950	1,950	-
Educator Effective Evaluation System	255.940	Direct Program	453479-154	(20,795)	29,430	12,964	21,599	21,599	-
Per Pupil Aid	255.945	Direct Program	453479-113	(524,850)	1,402,100	-	877,250	877,250	-
Robotics League Participation Grant	255.959	Direct Program	453479-167			9,415	9,415	9,415	
Assessments of Reading Readiness	255.956	Direct Program	453479-166	-	8,132	-	8,132	8,132	-
Total Department of Public Instruction				(566,546)	5,768,627	42,047	5,244,128	5,244,128	-
TOTAL STATE PROGRAMS				\$ (566,546)	\$ 5,768,627	\$ 42,047	\$ 5,244,128	\$ 5,244,128	\$ -

The notes to the schedule of state financial assistance are an integral part of this schedule.

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, 2017

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 2016-2017 eligible costs under the State Special Education Program as reported by the District are \$5,980,084.

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, 2017

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant 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
255.101	Equalization Aids
255.945	Per Pupil 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, 2017

Section II - Financial Statement Findings

Finding No.	Internal Control Deficiencies
2017-001	Preparation of Annual Financial Report
	Repeat of Finding 2015-001
Condition:	Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures 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, 2017

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

Finding No.	Internal Control Deficiencies
-------------	-------------------------------

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, 2017.

Section IV - Other Issues

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

_____ Yes X No

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

Department of 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

November 20, 2017

MEQUON-THIENSVILLE SCHOOL DISTRICT
Mequon, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2017

Status of Prior Year Audit Findings

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

Finding No.	Prior Year Audit Finding
2015-001	Preparation of Annual Financial Report Management continues to rely on the audit firm to prepare its annual financial report. This finding is reported as 2017-001.

Corrective Action Plan for Audit Findings

Finding No.	Corrective Action Plan
2017-001	Preparation of Annual Financial Report 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.