

HUSTISFORD SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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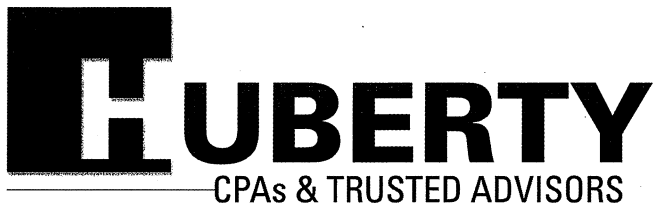
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Hustisford School District
Hustisford, Wisconsin

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hustisford School District ("District") as of and for the year ended June 30, 2016, and the related notes to the 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.

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedules of the District's proportionate share of the net pension liability (asset) and contributions, and the schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining non-major fund financial statements and the schedule of changes in assets and liabilities – student activity funds, listed in the table of contents as supplementary financial information, are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Hustisford School District. The accompanying schedule of expenditures of federal and state awards is presented for the purpose of additional analysis as required by the Wisconsin Department of Public Instruction and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, the schedule of changes in assets and liabilities-student activity funds, and the schedule of expenditures of federal and state awards 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the schedule of changes in assets and liabilities-student activity funds, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated on January 10, 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 grants agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hustisford School District's internal control over financial reporting and compliance.


Certified Public Accountants

BASIC FINANCIAL STATEMENTS

**HUSTISFORD SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

<u>ASSETS</u>		
Cash and investments		\$ 812,215
Taxes receivable		892,177
Accounts receivable		12,233
Due from other governments		216,875
Capital assets:		
Non-depreciable capital assets		40,700
Depreciable capital assets, net		2,132,762
		<hr/>
Total Assets		4,106,962
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension sources		1,518,602
<u>LIABILITIES</u>		
Cash overdraft		342,074
Accounts payable		40,323
Short-term notes payable		-
Accrued interest		687
Accrued salaries & wages		-
Health benefits payable		2,313
Noncurrent Liabilities:		
Due within one year		236,791
Due in more than one year		1,577,699
		<hr/>
Total Liabilities		2,199,887
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension sources		611,305
		<hr/>
<u>NET POSITION</u>		
Net investment in capital assets		2,041,939
Restricted		178,526
Unrestricted		593,907
		<hr/>
Total Net Position		<u>\$ 2,814,372</u>

The accompanying notes are an integral part of these financial statements.

**HUSTISFORD SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$ 2,293,833	\$ 329,309	\$ 126,529	\$ (1,837,995)
Vocational	267,418	-	-	(267,418)
Special education	431,600	14,341	226,939	(190,320)
Other	262,322	14,289	-	(248,033)
Total Instruction	3,255,173	357,939	353,468	(2,543,766)
Support Services:				
Pupil services	209,157	-	-	(209,157)
Instructional staff	216,416	-	22,214	(194,202)
General administration	258,772	-	-	(258,772)
School administration	384,841	-	-	(384,841)
Business services	242,999	-	-	(242,999)
Operations and maintenance	604,909	-	-	(604,909)
Pupil transportation	257,940	-	11,384	(246,556)
Central	175,673	-	-	(175,673)
Insurance	36,632	-	-	(36,632)
Other support services	137,835	-	-	(137,835)
Food service	196,555	90,674	95,897	(9,984)
Community service	57,093	37,723	-	(19,370)
Interest and principal	14,164	-	-	(14,164)
Depreciation - unallocated	82,961	-	-	(82,961)
Total Support Services	2,875,947	128,397	129,495	(2,618,055)
Total Governmental Activities	\$ 6,131,120	\$ 486,336	\$ 482,963	(5,161,821)
General Revenues:				
Taxes				
Property taxes, levied for general purposes				2,985,951
Property taxes, levied for debt service				23,321
Property taxes, levied for community service				39,663
Other taxes				-
Federal and state aid not restricted to specific purposes				
General				1,878,140
Interest and investment earnings				3,593
Miscellaneous				54,870
Gain on disposal of assets				-
Changes in Net Position				(176,283)
Net Position:				
Beginning of year				2,990,655
End of year				<u>\$ 2,814,372</u>

The accompanying notes are an integral part of these financial statements.

**HUSTISFORD SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 594,992	\$ 217,223	\$ 812,215
Taxes receivable	892,177	-	892,177
Accounts receivable	11,340	893	12,233
Due from other governments	215,784	1,091	216,875
Due from other funds	-	1	1
Other assets	-	-	-
Total Assets	<u>\$ 1,714,293</u>	<u>\$ 219,208</u>	<u>\$ 1,933,501</u>
<u>LIABILITIES</u>			
Cash overdraft	\$ 342,074	\$ -	\$ 342,074
Accounts payable	37,167	3,156	40,323
Short-term notes payable	-	-	-
Accrued interest	-	-	-
Accrued salaries & wages	-	-	-
Health benefits payable	2,313	-	2,313
Due to other funds	1	-	1
Total Liabilities	<u>381,555</u>	<u>3,156</u>	<u>384,711</u>
<u>FUND BALANCES</u>			
Restricted	-	178,526	178,526
Assigned	1,332,738	37,526	1,370,264
Total Fund Balances	<u>1,332,738</u>	<u>216,052</u>	<u>1,548,790</u>
Total Liabilities and Fund Balances	<u>\$ 1,714,293</u>	<u>\$ 219,208</u>	

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	\$ 8,888,396	
Governmental accumulated depreciation	(6,714,934)	2,173,462
Deferred outflows of resources (related to pensions)	1,518,602	
Deferred inflows of resources (related to pensions)	(611,305)	907,297

Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	(289,981)	
Capital lease	(116,737)	
Accrued interest on general obligation debt	(687)	
Vested employee benefits	(1,407,772)	(1,815,177)
Total Net Position - Governmental Activities		<u>\$ 2,814,372</u>

The accompanying notes are an integral part of these financial statements.

**HUSTISFORD SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
REVENUES			
Property taxes	\$ 2,985,951	\$ 62,984	\$ 3,048,935
Other local sources	76,772	130,214	206,986
Interdistrict sources	282,049	-	282,049
Intermediate sources	9,499	-	9,499
State sources	2,052,876	3,848	2,056,724
Federal sources	202,832	92,048	294,880
Other	36,180	893	37,073
Total Revenues	<u>5,646,159</u>	<u>289,987</u>	<u>5,936,146</u>
EXPENDITURES			
Instruction:			
Regular	2,218,785	-	2,218,785
Vocational	257,533	-	257,533
Special	415,292	-	415,292
Other	252,564	-	252,564
Total Instruction	<u>3,144,174</u>	<u>-</u>	<u>3,144,174</u>
Support Service:			
Pupil services	202,237	-	202,237
Instructional staff services	195,493	-	195,493
General administration services	251,641	-	251,641
School administration services	369,856	-	369,856
Business services	235,867	-	235,867
Operations and maintenance	568,148	132,838	700,986
Pupil transportation	257,940	-	257,940
Central services	150,739	-	150,739
Insurance	36,632	-	36,632
Food service	-	186,399	186,399
Community service	-	53,429	53,429
Principal and interest	62,483	33,383	95,866
Other	142,370	-	142,370
Total Support Services	<u>2,473,406</u>	<u>406,049</u>	<u>2,879,455</u>
Total Expenditures	<u>5,617,580</u>	<u>406,049</u>	<u>6,023,629</u>
Excess of Revenues Over (Under) Expenditures	28,579	(116,062)	(87,483)
Other Financing Sources (Uses)			
Transfer from general operations	-	10,062	10,062
Transfer to debt service fund	(10,062)	-	(10,062)
Debt proceeds	-	140,000	140,000
Insurance proceeds	-	18,689	18,689
Sales of assets	-	-	-
Total Other Financing Sources	<u>(10,062)</u>	<u>168,751</u>	<u>158,689</u>
Net Change in Fund Balance	18,517	52,689	71,206
Fund Balances -			
Beginning of year	1,314,221	163,363	1,477,584
End of year	<u>\$ 1,332,738</u>	<u>\$ 216,052</u>	<u>\$ 1,548,790</u>

The accompanying notes are an integral part of these financial statements.

**HUSTISFORD SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds \$ 71,206

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

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

Capital outlay reported in governmental fund statements	183,026	
Depreciation expense reported in the statement of activities	(202,511)	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(19,485)

Changes in net pension liability (asset) and related pension sources deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds.

Pension benefits paid in current year	173,210	
Pension benefits earned in current year	(332,668)	
Amounts paid are greater than amounts earned by:		(159,458)

Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Employee benefits paid in current year	137,854	
Employee benefits earned in current year	(148,102)	
Amounts paid are greater (less) than amounts earned by		(10,248)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal on long-term obligations 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.

Proceeds from long-term debt	(140,000)	
The amount of long-term debt principal payments in the current year is:	27,474	
		(112,526)

Capital leases are reported in governmental funds as other financing sources, but are reported as an increase in outstanding long-term obligations in the statement of net position and do not affect the statement of activities. Lease payments are reported in the governmental funds as an expenditure but are reported as a reduction in long-term obligations in the statement of net position and do not affect the statement of activities:

Lease payments in the current year	54,508	
Lease proceeds greater than payments		54,508

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

The amount of interest paid during the current period	13,870	
The amount of interest accrued during the period.	(14,150)	
Interest paid is greater (less) than interest accrued by		(280)

Change in Net Position - Governmental Activities		\$ (176,283)
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**HUSTISFORD SCHOOL DISTRICT
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2016**

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 88,013
Investments	-
Accounts receivable	-
Total Assets	<u>88,013</u>
<u>LIABILITIES</u>	
Accounts payable	-
Due to student groups	88,013
Total Liabilities	<u>\$ 88,013</u>

The accompanying notes are an integral part of these financial statements.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The accompanying financial statements present the activities of the Hustisford School District. The District is not a component unit of another reporting entity nor does it have any component units.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The financial reporting entity consists of (a) organizations for which the standalone government is financially accountable and (b) the standalone government that is controlled by a separate elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the standalone government.

Basis of Presentation

District-wide Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties. The District does not operate any business type activities.

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

Fund Financial Statements:

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

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –Continued

Basis of Presentation - Continued

Fund Financial Statements: (continued)

Funds are organized as major or non-major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding total of all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

The District reports the following major governmental funds:

General fund. This is the District's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund. The general fund includes all activity of the special education fund.

The District's non-major governmental funds include the debt service, capital projects, food service, and community service funds.

The District reports the following fiduciary funds (not included in the District-wide statements):

Agency fund. This fund accounts for assets held as an agent for various student and parent organizations.

Measurement Focus and Basis of Accounting

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

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

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting – Continued

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net positions may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Cash and Investments

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

Investment of District funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Property Tax Levy

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

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property Tax Levy – Continued

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

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

Accounts Receivable

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of probable losses determined principally on the basis of historical experience. All accounts or portions thereof deemed to be uncollectable are written off to the allowance for doubtful accounts. As of June 30, 2016, there was no allowance for doubtful accounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Internal Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advanced from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Fair Value Measurements

Fair value is defined as the exchange price (an exit price) that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

District-wide Statements:

In the district-wide financial statements, property and equipment are accounted for as capital assets. All property and equipment are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation for all exhaustible capital assets is recorded as an allocated and unallocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

The District has adopted a policy to capitalize fixed assets with a cost of \$1,000 or greater. Depreciation is calculated using the straight-line method. Capital assets are depreciated over the following useful lives:

Computers and software	5 – 10 years
Buildings	5 – 50 years
Library	15 years
Furniture and equipment	8 – 25 years

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

Vested Employee Benefits

Post-employment Benefits. The District's policy allows classified personnel to earn varying amounts of sick pay for each year employed, accumulating to a maximum vested amount of 112 days. Upon retirement or termination of employment, the employee is entitled to be paid for unused accumulated sick leave to a maximum of \$560.

The District's policy allows teachers varying amounts of sick pay that can accumulate to a maximum vested amount of 100 days. Upon retirement or a teacher with ten years of employment leaving the District, the teacher is entitled to be paid for unused accumulated sick leave to a maximum of \$1,000.

Long-Term Obligations

In the district-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Pensions

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

Deferred Inflows/Outflows 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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.

Equity Classifications

District-wide Statements:

Equity is classified as net position and displayed in three components. Resources are used in the following order: restricted and unrestricted.

Net investment in capital assets – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – Net position that is neither classified as restricted nor as net investment in capital assets.

Fund Financial Statements:

The District reports its fund balance classifications in five components. Resources are used in the following order: restricted, committed, assigned and unassigned. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, or for other purposes). The District adopted a fund balance policy that strives to maintain a fund balance in the General fund that is equivalent to at least 15% of the anticipated General Fund expenditure budget for the subsequent fiscal year.

Nonspendable – Amounts that cannot be spent because of their form or because they must be maintained intact.

Restricted – Amounts with limitations placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity Classifications– continued

Committed – Amounts with limitations imposed prior to the end of the period by the highest level of decision making and would require formal action at the same level to remove.

Assigned – Amounts intended to be used and established by the highest level of decision making, a body designated for that purpose, or by an official designated for that purpose.

Unassigned – All other amounts that do not meet the definition of nonspendable, restricted, committed or assigned.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New GASB Pronouncements

During the year ended June 30, 2016, the District implemented the following statements of financial accounting standards issued by the Governmental Accounting Standards Board:

Statement No. 72, *Fair Value Measurement and Application*. The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. See Note F for additional information regarding the adoption of GASB 72.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New GASB Pronouncements – Continued

share. This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

Statement 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses certain issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member). See Note I for additional information regarding the adoption of GASB 82.

Additionally, GASB has also issued the following standards which will be effective in subsequent years:

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*, effective for the year ended June 30, 2016. The District has not yet implemented this standard since the pension information was measured using the information from the 2015 calendar year when this standard was not yet effective.

Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending June 30, 2017.

Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018.

Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

Statement 78, *Pensions Provided through Certain Municipal Employer Defined Benefit Pension Plans* effective for the year ended June 30, 2017.

Statement 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement 14* effective for the year ended June 30, 2017.

Statement 81, *Irrevocable Split Interest Agreements* effective for the year ended June 30, 2018.

Statement 83, *Certain Asset Retirement Obligations* effective for the year ended June 30, 2019.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Accounting Changes

The WRS adopted GASB Statement No. 82, *Pension Issues*, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions. Beginning net assets have been restated, resulting in a decrease of \$23.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE B – CASH AND INVESTMENTS

The District's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the District or its agent in the District's name. Category 2 includes deposits collateralized with securities held by the pledging institution's trust department or agent in the District's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments.

	Category			Total	Carrying Amount
	1	2	3		
Financial institutions	\$ 493,236	\$ 454,377	\$ -	\$ 947,613	\$ 545,966
Wisconsin Local Government Investment Pool				12,188	12,188
Total deposits and investments				\$ 959,801	\$ 558,154
Per statement of net position:					
Cash and investments					\$ 812,215
Cash overdraft					(342,074)
Per statement of net position - fiduciary funds:					
Agency					88,013
Total					\$ 558,154

The District had no significant type of investments during the year not included in the above schedule.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for all time and savings deposit accounts and \$250,000 for demand deposit accounts, both interest-bearing and noninterest bearing. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual organizations. This coverage has not been considered in computing the amounts of category 1 above.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2016, the fair value of the District's share of the LGIP's assets were substantially equal to the amount reported above.

Investments in the LGIP are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the Pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by FDIC and State of Wisconsin Guarantee Fund Insurance.

Fluctuating cash flows during the year due to tax collections, receipt of state aids, and borrowings may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date.

Investment Rate Risk As a means of limiting its exposure to interest rate risk, the District coordinates its deposit maturities to closely match cash flow needs and restricts the maximum investment term to approximately one year.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE B – CASH AND INVESTMENTS – Continued

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. The District's policies are designed to maximize investment earnings while protecting the security of principal and providing adequate liquidity, in accordance to state statute as listed previously. At June 30, 2016, the District held no investments in government securities. The District does invest in the state investment pool which is not rated.

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 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 is currently holding deposits with one financial institution and the Local Government Investment Pool. The District does not have a policy for custodial credit risk.

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 make 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.

NOTE C – FUND BALANCES

On June 30, 2016, no individual funds had fund balance deficits. Portions of fund balances are restricted and not available for current expenses or expenditures as follows:

<u>Fund Type</u>	<u>Restricted</u>	<u>Amount</u>
Debt Service	Debt retirement	\$ 3,882
Capital Projects	Special projects	86,722
Community Service	Community services	87,922
<u>Fund Type</u>	<u>Assigned</u>	
Food Service	Food program	37,526
General Fund	General operations	1,332,738

NOTE D – SHORT-TERM NOTES PAYABLE

Short-term notes payable at June 30, 2016 are as follows:

	<u>Maturity</u>	<u>Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note Payable	11/01/16	3.25%	-	150,000	150,000	-
			<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>

Short-term debt is incurred to provide adequate cash flows to the District throughout the year. Total interest expense on short-term notes for the year totaled \$14.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE E – INTERFUND BALANCES AND ACTIVITY

Interfund receivable and payable balances were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1	\$ -
Debt Service Fund	-	1
	<u>\$ 1</u>	<u>\$ 1</u>

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

<u>Transfer from:</u>	<u>Purpose</u>	<u>Transfer to:</u>
		<u>Debt Service</u>
General fund	Debt Service	\$ 10,062
		<u>\$ 10,062</u>

NOTE F – FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds are valued at the net asset value of shares held at year end.

Corporate bonds are valued using various techniques, which may consider the recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments.

U.S. government securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations.

Local government investment pool fund is valued at amortized cost of the underlying assets for purposes of calculating income to participants.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Local government investment pool	<u>\$ -</u>	<u>\$ 12,188</u>	<u>\$ -</u>	<u>\$ 12,188</u>

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE G – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Sites (land)	\$ 40,700	\$ -	\$ -	\$ 40,700
Capital assets being depreciated:				
Buildings	6,896,392	105,342	-	7,001,734
Furniture and equipment	1,768,278	77,684	-	1,845,962
Total capital assets being depreciated	8,664,670	183,026	-	8,847,696
Less accumulated depreciation for:				
Buildings	(4,963,282)	(139,947)	-	(5,103,229)
Furniture and equipment	(1,549,141)	(62,564)	-	(1,611,705)
Total accumulated depreciation	(6,512,423)	(202,511)	-	(6,714,934)
Total capital assets being depreciated, net of accumulated depreciation	2,152,247	(19,485)	-	2,132,762
Total Governmental Activities	\$ 2,192,947	\$ (19,485)	\$ -	\$ 2,173,462

Depreciation was charged to governmental functions as follows:

Regular instruction	\$ 17,994
Special education instruction	2,340
Other instruction	2,224
Instructional staff services	636
Operations and maintenance	4,131
Business services	6,281
Community services	1,883
Central services	26,370
School administration services	705
Depreciation not charged to a specific function	139,947
Total Depreciation for Governmental Activities	\$ 202,511

Assets acquired through capital leases are furniture and equipment. The balance of furniture and equipment is \$233,715, and the accumulated depreciation is \$34,230.

NOTE H – LONG-TERM OBLIGATIONS

Long-term liability balances and activity for the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General Obligation Debt					
Bonds and notes payable	\$ 177,455	\$ 140,000	\$ 27,474	\$ 289,981	\$ 45,810
Total General Obligation Debt	177,455	140,000	27,474	289,981	45,810
Other Liabilities					
Capital lease	171,245	-	54,508	116,737	57,042
Vested employee benefits					
Vacation and sick pay	14,534	2,052	335	16,251	1,625
Net pension liability (asset)	(425,643)	535,893	(178,655)	288,905	-
Early retirement benefits	1,094,085	146,050	137,519	1,102,616	132,314
Total Other Liabilities	854,221	683,995	13,707	1,524,509	190,981
Total Long-Term Liabilities	\$ 1,031,676	\$ 823,995	\$ 41,181	\$ 1,814,490	\$ 236,791

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE H – LONG-TERM OBLIGATIONS - Continued

All general obligation bonds notes and loans payable are backed by the full faith and credit of the District. Bonds, notes and loans in the governmental funds will be retired by future property tax levies.

Total interest expense of long-term obligations for the year totaled \$14,150. Interest paid was \$13,870.

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 06/30/16
Promissory Note	1/1/2014	1/1/2024	2.75%	\$ 203,047	\$ 158,781
Promissory Note	2/1/2016	2/1/2021	3.00%	\$ 140,000	131,200
Totals General Obligation Debt					<u>\$ 289,981</u>

The debt limit and margin of indebtedness is set at 10% of equalized value by Section 67.03 (1) (b), Wisconsin Statutes. The margin of indebtedness at June 30, 2016 is:

Equalized value certified by Wisconsin Department of Revenue for 2016:	\$ 303,886,045
Margin of indebtedness at 10%	30,388,605
Deduct long-term debt applicable to debt margin	289,981
Margin of indebtedness	<u>\$ 30,098,624</u>

Debt service requirements to maturity on general obligation debt are as follows:

Governmental Activities Year Ended June 30	Principal	Interest	Total
2017	45,810	7,696	53,506
2018	47,147	6,358	53,505
2019	48,531	4,974	53,505
2020	49,954	3,551	53,505
2021	41,229	1,986	43,215
2022-2024	57,310	2,097	59,407
Total	<u>\$ 289,981</u>	<u>\$ 26,662</u>	<u>\$ 316,643</u>

NOTE I – PENSION PLAN

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

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

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I – PENSION PLAN - Continued

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

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

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

**HUSTISFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I – PENSION PLAN – Continued

During the reporting period, January 1 through December 31, 2015, the WRS recognized \$178,655 in contributions from the employer.

Contribution rates as of June 30, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

At June 30, 2016, the District reported a liability of \$288,905 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.01777896%, which was an increase of 0.00044540% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$347,842.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience Changes in assumptions	\$ -	\$ (607,995)
Net differences between projected and actual earnings on pension plan investments	202,130	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,024,183	-
Employer contributions subsequent to the measurement date	2,054	-
	87,885	-
	<u>\$ 1,316,252</u>	<u>\$ (607,995)</u>

\$87,885 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
2016	\$ 371,097	\$ (148,113)
2017	371,097	(148,113)
2018	371,097	(148,113)
2019	310,893	(147,513)
2020	6,532	(19,451)

**HUSTISFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I – PENSION PLAN – Continued

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

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

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

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

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
US equities	27.0%	23.0%	7.6%	4.7%
International equities	24.5%	22.0%	8.5%	5.6%
Fixed income	27.5%	37.0%	4.4%	1.6%
Inflation sensitive assets	10.0%	20.0%	4.2%	1.4%
Real estate	7.0%	7.0%	6.5%	3.6%
Private equity/debt	7.0%	7.0%	9.4%	6.5%
Multi-asset	4.0%	4.0%	6.7%	3.8%
Total Core Fund	107.0%	120.0%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
US equities	70.0%	70.0%	7.6%	4.7%
International equities	30.0%	30.0%	8.5%	5.6%
Total Variable Fund	100.0%	100.0%	7.9%	5.0%

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

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

**HUSTISFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE I – PENSION PLAN – Continued

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. 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 calculated using the discount rate of 7.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability	\$ 2,026,383	\$ 288,905	\$ (1,068,097)

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>.

NOTE J – OTHER POST EMPLOYMENT BENEFITS

In addition to providing pension benefits described in Note I, the District provides certain post employment medical care premium payments to qualifying retired employees and their eligible dependents or survivors pursuant to collective bargaining agreements and Board resolutions. For employees hired on or before June 4, 2004, the District will pay 80% of the premium cost of coverage, for the first year of the two-year contract, or an equivalent cash benefit, with the equivalent cash benefit based on 80% for the premium for single coverage. For retirees with 15-19 years of service, coverage will be provided for 6 years, but not past age 65. For retirees with over 20 years of service, coverage will be provided for 8 years, but not past age 65. For employees hired after June 4, 2004, the District will pay 50% of the premium cost of coverage, for the first year of the two-year contract, or an equivalent cash benefit, with the equivalent cash benefit based on 80% of the premium for single coverage. For retirees with 15-19 years of service, coverage will be provided for 6 years, but not past age 65. For retirees with over 20 years of service, coverage will be provided for 8 years, but not past age 65. For employees retiring after June 30, 2012, the district will pay a maximum of \$6,250 for single coverage and \$12,500 for family coverage, or cash-in-lieu of health insurance, for a maximum of four years, but not past age 65.

Plan membership consisted of the following as of July 1, 2015, the date of the latest actuarial valuation:

Retirees receiving health benefits	10
Active plan members	<u>36</u>
Total	<u>46</u>

**HUSTISFORD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE J – OTHER POST EMPLOYMENT BENEFITS– Continued

The contributions for retirees and beneficiaries have been funded on a pay-as-you-go basis, which are allocated among functions based on the proportionate amount of payroll cost. For the year ended June 30, 2016 medical care premium expenditures on the pay-as-you-go basis amounted to \$137,519. As of June 30, 2016, the Board of Education has decided not to establish a trust fund for funding the other post employment benefit liability.

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

Annual required contribution	\$ 165,558
Interest on net OPEB obligation	43,763
Adjustment to the ARC	(63,271)
Total annual OPEB cost	<u>146,050</u>
Contribution made	<u>(137,519)</u>
Increase in net OPEB obligation	8,531
Net OPEB obligation:	
Beginning of year	<u>1,094,085</u>
End of year	<u><u>\$ 1,102,616</u></u>

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

Annual OPEB Cost	\$ 146,050
Percentage of Annual OPEB Cost Contributed	94.2%
Net OPEB Obligation	\$ 1,102,616

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Valuation Date	Actuarial July 1, 2015
Actuarial Value of Assets	\$
Actuarial Accrued Liability (AAL) – Projected Unit Credit	\$ 1,304,287
Unfunded AAL (UAAL)	\$ 1,304,287
Funded Ratio	0.0%
Covered Payroll	\$ 1,601,846
UAAL as a Percentage of Covered Payroll	122.8 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress and employer contributions, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**HUSTISFORD SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE J – OTHER POST EMPLOYMENT BENEFITS– Continued

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

In the July 1, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% percent investment rate of return and annual healthcare cost trend rates including inflation of 8.5%, reduced by decrements to an ultimate rate of 5.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The UAAL is being amortized using the level dollar amount method. The remaining amortization period at July 1, 2015 was thirty years.

NOTE K – CAPITAL LEASES

The District acquired technology equipment under a capital lease. The lease agreement is for a 36-month period beginning July 2014 with annual payments of \$62,470. Upon completion of the lease the District will own the equipment.

Future minimum lease payments of the lease obligation are as follows:

2017	\$ 62,470
2018	62,470
Total payments	<u>124,940</u>
Amount representing interest	(8,203)
Present value of net minimum lease payments	<u>\$ 116,737</u>

NOTE L – OPERATING LEASES

The District as lessee leases office equipment. Copier leases of \$885 per month for 60 months, lease expense for 2015 – 2016 was \$10,620 under these leases.

Future minimum annual rental for the year ending June 30 are as follows:

2017	\$ 10,620
2018	10,620
2019	9,735
	<u>\$ 30,975</u>

NOTE M – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2016:

Debt Service Fund	\$ 10,061
Capital Projects Fund	161,189
Food Service Fund	7,299

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE N – COMMITMENTS AND CONTINGENCIES

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's 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.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowance, if any, would be immaterial.

NOTE O – LIMITATION ON SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that is determined by the State legislature. The limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by referendum prior to August 12, 1993
- A referendum on or after August 12, 1993

NOTE P – SUBSEQUENT EVENTS

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 10, 2017, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HUSTISFORD SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND
 ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2016

	General Operations			Special Education			Total	
	Budget Amounts		Actual	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		Original	Final			
REVENUES								
Property taxes	\$ 2,985,951	\$ 2,985,951	\$ 2,985,951	\$ -	\$ -	\$ -	\$ 2,985,951	\$ -
Other local sources	76,103	76,103	76,772	-	-	-	76,772	669
Interdistrict sources	284,166	284,166	267,708	14,300	14,341	41	282,049	(16,417)
Intermediate sources	1,000	1,000	8,514	-	985	985	9,499	8,499
State sources	1,914,720	1,914,720	1,915,018	137,254	137,858	604	2,052,876	902
Federal sources	104,260	104,260	114,736	167,409	88,096	(79,313)	202,832	(68,837)
Other	31,261	31,261	36,180	-	-	-	36,180	4,919
Total Revenues	5,397,461	5,397,461	5,404,879	318,963	241,280	(77,683)	5,646,159	(70,265)
EXPENDITURES								
Instruction:								
Regular	2,277,364	2,277,499	2,218,785	-	-	-	2,218,785	58,714
Vocational	257,894	257,894	257,533	-	-	-	257,533	361
Special	-	115	-	470,349	467,611	52,319	415,292	52,434
Other	267,054	267,054	252,564	-	-	-	252,564	14,490
Total Instruction	2,802,312	2,802,562	2,728,882	470,349	467,611	52,319	3,144,174	125,999
Support Services:								
Pupil services	114,375	114,375	113,485	112,363	112,363	23,611	202,237	24,501
Instructional staff services	81,936	81,936	87,482	127,427	130,165	22,154	195,493	16,608
General administration services	244,215	244,215	251,641	-	-	-	251,641	(7,426)
School administration services	407,970	407,970	369,856	-	-	-	369,856	38,114
Business services	203,421	203,421	235,867	-	-	-	235,867	(32,446)
Operations and maintenance	558,879	558,879	568,148	-	-	-	568,148	(9,269)
Pupil transportation	279,800	279,800	257,930	4,500	4,500	4,490	257,940	26,360
Central services	148,399	148,399	150,739	-	-	-	150,739	(2,340)
Insurance	44,000	44,000	36,632	-	-	-	36,632	7,368
Principal and interest	63,469	63,469	62,483	-	-	-	62,483	986
Other support services	115,629	115,379	142,370	-	-	-	142,370	(26,991)
Total Support Services	2,262,093	2,261,843	2,276,633	244,290	247,028	50,255	2,473,406	35,465
Total Expenditures	5,064,405	5,064,405	5,005,515	714,639	612,065	102,574	5,617,580	161,464
Excess of Revenues Over (Under) Expenditures	333,056	333,056	399,364	(395,676)	(370,785)	24,891	28,579	91,199
Other Financing Sources (Uses)								
Transfer from special education	-	(395,676)	(370,785)	-	-	-	(370,785)	24,891
Transfer to special education	-	-	-	-	-	-	-	-
Transfer to general operations	-	-	-	-	-	-	-	-
Transfer from general operations	-	-	(10,062)	395,676	395,676	(24,891)	370,785	(24,891)
Transfer to debt service	-	-	-	-	-	-	-	-
Transfer from debt service	-	-	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-	-	-	-
Sale of assets	150	150	-	-	-	-	-	(150)
Net Other Financing Sources (Uses)	(395,526)	(395,526)	(380,847)	395,676	370,785	(24,891)	(10,062)	(10,212)
Net Change in Fund Balance	(62,470)	(62,470)	18,517	-	-	-	18,517	80,987
Fund Balances -								
Beginning of year	1,314,221	1,314,221	1,314,221	-	-	-	1,314,221	-
End of year	\$ 1,251,751	\$ 1,251,751	\$ 1,332,738	\$ -	\$ -	\$ -	\$ 1,332,738	\$ 80,987

The accompanying notes are an integral part of these financial statements.

**HUSTISFORD SCHOOL DISTRICT
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
YEAR ENDED JUNE 30, 2016**

Schedule of Funding Progress

Actuarial Valuation Date	07/01/15
Actuarial Value of Assets (a)	\$ -
Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	\$ 1,304,287
Unfunded AAL (UAAL) (a-b)	\$ 1,304,287
Funded Ratio (a/b)	0.0%
Covered Payroll (c)	\$ 1,601,846
UAAL as a Percentage of Covered Payroll ((b-a)/c)	122.8%

Schedule of Employer Contributions

Year Ended	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
Annual OPEB Cost	\$ 146,050	\$ 130,868	\$ 130,868
Percentage of Annual OPEB Cost Contributed	94.2%	93.1%	70.9%
Net OPEB Obligation	\$ 1,102,616	\$ 1,094,085	\$ 1,085,069

**HUSTISFORD SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM-LAST 10 FISCAL YEARS*
JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.01777896%	0.01733356%
District's proportionate share of the net pension liability (asset)	\$ 288,905	\$ (425,760)
District's covered-employee payroll	\$ 2,627,283	\$ 2,493,820
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	11.00%	(17.07%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**HUSTISFORD SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM - LAST 10 FISCAL YEARS*
JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 178,655	\$ 174,781
Contributions in relation to the contractually required contributions	(178,655)	(174,781)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,627,283	\$ 2,493,820
Contributons as a percentage of covered-employee payroll	6.80%	7.01%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

NOTE A – SUMMARY OF CHANGES

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

Changes of assumptions – There were not changes in the assumptions.

OTHER SUPPLEMENTARY INFORMATION

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HUSTISFORD SCHOOL DISTRICT
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total Non-Major Governmental</u>
<u>ASSETS</u>					
Cash and investments	\$ 3,881	\$ 86,722	\$ 38,698	\$ 87,922	\$ 217,223
Accounts receivable	-	-	893	-	893
Due from other governments	-	-	1,091	-	1,091
Due from other funds	1	-	-	-	1
Total Assets	<u>\$ 3,882</u>	<u>\$ 86,722</u>	<u>\$ 40,682</u>	<u>\$ 87,922</u>	<u>\$ 219,208</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ 3,156	\$ -	\$ 3,156
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,156</u>	<u>-</u>	<u>3,156</u>
<u>FUND BALANCES</u>					
Fund Balances:					
Restricted	3,882	86,722	-	87,922	178,526
Assigned	-	-	37,526	-	37,526
Total Fund Balances	<u>3,882</u>	<u>86,722</u>	<u>37,526</u>	<u>87,922</u>	<u>216,052</u>
Total Liabilities and Fund Balances	<u>\$ 3,882</u>	<u>\$ 86,722</u>	<u>\$ 40,682</u>	<u>\$ 87,922</u>	<u>\$ 219,208</u>

HUSTISFORD SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

	Debt Service	Capital Projects	Food Service	Community Service	Total Non-major Governmental
REVENUES					
Property taxes	\$ 23,321	\$ -	\$ -	\$ 39,663	\$ 62,984
Other local sources	-	2,711	89,781	37,722	130,214
State sources	-	-	3,848	-	3,848
Federal sources	-	-	92,048	-	92,048
Other revenues	-	-	893	-	893
Total Revenues	23,321	2,711	186,570	77,385	289,987
EXPENDITURES					
Instruction:					
Regular	-	-	-	-	-
Vocational	-	-	-	-	-
Other	-	-	-	-	-
Total Instruction	-	-	-	-	-
Support Service:					
Operations and maintenance	-	132,838	-	-	132,838
Community service	-	-	-	53,429	53,429
Food service	-	-	186,399	-	186,399
Principal and Interest	33,383	-	-	-	33,383
Other	-	-	-	-	-
Total Support Services	33,383	132,838	186,399	53,429	406,049
Total Expenditures	33,383	132,838	186,399	53,429	406,049
Excess of Revenues Over (Under) Expenditures	(10,062)	(130,127)	171	23,956	(116,062)
Other Financing Sources (Uses)					
Transfer from general operations	10,062	-	-	-	10,062
Debt proceeds	-	140,000	-	-	140,000
Insurance proceeds	-	18,689	-	-	18,689
Total Other Financing Sources	10,062	158,689	-	-	168,751
Net Change in Fund Balance	-	28,562	171	23,956	52,689
Fund Balances -					
Beginning of year	3,882	58,160	37,355	63,966	163,363
End of year	\$ 3,882	\$ 86,722	\$ 37,526	\$ 87,922	\$ 216,052

**HUSTISFORD SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - STUDENT ACTIVITY FUNDS
 YEAR ENDED JUNE 30, 2016**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Cash and investments	\$ 76,842	\$ 163,876	\$ 152,705	\$ 88,013
<u>LIABILITIES</u>				
Due to student organizations	\$ 76,842	\$ 163,876	\$ 152,705	\$ 88,013

HUSTISFORD SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2016

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ State Id Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
Federal Programs:				
U.S. Department of Agriculture				
Passed through Wisconsin Department of Public Instruction				
Child Nutrition Cluster				
School Breakfast Program	10.553	546	\$ -	\$ 18,731
Food Donation Program	10.555	547	-	10,852
National School Lunch Program	10.555	547	-	62,466
Total Child Nutrition Cluster			-	<u>92,049</u>
U.S. Department of Education				
Rural Education Achievement Program	84.358A	368		28,717
Passed through Wisconsin Department of Public Instruction				
Title I Grants to Local Education Agencies	84.010	141	-	60,060
Supporting Effective Instruction State Grant	84.367	365	-	12,898
Special Education Cluster				
Special Education Grants to States	84.027	341	-	66,642
Special Education Preschool Grants	84.173	347	-	5,939
Total Special Education Cluster			-	<u>72,581</u>
Passed through CESA #6				
Career and Technical Education Basic Grants to States	84.048	29-217	-	2,142
U.S. Department of Health & Human Services				
Passed through Wisconsin Forward Health				
Medical Assistance Program-School Based Services *	93.778	**	-	28,575
Total Federal Awards			<u>\$ -</u>	<u>\$ 297,022</u>
State Programs:				
Wisconsin Department of Public Instruction				
Special Education and School age Parents	255.101	N/A	\$ -	\$ 137,858
State School Lunch Aid	255.102	N/A	-	2,066
Common School Fund Library Aid	255.103	N/A	-	22,214
General Transportation Aid	255.107	N/A	-	11,384
Wisconsin School Day Milk Program	255.109	N/A	-	751
General Equalization Aid	255.201	N/A	-	1,673,855
Sparsity Aid	255.212	N/A	-	135,000
School Breakfast Program	255.344	N/A	-	1,031
Educator Effectiveness Grant	255.940	N/A	-	3,280
Per Pupil Adjustment Aid	255.945	N/A	-	65,400
Passed through CESA #6				
Special Education and School Age Parents	255.101	97-990	-	985
TEACH Grant	**	**	-	6,372
Wisconsin Department of Revenue				
Computer Aid	**	N/A	-	3,885
Total State Assistance			<u>\$ -</u>	<u>\$ 2,064,081</u>

* Cash reimbursement received during the year ended June 30, 2016 totaled \$26,718

** Information not provided.

**HUSTISFORD SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

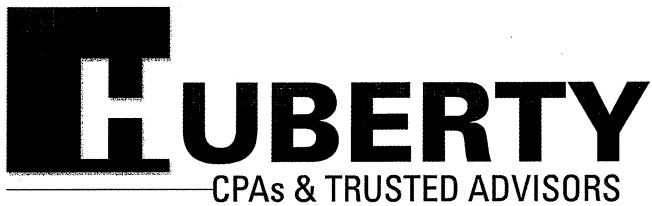
The accompanying schedule of expenditures of federal and state awards include the federal and state grant activity of the District under programs of the federal and state government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of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

NOTE B – SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2015 – 2016 eligible costs and estimated aid reimbursement under the State Special Education Program are \$520,359 and \$137,219, respectively.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the District had food commodities totaling \$10,852.



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Minocqua: 8554 Hwy 51 | Suite 102 | P.O. Box 981 | Minocqua, WI 54548 | 715.356.5214

Markesan: 57 N. Bridge St. | Markesan, WI 53946 | 920.398.3551

**INDEPENDENT AUDITOR'S 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**

Board of Education
Hustisford School District
Hustisford, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hustisford School District ("District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2016.

Internal Control Over Financial Reporting

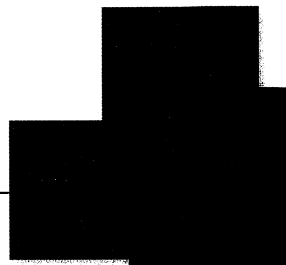
In planning and performing our audit of the financial statements, we considered Hustisford School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hustisford School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hustisford 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying summary of auditor's results that we consider to be significant deficiencies as items 2016-001 and 2016-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.



However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hustisford School District's Response to Findings

We noted certain matters that we reported to management of the District in a separate letter dated January 10, 2017.

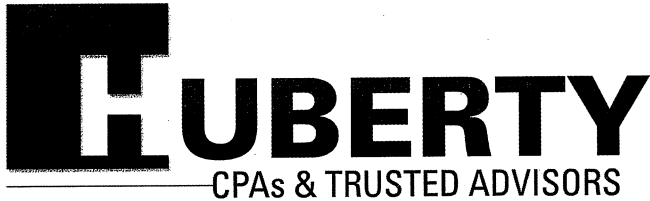
The Hustisford School District's response to the findings identified in our audit is described in the accompanying summary of auditor's results. We did not audit the District's response and, accordingly we express no opinion on it.

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

Huberty + Associates, S.C.
Certified Public Accountants

Ripon, Wisconsin
January 10, 2017



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

To the Board of Education
Hustisford School District
Hustisford, Wisconsin

Report on Compliance for Each Major State Program

We have audited the Hustisford School District's compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2016. The District's designated state major aid programs are identified in the accompanying summary of auditors' results.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Summary of Auditor's Results as item 2016-001 to be a significant deficiency.

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 deficiencies, significant deficiencies or material weaknesses. 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.

District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Summary of Auditor's Results. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Huberty + Associates, S.C.
Certified Public Accountants

Ripon, Wisconsin
January 10, 2017

**HUSTISFORD SCHOOL DISTRICT
SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED JUNE 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness?	Yes
Noncompliance material to the financial statements noted?	No

Federal and State Awards

Type of auditor's report issued on compliance for major programs	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

Identification of major state programs:

<u>State I.D. Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents
255.201	General Equalization Aid
255.212	Sparsity Aid

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 - Segregation of Duties

Criteria:

The District should segregate accounting duties, at a minimum to separate the asset and the recordkeeping function, to minimize the opportunity for misstatements caused by error or fraud to occur and go undetected within a timely period by employees in the normal course of performing their assigned functions.

Condition:

The District does not have adequate segregation of duties in its accounting functions. Specifically, one individual is responsible for the entire payroll process. Also, one individual has the ability to cut checks, print the automatic signatures on the checks, and performs the bank reconciliations.

Cause:

A small number of individuals within the District's administration perform substantially all accounting functions and have control over both records and assets.

Effect or Potential Effect:

The lack of segregation of accounting duties could create an opportunity for misstatements caused by error or fraud to occur and go undetected within a timely period by employees in the normal course of performing their assigned functions.

**HUSTISFORD SCHOOL DISTRICT
SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS – Continued

Recommendation:

Due to the size of the District, it is not practical to hire additional individuals in order to adequately segregate accounting duties; therefore, we recommend that the Administrator's and School Board's close supervision, review of accounting information and knowledge of matters relating to the District's financial operations provide an effective means of preventing and detecting errors and irregularities.

Views of Responsible Officials and Planned Corrective Actions:

We agree and will continue to provide supervision and monitor accounting information and operations including obtaining explanations for variances from unexpected results and work to increase segregation of duties.

2016-002 – Preparation of Financial Statements

Criteria:

The Administrators and School Board share responsibility for the District's internal control system including controls over financial reporting under generally accepted accounting principles (GAAP). Although we assist the District in drafting the financial statements and disclosures and management takes responsibility for the statements, we cannot be considered part of the internal control over GAAP financial statement preparation.

Condition:

The preparation of GAAP financial statements and footnote disclosures requires extensive knowledge of constantly changing accounting pronouncements. While the District's personnel have a thorough understanding of their operations, no one in the District has the accounting background sufficient to prepare the District's GAAP financial statements with complete disclosures, to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Cause:

Although District management has a thorough understanding of its operations, management has not monitored recent accounting developments.

Effect or Potential Effect:

Financial statements and related disclosures could be prepared without a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the District should implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the District's activities and operations.

**HUSTISFORD SCHOOL DISTRICT
SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED JUNE 30, 2016**

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2016-002 – Preparation of Financial Statements - Continued

Views of Responsible Officials and Planned Corrective Actions:

We agree and will implement a review procedure to ensure the financial statements, including disclosures, are complete and accurate.

SECTION III – STATE PROGRAM FINDINGS

2016-001 – Segregation of Duties

See finding in Section II – Financial Statement findings.