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November 30, 2017

To the Board of Education  
Hustisford School District  
Hustisford, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hustisford School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you November 30, 2017 June 2, 2017. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Hustisford School District are described in Note A to the financial statements. As described in Note A to the financial statements, the Hustisford School District changed accounting policies related to improving accounting and financial reporting by state and local governments for pensions, tax abatements and component units. We noted no transactions entered into by the Hustisford School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the pension benefits and other post-employment benefits is based on actuarial studies obtained by the Wisconsin Retirement System or the District as required by professional standards. We evaluated the key factors and assumptions used to develop the pension and other post-employment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense is based on the useful lives of capital assets as determined by management. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value of the Local Government Investment Pool (LGIP) is based on the value provided by Wisconsin Department of Administration-State Controller's Office as a pro rata share of the investment pool. We evaluated the key factors and assumptions used to develop the estimate of the fair value of the LGIP in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 30, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Hustisford School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Hustisford School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the required supplementary information, as listed in the table of contents, that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of the Hustisford School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Kubert & Associates, S.C.*

Certified Public Accountants



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November 30, 2017

To the Board of Education  
Hustisford School District  
Hustisford, WI 53034

In planning and performing our audit of the financial statements of the Hustisford School District as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

This year the District general fund balance increased by \$20,134. The general fund balance at June 30, 2017 was \$1,352,872.

In the review of the hot lunch program, hot lunch participation was up 3% from last year, and breakfast participation was down 19%. The net result was an increase in revenue of \$7,364 from the prior year. The expenses showed an increase this year by \$1,100. The District food service fund balance increased \$6,435 this year. The District ended the year with a food service fund balance of \$43,961. We encourage the District to continue their diligent efforts to control expenses and increase participation in the program.

At June 30, 2017, the District had cash balances of \$196,369 that were not covered by FDIC insurance or pledged assets at the local financial institution. Throughout the year cash balances exceed FDIC insurance and pledged assets significantly, so we still suggest that the bank increase the amount of assets they have pledged to help decrease the risk of loss to the District.

School district bookkeeping is detailed and complex. We recommend sending your Financial Coordinator to continuing education that the Department of Public Instruction and similar organizations offer.

The Internal Revenue Service has increased the penalties associated with not filing Form 1099's by January 31<sup>st</sup> each year. A vendor that is paid \$600 or more for services should be issued a 1099, if they are not incorporated. In order for the District to determine if an entity needs a 1099, a Form W-9 should be completed by each vendor that you work with that does not have the word "incorporated" in their name.

Fringe benefits are any form of pay (including property, services, cash or cash equivalent), in addition to stated pay, for the performance of services. Fringe benefits can include reimbursements, per diems and allowances. The general rule with these types of fringe benefits is if the expense can be substantiated, it is non-taxable to the employee. Employee reimbursements need to be substantiated in writing and submitted by the employee to the District in a timely manner. If allowances are provided to employees, they also need to be substantiated (i.e. vehicle allowance, classroom allowance, etc). The amount of expenses reimbursed under a

per diem allowance method are deemed substantiated without receipts, provided the requirements of the regulations are met. We wanted to bring this to the District's attention, so the District could review these types of fringe benefits it might currently be offering to employees to determine whether or not they are properly substantiated.

The limited number of office personnel does not allow proper separation of duties to assure adequate internal control. This is not unusual in school districts of this size; however, management should realize that their involvement and knowledge in matters relating to the school district are an important internal control function.

We have already discussed many of these comments and suggestions with personnel, and we will be pleased to discuss them in further detail at your convenience or to assist you in implementing the recommendations. We appreciate the opportunity to serve the District. We would like to thank the employees of the District for their cooperation during the audit.

This communication is intended solely for the information and use of management, Board of Education, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Huberty & Associates, S.C.*

Certified Public Accountants



# **HUSTISFORD SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Hustisford School District  
Hustisford, Wisconsin

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### 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 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

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

### *Other Information*

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

The combining and individual non-major fund financial statements, schedules 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, the schedules 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 report dated November 30, 2017, on our consideration of the Hustisford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hustisford School District's internal control over financial reporting and compliance.

*Huberty & Associates, S.C.*

Certified Public Accountants

Ripon, Wisconsin  
November 30, 2017



**BASIC FINANCIAL STATEMENTS**

HUSTISFORD SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017

<u>ASSETS</u>		
Cash and investments		\$ 1,106,026
Taxes receivable		877,991
Accounts receivable		13,033
Due from other governments		181,280
Capital assets:		
Non-depreciable capital assets		40,700
Depreciable capital assets, net		1,977,814
Total Assets		<u>4,196,844</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u> 		
Pension sources		1,214,604
 <u>LIABILITIES</u> 		
Accounts payable		3,588
Accrued interest		581
Accrued salaries and wages		319,163
Accrued payroll liabilities		138,044
Health benefits payable		1,439
Noncurrent Liabilities:		
Due within one year		106,842
Due in more than one year		1,485,544
Total Liabilities		<u>2,055,201</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u> 		
Unavailable revenue		50,000
Pension sources		648,116
Total Deferred Inflows of Resources		<u>698,116</u>
 <u>NET POSITION</u> 		
Net investment in capital assets		2,018,514
Restricted for:		
Capital projects		159,200
Community service		106,180
Debt service		3,883
Pension benefits		566,488
Unrestricted		<u>(196,134)</u>
Total Net Position		<u>\$ 2,658,131</u>

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

HUSTISFORD SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 2,536,385	\$ 444,558	\$ 109,220	\$ (1,982,607)
Vocational	268,408	-	-	(268,408)
Special education	496,882	-	275,617	(221,265)
Other	305,490	21,517	-	(283,973)
Total Instruction	<u>3,607,165</u>	<u>466,075</u>	<u>384,837</u>	<u>(2,756,253)</u>
Support Services:				
Pupil services	187,755	-	-	(187,755)
Instructional staff services	166,381	-	19,860	(146,521)
General administration services	242,515	-	-	(242,515)
School administration services	325,783	-	-	(325,783)
Business services	224,118	-	-	(224,118)
Operations and maintenance	577,639	-	-	(577,639)
Pupil transportation	277,294	-	10,291	(267,003)
Central services	198,207	-	-	(198,207)
Insurance	39,182	-	-	(39,182)
Other support services	145,780	-	-	(145,780)
Food service	199,024	94,021	99,913	(5,090)
Community service	58,822	33,058	-	(25,764)
Interest and principal	13,454	-	-	(13,454)
Depreciation - unallocated	147,302	-	-	(147,302)
Total Support Services	<u>2,803,256</u>	<u>127,079</u>	<u>130,064</u>	<u>(2,546,113)</u>
<b>Total Governmental Activities</b>	<u>\$ 6,410,421</u>	<u>\$ 593,154</u>	<u>\$ 514,901</u>	<u>(5,302,366)</u>
<b>General Revenues:</b>				
Taxes				
Property taxes, levied for general purposes				3,091,572
Property taxes, levied for debt service				23,321
Property taxes, levied for community service				39,663
Federal and state aid not restricted to specific purposes				
General				1,826,190
Interest and investment earnings				3,486
Miscellaneous				161,893
<b>Changes in Net Position</b>				<u>(156,241)</u>
<b>Net Position:</b>				
Beginning of year				2,814,372
End of year				<u>\$ 2,658,131</u>

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

HUSTISFORD SCHOOL DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 775,080	\$ 330,946	\$ 1,106,026
Taxes receivable	877,991	-	877,991
Accounts receivable	13,033	-	13,033
Due from other governments	181,280	-	181,280
Due from other funds	-	1	1
Total Assets	<u>\$ 1,847,384</u>	<u>\$ 330,947</u>	<u>\$ 2,178,331</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ -	\$ 3,588	\$ 3,588
Accrued salaries and wages	308,437	10,726	319,163
Accrued payroll liabilities	134,635	3,409	138,044
Health benefits payable	1,439	-	1,439
Other deferred revenue	50,000	-	50,000
Due to other funds	1	-	1
Total Liabilities	<u>494,512</u>	<u>17,723</u>	<u>512,235</u>
<b><u>FUND BALANCES</u></b>			
Restricted	-	269,263	269,263
Assigned	1,352,872	43,961	1,396,833
Total Fund Balances	<u>1,352,872</u>	<u>313,224</u>	<u>1,666,096</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,847,384</u>	<u>\$ 330,947</u>	
<p>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:</p> <p>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:</p> <p>    Governmental capital assets</p> <p>    Governmental accumulated depreciation</p> <p>Deferred outflows of resources (related to pensions)</p> <p>Deferred inflows of resources (related to pensions)</p> <p>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:</p> <p>    General obligation debt</p> <p>    Capital lease</p> <p>    Accrued interest on general obligation debt</p> <p>    Vested employee benefits</p> <p>Total Net Position - Governmental Activities</p>			
		\$ 8,940,294	
		(6,921,780)	2,018,514
			1,214,604
			(648,116)
		(244,176)	
		(59,695)	
		(581)	
		(1,288,515)	(1,592,967)
			<u>\$ 2,658,131</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, 2017

	General	Other Governmental	Total Governmental
<b>REVENUES:</b>			
Property taxes	\$ 3,091,572	\$ 62,984	\$ 3,154,556
Other local sources	48,598	127,357	175,955
Interdistrict sources	420,684	-	420,684
Intermediate sources	3,771	-	3,771
State sources	2,016,209	4,213	2,020,422
Federal sources	221,198	95,700	316,898
Other	56,916	-	56,916
<b>Total Revenues</b>	<u>5,858,948</u>	<u>290,254</u>	<u>6,149,202</u>
<b>EXPENDITURES:</b>			
Instruction:			
Regular	2,420,357	-	2,420,357
Vocational	255,501	-	255,501
Special	472,774	-	472,774
Other	289,238	-	289,238
<b>Total Instruction</b>	<u>3,437,870</u>	<u>-</u>	<u>3,437,870</u>
Support Service:			
Pupil services	179,553	-	179,553
Instructional staff services	160,992	-	160,992
General administration services	233,856	-	233,856
School administration services	310,368	-	310,368
Business services	214,510	-	214,510
Operations and maintenance	528,189	32,776	560,965
Pupil transportation	277,294	-	277,294
Central services	222,975	-	222,975
Insurance	39,182	-	39,182
Food service	-	187,499	187,499
Community service	-	54,463	54,463
Principal and interest	62,903	53,505	116,408
Other	140,937	-	140,937
<b>Total Support Services</b>	<u>2,370,759</u>	<u>328,243</u>	<u>2,699,002</u>
<b>Total Expenditures</b>	<u>5,808,629</u>	<u>328,243</u>	<u>6,136,872</u>
Excess of Revenues Over (Under) Expenditures	50,319	(37,989)	12,330
<b>Other Financing Sources (Uses):</b>			
Transfer from general operations	-	30,185	30,185
Transfer to debt service fund	(30,185)	-	(30,185)
Insurance proceeds	-	104,976	104,976
<b>Total Other Financing Sources</b>	<u>(30,185)</u>	<u>135,161</u>	<u>104,976</u>
<b>Net Change in Fund Balance</b>	20,134	97,172	117,306
<b>Fund Balances:</b>			
Beginning of year	1,332,738	216,052	1,548,790
End of year	<u>\$ 1,352,872</u>	<u>\$ 313,224</u>	<u>\$ 1,666,096</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, 2017**

Net change in fund balances - total governmental funds \$ 117,306

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	51,898	
Depreciation expense reported in the statement of activities	<u>(206,846)</u>	(154,948)

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	181,795	
Pension benefits earned in current year	<u>(385,567)</u>	(203,772)

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	133,629	
Employee benefits earned in current year	<u>(151,409)</u>	(17,780)

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.

The amount of long-term debt principal payments in the current year is:	<u>45,805</u>	45,805
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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	<u>57,042</u>	57,042
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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	13,128	
The amount of interest accrued during the period.	<u>(13,022)</u>	<u>106</u>

Change in Net Position - Governmental Activities		<u>\$ (156,241)</u>
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HUSTISFORD SCHOOL DISTRICT  
 STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
 JUNE 30, 2017

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 89,749
Total Assets	<u>89,749</u>
<b><u>LIABILITIES</u></b>	
Due to student groups	89,749
Total Liabilities	<u>\$ 89,749</u>

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

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**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.

This report includes all funds of the District. The reporting entity for the District consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. These financial statements do not contain any component units.

**Basis of Presentation**

*District-wide Statements:*

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

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –Continued

**Basis of Presentation**

*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. Funds are organized as major funds or nonmajor funds within the governmental fund 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

1. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
2. 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.

State general and categorical aids are recognized as revenue in the entitlement year. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenues.

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. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred if expected to be collected in the subsequent 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  
YEAR ENDED JUNE 30, 2017**

**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:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, local professional stadium district, or local cultural arts district created under subchapter II, III, IV or V of chapter 229 of the Wisconsin statutes, or bonds issued by the University of Wisconsin Hospitals or Clinics Authority or the Wisconsin Aerospace Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is limited to bonds issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government or repurchase agreements fully collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to 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.

The District's property taxes are levied on or before October 31<sup>st</sup> 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 31<sup>st</sup>, and a final payment no later than July 31<sup>st</sup>. 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 15<sup>th</sup>, and by the 20<sup>th</sup> of each subsequent month thereafter. On or before August 20<sup>th</sup>, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.



**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Property Tax Levy – Continued**

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2016 tax levy is used to finance operations of the District's fiscal year ended June 30, 2017. All property taxes are considered due on January 1<sup>st</sup>, 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 30<sup>th</sup> 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, 2017, 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  
YEAR ENDED JUNE 30, 2017

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:

Buildings	10 – 50 years
Furniture and equipment	5 – 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**

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

Compensated Absences. 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  
YEAR ENDED JUNE 30, 2017

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period 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 or District Administrator through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets or for other purposes).

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  
 YEAR ENDED JUNE 30, 2017**

**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.

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.

The minimum fund balance amount is calculated as follows:

Actual 2016-2017 General Fund Expenditures	\$ 5,808,629
Minimum Fund Balance %	15%
Minimum Fund Balance Amount	<u>\$ 871,294</u>

The District's unassigned general fund balance of \$1,352,872 is above minimum fund balance amount.

**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; injuries to employees; and natural disaster. All of these risks are covered through the purchase of commercial and property 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, 2017, the District implemented the following statements of financial accounting standards issued by the Governmental Accounting Standards Board:

Statement 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Management has determined the impact of this Statement is not material to the financial statements.

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New GASB Pronouncements- continued

Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement 68. It amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). It establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Management has determined the impact of this Statement is not material to the financial statements.

Statement 80, *Blending Requirements for Certain Component Units*. An amendment of GASB Statement 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. It amends the blending requirements for the financial statement presentation of component units of all state and local governments. Management has determined the impact of this Statement is not material to the financial statements.

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

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

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.

Statement 84, *Fiduciary Activities*, effective for the year ended June 30, 2020.

Statement 85, *Omnibus 2017*, effective for the year ended June 30, 2018.

Statement 86, *Certain Debt Extinguishment Issues*, effective for the year ended June 30, 2018.

Statement 87, *Leases*, effective for the year ended June 30, 2021.

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.

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, with securities held by the counterparty or its trust department or agent but not in the District's name.



**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE B – CASH AND INVESTMENTS – Continued**

	Category			Total	Carrying Amount
	1	2	3		
Financial institutions	\$ 500,000	\$ 596,856	\$ 196,369	\$ 1,293,225	\$ 1,183,522
Wisconsin Local Government Investment Pool					12,253
Total deposits and investments					\$ 1,195,775
Per statement of net position:					
Cash and investments					\$ 1,106,026
Per statement of net position - fiduciary funds:					
Agency					89,749
Total					\$ 1,195,775

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, 2017, 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.

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, 2017, the District held no investments in government securities. The District does invest in the state investment pool which is not rated.

**HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2017**

**NOTE B – CASH AND INVESTMENTS – Continued**

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 – NET POSITION/FUND BALANCES**

On June 30, 2017, no individual funds had fund balance deficits. Portions of net position/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	\$ 3,883
Capital Projects	Special projects	159,200
Community Service	Community services	106,180
Pension Benefits	Pension Benefits	566,488
<u>Fund Type</u>	<u>Assigned</u>	
Food Service	Food program	43,961
General Fund	General operations	1,352,872

**NOTE D – SHORT-TERM NOTES PAYABLE**

The District issued tax anticipation notes in advance of property tax collections and state aid. The note is needed because District payments for expenses for the year begin in July whereas the final tax collection is received from the County the following year in August and state aid disbursements begin in December.

Short-term notes payable at June 30, 2017 are as follows:

	<u>Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note Payable	3.25%	\$ -	\$ 450,000	\$ 450,000	\$ -

Total interest expense on short-term notes payable for the year ended June 30, 2017 totaled \$433.

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2017

**NOTE E – INTERFUND BALANCES AND ACTIVITY**

Interfund receivable and payable balances were as follows:

Due from:	Purpose:	Due to
General Fund	Payment on long-term debt	Debt Service Fund
		\$ 1

Interfund transfers for the year ended June 30, 2017 were as follows:

Transfer from:	Purpose	Transfer to:
General fund	Payment on long-term debt	Debt Service
		\$ 30,185

**NOTE F – FAIR VALUE MEASUREMENTS**

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

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 District 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 District's investments at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Local government investment pool	\$ -	\$ 12,253	\$ -	\$ 12,253

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2017

NOTE G – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Sites (land)	\$ 40,700	\$ -	\$ -	\$ 40,700
Capital assets being depreciated:				
Buildings	7,001,734	-	-	7,001,734
Furniture and equipment	1,845,962	51,898	-	1,897,860
Total capital assets being depreciated	8,847,696	51,898	-	8,899,594
Less accumulated depreciation for:				
Buildings	(5,103,229)	(146,876)	-	(5,250,105)
Furniture and equipment	(1,611,705)	(59,970)	-	(1,671,675)
Total accumulated depreciation	(6,714,934)	(206,846)	-	(6,921,780)
Total capital assets being depreciated, net of accumulated depreciation	2,132,762	(154,948)	-	1,977,814
<b>Total Governmental Activities</b>	<b>\$ 2,173,462</b>	<b>\$(154,948)</b>	<b>\$ -</b>	<b>\$ 2,018,514</b>

The District's capital assets are shared by many governmental functions. Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 14,243
Special education instruction	2,285
Other instruction	2,484
Instructional staff services	134
Operations and maintenance	4,399
Food service	6,281
Community service	1,883
Central services	27,130
School administration services	705
Depreciation not charged to a specific function	147,302
<b>Total Depreciation for Governmental Activities</b>	<b>\$ 206,846</b>

Assets acquired through capital leases are furniture and equipment. The balance of furniture and equipment is \$106,391, and the accumulated depreciation is \$59,060.

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2017

NOTE H – LONG-TERM OBLIGATIONS

Long-term liability balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>General Obligation Debt</b>					
Bonds and notes payable	\$ 289,981	\$ -	\$ 45,805	\$ 244,176	\$ 47,147
Total General Obligation Debt	289,981	-	45,805	244,176	47,147
<b>Other Liabilities</b>					
Capital lease	116,737	-	57,042	59,695	59,695
Vested employee benefits					
Vacation and sick pay	16,251	5,359	-	21,610	-
Net pension liability (asset)	288,905	40,420	177,457	151,868	-
Early retirement benefits	1,102,616	146,050	133,629	1,115,037	-
Total Other Liabilities	1,524,509	191,829	368,128	1,348,210	59,695
<b>Total Long-Term Liabilities</b>	<b>\$ 1,814,490</b>	<b>\$ 191,829</b>	<b>\$ 413,933</b>	<b>\$ 1,592,386</b>	<b>\$ 106,842</b>

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 \$13,022. Interest paid was \$13,128.

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 06/30/17
Promissory Note	1/1/2014	1/1/2024	2.75%	\$ 203,047	\$ 139,587
Promissory Note	2/1/2016	2/1/2021	3.00%	\$ 140,000	104,589
Totals General Obligation Debt					<u>\$ 244,176</u>

The debt limit and margin of indebtedness is set at 10% of equalized value by Section 67.03 (1) (a), Wisconsin Statutes. The margin of indebtedness at June 30, 2017 is:

Equalized value certified by Wisconsin Department of Revenue for 2016:	\$ 305,567,465
Margin of indebtedness at 10%	30,556,747
Deduct long-term debt applicable to debt margin	244,176
Margin of indebtedness	<u>\$ 30,312,571</u>

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

Governmental Activities Year Ended June 30	Principal	Interest	Total
2018	\$ 47,147	\$ 6,358	\$ 53,505
2019	48,531	4,974	53,505
2020	49,954	3,551	53,505
2021	41,229	2,214	43,443
2022	22,021	1,300	23,321
2023-2024	35,294	793	36,087
Total	<u>\$ 244,176</u>	<u>\$ 19,190</u>	<u>\$ 263,366</u>

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2017

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>

**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
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%
2016	0.5%	(5.0%)



**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE I – PENSION PLAN – Continued**

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

During the reporting period, January 1 through December 31, 2016, the WRS recognized \$180,878 in contributions from the employer.

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.** At June 30, 2017, the District reported a liability (asset) of \$151,868 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.01842523%, which was an increase of 0.00064627% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$384,752.

At June 30, 2017, 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	\$ 57,907	\$ (477,611)
Net differences between projected and actual earnings on pension plan investments	905,688	(149,738)
Changes in assumptions	158,784	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(20,767)
Employer contributions subsequent to the measurement measurement date	92,225	-
	<u>\$ 1,214,604</u>	<u>\$ (648,116)</u>

**HUSTISFORD SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2017**

**NOTE I – PENSION PLAN – Continued**

\$92,225 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
2017	\$ 391,307	\$ (195,945)
2018	391,307	(195,945)
2019	327,311	(195,345)
2020	12,189	(60,744)
Thereafter	264	(138)

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

Actuarial valuation date	December 31, 2015
Measurement date of net pension liability (asset)	December 31, 2016
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

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



**HUSTISFORD SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE I – PENSION PLAN – Continued**

**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:

<b>Core Fund Asset Class</b>	<b>Current Asset Allocation %</b>	<b>Destination Target Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %</b>
Global equities	50.0%	45.0%	8.3%	5.4%
Fixed income	24.5%	37.0%	4.2%	1.4%
Inflation sensitive assets	15.5%	20.0%	4.3%	1.5%
Real estate	8.0%	7.0%	6.5%	3.6%
Private equity/debt	8.0%	7.0%	9.4%	6.5%
Multi-asset	4.0%	4.0%	6.6%	3.7%
<b>Total Core Fund</b>	<b>110.0%</b>	<b>120.0%</b>	<b>7.4%</b>	<b>4.5%</b>
<b>Variable Fund Asset Class</b>				
US equities	70.0%	70.0%	7.6%	4.7%
International equities	30.0%	30.0%	8.5%	5.6%
<b>Total Variable Fund</b>	<b>100.0%</b>	<b>100.0%</b>	<b>7.9%</b>	<b>5.0%</b>

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

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

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

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

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
District's proportionate share of the net pension liability (asset)	\$ 1,997,919	\$ 151,868	\$ (1,269,675)

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE I – PENSION PLAN – Continued**

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

**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 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>

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, 2017, medical care premium expenditures on the pay-as-you-go basis amounted to \$133,629. As of June 30, 2017, 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	<u>(63,271)</u>
Total annual OPEB cost	146,050
Contribution made	<u>(133,629)</u>
Increase in net OPEB obligation	12,421
Net OPEB obligation:	
Beginning of year	1,102,616
End of year	<u><u>\$ 1,115,037</u></u>

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE J – OTHER POST EMPLOYMENT BENEFITS – Continued**

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, 2017, are as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of OPEB Contributed	Net OPEB Obligation
2017	\$ 146,050	91.5%	\$ 1,115,037
2016	\$ 146,050	94.2%	\$ 1,102,616
2015	\$ 130,868	93.1%	\$ 1,094,085

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	\$ 2,740,572
UAAL as a Percentage of Covered Payroll	47.6%

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.

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 cost method was used. The actuarial assumptions included a 4.0% percent investment rate of return and annual healthcare cost trend rates including inflation of 8.0%, 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.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**NOTE K – CAPITAL LEASES – Continued**

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

2018	
Total payments	\$ 62,470
Amount representing interest	62,470
Present value of net minimum lease payments	<u>(2,775)</u>
	<u>\$ 59,695</u>

**NOTE L – OPERATING LEASES**

The District, as lessee, leases office equipment. The agreement required monthly payments of \$885 for 60 months, lease expense for 2016 – 2017 was \$10,620 under these leases.

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

2018	\$ 10,620
2019	9,735
	<u>\$ 20,355</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, 2017:

General Fund	\$ 35,430
Capital Projects Fund	\$ 5,403
Food Service Fund	\$ 1,699

**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 November 30, 2017, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

HUSTSFORD SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND  
 ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2017

	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			
<b>REVENUES:</b>								
Property taxes	\$ 3,091,572	\$ 3,091,572	\$ 3,091,572	\$ -	\$ -	\$ -	\$ 3,091,572	\$ -
Other local sources	40,420	40,420	48,598	-	-	-	48,598	8,178
Interdistrict sources	349,228	349,228	420,684	-	-	-	420,684	71,456
Intermediate sources	1,000	1,000	2,771	-	-	-	2,771	1,771
State sources	1,859,670	1,859,670	1,875,747	141,000	140,462	(538)	2,016,209	15,539
Federal sources	82,897	82,897	86,043	196,920	135,155	(61,765)	221,198	(58,619)
Other	40,360	40,360	56,916	-	-	-	56,916	16,556
<b>Total Revenues</b>	<b>5,465,147</b>	<b>5,465,147</b>	<b>5,583,331</b>	<b>337,920</b>	<b>275,617</b>	<b>(62,303)</b>	<b>5,858,948</b>	<b>55,981</b>
<b>EXPENDITURES:</b>								
Instruction:								
Regular	2,392,700	2,391,202	2,420,357	-	-	-	2,420,357	(29,155)
Vocational	264,084	264,084	255,501	-	-	-	255,501	8,583
Special	-	-	-	489,304	472,774	16,530	472,774	16,530
Other	283,616	283,616	289,238	-	-	-	289,238	(5,622)
<b>Total Instruction</b>	<b>2,940,400</b>	<b>2,938,902</b>	<b>2,965,096</b>	<b>489,304</b>	<b>472,774</b>	<b>16,530</b>	<b>3,437,870</b>	<b>(9,664)</b>
Support Services:								
Pupil services	117,438	117,438	100,597	88,726	78,956	9,770	179,553	26,611
Instructional staff services	53,744	53,744	56,775	151,119	104,217	46,902	160,992	43,871
General administration services	239,956	239,956	233,856	-	-	-	233,856	6,100
School administration services	344,403	344,403	310,368	-	-	-	310,368	34,035
Business services	219,479	220,977	214,510	-	-	-	214,510	6,467
Operations and maintenance	517,544	517,544	528,189	550	550	550	528,189	(10,095)
Pupil transportation	275,998	275,998	277,294	3,000	3,000	3,000	277,294	1,704
Central services	172,335	172,335	222,975	-	-	-	222,975	(50,640)
Insurance	42,000	42,000	39,182	-	-	-	39,182	2,818
Principal and interest	93,655	63,470	62,903	-	-	-	62,903	567
Other support services	116,037	116,037	140,937	-	-	-	140,937	(24,900)
<b>Total Support Services</b>	<b>2,192,589</b>	<b>2,163,902</b>	<b>2,187,586</b>	<b>243,395</b>	<b>183,173</b>	<b>60,222</b>	<b>2,370,759</b>	<b>36,538</b>
<b>Total Expenditures</b>	<b>5,132,989</b>	<b>5,102,804</b>	<b>5,152,682</b>	<b>732,699</b>	<b>655,947</b>	<b>76,752</b>	<b>5,808,629</b>	<b>26,874</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>332,158</b>	<b>362,343</b>	<b>430,649</b>	<b>(394,779)</b>	<b>(380,330)</b>	<b>14,449</b>	<b>50,319</b>	<b>82,755</b>
<b>Other Financing Sources (Uses):</b>								
Transfer to special education	(394,779)	(394,779)	(380,330)	-	-	-	(380,330)	14,449
Transfer from general operations	-	-	(30,185)	394,779	380,330	(14,449)	380,330	(14,449)
Transfer to debt service	150	150	-	-	-	-	(30,185)	-
Sale of assets	(394,625)	(424,814)	(410,515)	-	-	-	(30,185)	(150)
<b>Net Other Financing Sources (Uses)</b>	<b>(62,471)</b>	<b>(62,471)</b>	<b>20,134</b>	<b>(394,779)</b>	<b>(380,330)</b>	<b>(14,449)</b>	<b>(30,185)</b>	<b>(150)</b>
<b>Net Change in Fund Balance</b>	<b>(62,471)</b>	<b>(62,471)</b>	<b>20,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,134</b>	<b>82,605</b>
<b>Fund Balances:</b>								
Beginning of year	1,332,738	1,332,738	1,332,738	-	-	-	1,332,738	-
End of year	\$ 1,270,267	\$ 1,270,267	\$ 1,352,872	\$ -	\$ -	\$ -	\$ 1,352,872	\$ 82,605

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, 2017**

**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) ( b-a )	\$ 1,304,287
Funded Ratio ( a/b )	0.0%
Covered Payroll ( c )	\$ 2,740,572
UAAL as a Percentage of Covered Payroll ( (b-a)/c )	47.6%

**Schedule of Employer Contributions**

Year Ended	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Annual OPEB Cost	\$ 146,050	\$ 146,050	\$ 130,868
Percentage of Annual OPEB Cost Contributed	91.5%	94.2%	93.1%
Net OPEB Obligation	\$ 1,115,037	\$ 1,102,616	\$ 1,094,085

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



HUSTISFORD SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
 WISCONSIN RETIREMENT SYSTEM-LAST 10 FISCAL YEARS\*  
 JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.01842523%	0.01777896%	0.01733356%
District's proportionate share of the net pension liability (asset)	\$ 151,868	\$ 288,905	\$ (425,760)
District's covered-employee payroll	\$ 2,740,572	\$ 2,627,283	\$ 2,493,820
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	5.54%	11.00%	(17.07%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 180,878	\$ 178,655	\$ 174,781
Contributions in relation to the contractually required contributions	<u>(180,878)</u>	<u>(178,655)</u>	<u>(174,781)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,740,572	\$ 2,627,283	\$ 2,493,820
Contributons as a percentage of covered-employee payroll	6.60%	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, 2017

**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 no changes in the assumptions.

**OTHER SUPPLEMENTARY INFORMATION**

HUSTISFORD SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total Non-Major Governmental</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 3,882	\$ 159,200	\$ 61,684	\$ 106,180	\$ 330,946
Due from other funds	1	-	-	-	1
Total Assets	<u>\$ 3,883</u>	<u>\$ 159,200</u>	<u>\$ 61,684</u>	<u>\$ 106,180</u>	<u>\$ 330,947</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ -	\$ -	\$ 3,588	\$ -	\$ 3,588
Accrued salaries and wages	-	-	10,726	-	10,726
Accrued payroll liabilities	-	-	3,409	-	3,409
Total Liabilities	<u>-</u>	<u>-</u>	<u>17,723</u>	<u>-</u>	<u>17,723</u>
<b><u>FUND BALANCES</u></b>					
Fund Balances:					
Restricted	3,883	159,200	-	106,180	269,263
Assigned	-	-	43,961	-	43,961
Total Fund Balances	<u>3,883</u>	<u>159,200</u>	<u>43,961</u>	<u>106,180</u>	<u>313,224</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 3,883</u></u>	<u><u>\$ 159,200</u></u>	<u><u>\$ 61,684</u></u>	<u><u>\$ 106,180</u></u>	<u><u>\$ 330,947</u></u>

The accompanying notes are an integral part of these financial statements

HUSTISFORD SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2017

	Debt Service	Capital Projects	Food Service	Community Service	Total Non-major Governmental
<b>REVENUES:</b>					
Property taxes	\$ 23,321	\$ -	\$ -	\$ 39,663	\$ 62,984
Other local sources	-	278	94,021	33,058	127,357
State sources	-	-	4,213	-	4,213
Federal sources	-	-	95,700	-	95,700
Total Revenues	<u>23,321</u>	<u>278</u>	<u>193,934</u>	<u>72,721</u>	<u>290,254</u>
<b>EXPENDITURES:</b>					
Support Service:					
Operations and maintenance	-	32,776	-	-	32,776
Community service	-	-	-	54,463	54,463
Food service	-	-	187,499	-	187,499
Principal and Interest	53,505	-	-	-	53,505
Total Support Services	<u>53,505</u>	<u>32,776</u>	<u>187,499</u>	<u>54,463</u>	<u>328,243</u>
<b>Total Expenditures</b>	<u>53,505</u>	<u>32,776</u>	<u>187,499</u>	<u>54,463</u>	<u>328,243</u>
Excess of Revenues Over (Under) Expenditures	(30,184)	(32,499)	6,435	18,258	(37,989)
<b>Other Financing Sources (Uses):</b>					
Transfer from general operations	30,185	-	-	-	30,185
Insurance proceeds	-	104,976	-	-	104,976
Total Other Financing Sources	<u>30,185</u>	<u>104,976</u>	<u>-</u>	<u>-</u>	<u>135,161</u>
<b>Net Change in Fund Balance</b>	<u>1</u>	<u>72,478</u>	<u>6,435</u>	<u>18,258</u>	<u>97,172</u>
<b>Fund Balances:</b>					
Beginning of year	3,882	86,722	37,526	87,922	216,052
End of year	<u>\$ 3,883</u>	<u>\$ 159,200</u>	<u>\$ 43,961</u>	<u>\$ 106,180</u>	<u>\$ 313,224</u>

The accompanying notes are an integral part of these financial statements

HUSTISFORD SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - STUDENT ACTIVITY FUNDS  
 YEAR ENDED JUNE 30, 2017

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>ASSETS</u></b>				
Cash and investments	\$ 88,013	\$ 142,402	\$ 140,666	\$ 89,749
<b><u>LIABILITIES</u></b>				
Due to student organizations	\$ 88,013	\$ 142,402	\$ 140,666	\$ 89,749

The accompanying notes are an integral part of these financial statements



HUSTISFORD SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2017

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA/ State Id Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Disbursements/ Expenditures
<b>Federal Programs:</b>				
U.S. Department of Agriculture				
Passed through Wisconsin Department of Public Instruction				
Child Nutrition Cluster				
School Breakfast Program	10.553	2017-142625-SB-546	\$ -	\$ 15,757
Food Donation Program	10.555	2017-142625-NSL-547	-	16,246
National School Lunch Program	10.555	2017-142625-NSL-547	-	63,696
Total Child Nutrition Cluster			-	95,699
U.S. Department of Education				
Rural Education Achievement Program				
	84.358A	N/A	-	29,566
Passed through Wisconsin Department of Public Instruction				
Title I, Part A Grants to Local Education Agencies	84.010	17-142625-Title I-141	-	43,063
Title II, Part A, Grants to Local Education Agencies	84.367	17-142625-Title II-365	-	13,414
Special Education Cluster				
Special Education Grants to States	84.027	2017-142625-IDEA-341	-	103,851
Special Education Preschool Grants	84.173	17-142625-Pre-S-347	-	4,440
Total Special Education Cluster			-	108,291
Passed through CESA #6				
Career and Technical Education Basic Grants to States	84.048	2017-749906-CP-CTE-400	-	2,121
U.S. Department of Health & Human Services				
Passed through Wisconsin Forward Health				
Medical Assistance Program-School Based Services *	93.778	**	-	26,865
Total Federal Awards			\$ -	\$ 319,019
<b>State Programs:</b>				
Wisconsin Department of Public Instruction				
Special Education and School age Parents	255.101	142625-100	\$ -	\$ 140,289
State School Lunch Aid	255.102	142625-107	-	2,108
Common School Fund Library Aid	255.103	142625-104	-	19,860
General Transportation Aid	255.107	142625-102	-	10,291
Wisconsin School Day Milk Program	255.109	142625-109	-	865
General Equalization Aid	255.201	142625-116	-	1,586,579
Sparsity Aid	255.212	142625-162	-	126,946
School Breakfast Program	255.344	142625-108	-	1,240
Educator Effectiveness Grant	255.940	142625-154	-	3,260
Per Pupil Aid	255.945	142625-113	-	108,750
Assessments of Reading Readiness	255.956	142625-166	-	658
Aid for Special Education Transition Grant BBL	255.960	142625-168	-	173
Wisconsin Department of Administration				
Teach for America Aid	255.955	N/A	-	15,468
Wisconsin Department of Revenue				
Computer Aid	**	N/A	-	3,915
Wisconsin Department of Workforce Development				
Passed through CESA #6				
Local Youth Apprenticeship	445.112	29-534(536)	-	1,650
Total State Assistance			\$ -	\$ 2,022,072

\* Cash reimbursement received during the year ended June 30, 2017 totaled \$26,865  
\*\* Information not provided.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (schedule) include the federal and state grant activity of the District under programs of the federal and state government for the year ended June 30, 2017. 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 position or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the *Wisconsin Public School District Audit Manual*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate.

**NOTE D – SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM**

The 2016 – 2017 eligible costs and estimated aid reimbursement under the State Special Education Program are \$532,500 and \$139,249, respectively.

**NOTE E – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017; the District had food commodities totaling \$16,246.



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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**

To the 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2017.

**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 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 2017-001 and 2017-002.

## **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 November 30, 2017.

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of 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  
November 30, 2017



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH STATE PROGRAM WITH REQUIRED PROCEDURES  
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 State Program with Required Procedures**

We have audited the Hustisford School District (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 state programs with required procedures for the year ended June 30, 2017. The District's state programs that have required procedures are identified in the accompanying summary of auditor's results.

**Management's Responsibility**

Management is responsible for compliance with state 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 state programs with required procedures 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 state programs with required procedures 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 state program with required procedures. However, our audit does not provide a legal determination on the District's compliance.

**Opinion on Each State Program with Required Procedures**

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 state programs with required procedures for the year ended June 30, 2017.

## 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 state program with required procedures to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each state program with required procedures 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.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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.

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 deficiencies in internal control over compliance described in the accompanying summary of auditor's results as items 2017-001 and 2017-003 to be significant deficiencies.

### 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  
November 30, 2017



**HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2017**

**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 programs with required procedures	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 state programs with required procedures:

<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**

**2017-001 - 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, 2017

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 Board of Education'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 the Finance Committee and Administration 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. Administration will continue to review and sign off on monthly bank reconciliations. The Finance Committee and Administration will continue to review a detailed check register monthly.

2017-002 – Preparation of Financial Statements

**Criteria:**

The Administrators and Board of Education 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, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2017-002 – Preparation of Financial Statements - Continued

**Views of Responsible Officials and Planned Corrective Actions:**

The District Administrator and Board of Education acknowledge their responsibility for financial reporting under generally accepted accounting principles (GAAP). While District management has determined it is not cost effective to implement the infrastructure to prepare the financial statements, the Board of Education Treasurer, the Administrator, and Financial Coordinator will review the financial statements utilizing a GAAP disclosure checklist.

SECTION III – STATE PROGRAM FINDINGS

2017-001 – Segregation of Duties

See finding in Section II – Financial Statement findings.

2017-003 – Federal Grant Compliance with Terms and Conditions

**Criteria:**

Uniform Grant Guidance requires pass-through entities (ie. DPI) to evaluate each subrecipient's (ie. school districts) risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring. Terms and conditions of awards include certain written grant policies and procedures related to cash management, cost allowability, procurement, and conflict of interest provisions, along with appropriate accounting systems and internal controls over receipts, disbursements, payroll transactions and general ledger maintenance. Although the District does not meet the requirements of a single audit under Uniform Guidance, the District is still responsible for having appropriate safeguards in place as a subrecipient of federal funds.

**Condition:**

The District has various policies and procedures in place to safeguard its assets and establish related controls over receipts, disbursements, payroll transactions and general ledger maintenance. Federal and state awards received and disbursed by the District are managed through these district-wide policies and procedures; however, the policies and procedures have not been evaluated to ensure compliance with the requirements of federal grant terms and conditions.

**Cause:**

The District has not finalized an assessment of its accounting system and related internal controls over federal and state awards, along with an evaluation of existing policies for compliance with federal grant terms and conditions.

**Effect or Potential Effect:**

The District could be noncompliant with the terms and conditions requirements of federal and state funding.

**Recommendation:**

We recommend the District finalize the assessment of its accounting system and related internal controls over federal and state awards during the 2017-2018 fiscal year. This assessment should include evaluating existing policies and procedures to determine where additional improvements should be made or new policies created, a plan to communicate these policies to District employees, and procedures to periodically review and update as considered necessary.

**HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2017**

**SECTION III – STATE PROGRAM FINDINGS - Continued**

**2017-003 – Uniform Grant Guidance Implementation - Continued**

**Views of Responsible Officials and Planned Corrective Actions:**

The District Administrator and Board of Education acknowledge their responsibility for requirements of general federal funding guidance as it relates to federal and state programs and will review their policies and procedures to ensure compliance with the requirements of general federal funding guidance during the 2017-18 fiscal year.