

SCHOOL DISTRICT OF NEW BERLIN

FINANCIAL STATEMENTS

June 30, 2017

SCHOOL DISTRICT OF NEW BERLIN

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INDEPENDENT AUDITOR'S REPORT

Board of Education
School District of New Berlin
New Berlin, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of New Berlin, 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 error or fraud.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount 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 School District of New Berlin as of June 30, 2017, and the respective changes in financial position, where applicable, and the respective budgetary comparisons for the General Fund and Special Education Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgeting comparison schedules, and Schedule of Funding Progress for Postemployment Benefit Plan, Schedule of Proportionate Share of the Net Pension Liability (Asset) Wisconsin Retirement System and Schedule of Contributions Wisconsin Retirement System, 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.

Other Information

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

The supplemental financial information and schedules of expenditures of federal awards and state awards are the responsibility of management and was 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 supplemental financial information and the schedules of expenditures of federal awards and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 26, 2018 on our consideration of the School District of New Berlin's internal control over financial reporting and 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* and should be read in conjunction with this report in considering the results of the audit.

FELD, SCHUMACHER & COMPANY, LLP

Feld, Schumacher & Company, LLP
West Allis, Wisconsin
February 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**School District of New Berlin
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

The School District of New Berlin is a public-school district operating kindergarten through grade 12th and limited community programs in accordance with laws and regulations of the State of Wisconsin. Laws and regulations determine the way compliance will be demonstrated, including financial report preparation. This management's discussion and analysis of financial information is an overview of financial activity and identification of changes in financial position comparing current year financial results to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

In conformity with generally accepted accounting principles following pronouncements of the Governmental Accounting Standards Board the district's basic financial statements are prepared from a dual perspective:

- 1) Entity wide statements to report the district's overall financial operations with a focus on financial position and
- 2) Fund financial statements that provide information on specific governmental activities and to demonstrate compliance with regulatory requirements for segregation of assets.

In addition to individual financial statements, the district prepares *notes to the financial statements* to provide further explanation of financial information that is essential to the full understanding of those statements.

FINANCIAL ANALYSIS

The District as a Whole

The *statement of net position* reports all assets and liabilities, with the difference between the two reported as *net position*. The *statement of activities* reports the revenues earned and expenses incurred during the year and shows how the district's net position changed. These statements are prepared under the accrual basis of accounting whereby revenues and assets are recognized when earned and liabilities are recognized when goods or services are provided, regardless of when cash is exchanged.

Table 1, below, a Condensed Statement of Net Position reports the district's net position increased \$1.9 million, primarily as a result of district's share of a multi-employer shared pension liability, the Wisconsin Retirement System.

**School District of New Berlin
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Table 1			
Condensed Statement of Net Position			
<i>(in thousands of dollars)</i>			
	Governmental Activities		% Change
	<u>2017</u>	<u>2016</u>	2016 - 2017
Current assets	\$ 14,837	\$ 20,418	-27.3%
Net capital assets	68,847	63,549	8.3%
Other long-term assets and deferred outflows	13,244	17,128	-22.7%
Total assets and deferred outflows	<u>96,928</u>	<u>101,094</u>	-4.1%
Long-term debt outstanding	51,326	55,318	-7.2%
Other liabilities and deferred inflows	11,919	13,985	-14.8%
Total liabilities and deferred inflows	<u>63,246</u>	<u>69,303</u>	-8.7%
Net investment in capital assets	39,900	30,823	29.4%
Restricted assets	14,999	21,639	-30.7%
Unrestricted net position	(21,217)	(20,670)	2.6%
Total net position	<u>\$ 33,683</u>	<u>\$ 31,792</u>	5.9%

Note: totals may not add due to rounding.

The district's investment in capital assets (land, buildings, and equipment), less related outstanding debt used to acquire those assets, represents 118% of total net position. Assets held for repayment of debt, by the State of Wisconsin for the multi-employer shared pension program, for completion of capital projects or revenues raised for specific purposes account for 44% of total net position, resulting in a negative unrestricted net position. These assets are restricted for.

Restricted net position by reason

Repayment of debt	\$ 1,096
Pension (WRS)	11,840
Community services	397
School nutrition services	1,036
Special revenue trust	630
Total restricted assets	<u>\$ 14,999</u>

Table 2, on the following page, the Condensed Statement of Changes in Net Position provides additional information about the cost of activities that led to the increase in net position. The increase is caused primarily by recognition of the district's share of the multi-employer shared pension plan.

**School District of New Berlin
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Table 2			
Condensed Statement of Changes in Net Position			
<i>(in thousands of dollars)</i>			
	Governmental Activities		% Change
	<u>2017</u>	<u>2016</u>	2016 - 2017
Revenues			
Program revenues			
Charges for services	\$ 2,871	\$ 2,735	4.8%
Operating grants & contributions	3,604	3,686	-2.3%
General revenues			
Property taxes	50,973	49,732	2.4%
State & federal formula aid	4,578	4,591	-0.3%
Other	727	760	-4.6%
Total revenues	<u>62,754</u>	<u>61,504</u>	2.0%
Expenses			
Instruction	34,197	31,469	8.0%
Pupil & instructional services	5,119	5,235	-2.3%
Management & overhead	6,982	6,591	5.6%
Facilities & transportation	7,497	14,342	-91.3%
Debt payments	1,704	2,259	-32.5%
Other	5,364	5,201	3.0%
Total expenses	<u>60,863</u>	<u>65,097</u>	-7.0%
Change in net position	<u>\$ 1,891</u>	<u>\$ (3,593)</u>	

Note: totals may not add due to rounding.

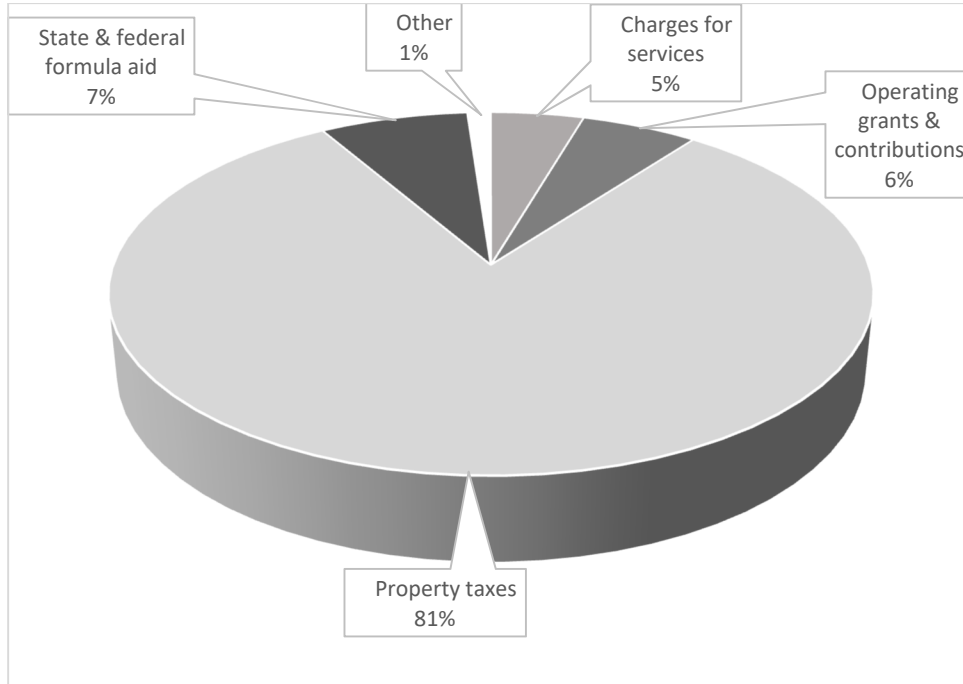
The district's primary financing sources are property taxes and general state aid. School funding regulations restrict the amount by which these two revenue sources, in combination, may be increased. This restriction, called revenue limits, is intended to help hold down the rate of property tax increases throughout the state.

General state aid is paid per a formula that takes into consideration the district's spending and property values as compared to spending and property values for the state as a whole.

The following chart illustrates the relative proportion of revenues that provide funding for governmental activities reported in the accompanying statement of activities.

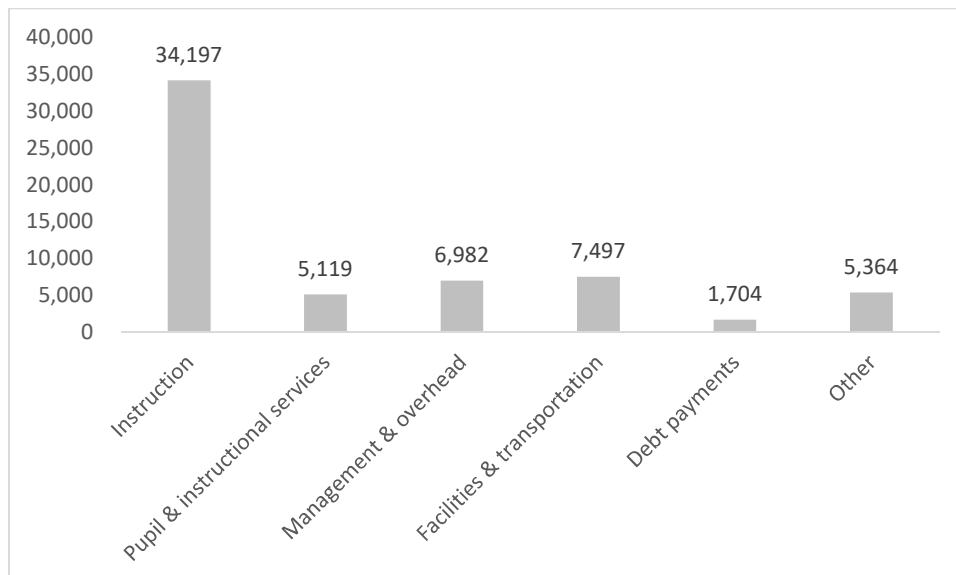
**School District of New Berlin
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Revenues by Category



Expenses for the direct instruction of pupils' accounts for the largest single category, followed by facilities and transportation as shown in the follow chart.

Expenses by Category



**School District of New Berlin
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Fund financial statements

Fund financial statements are prepared on a modified accrual basis of accounting and are designed to demonstrate regulatory compliance and report limitation and restrictions on district assets. Funds are classified as either major or minor depending on the amount of financial activity as compared to financial activity for the district as a whole. Major funds are presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* whereas non-major funds are combined into a single, aggregated column. Information for each individual non-major fund is provided separately as supplementary information. Fund statements have the following characteristics.

- A fund is a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities and to demonstrate compliance with finance related legal requirements. Fund statements generally provide information that may be useful in evaluating a district's near-term financing requirements.
- Generally, the focus of fund financial statements is narrower than that of the entity wide statements, reporting on inflows and outflows of spendable resources.
- The district has two kinds of funds: *governmental* and *fiduciary*. *Governmental funds* include the general, special revenue trust, debt service, capital projects, food service and community service. The district has one *fiduciary fund*, an agency fund for student and parent organizations.
- The district serves as a trustee, or *fiduciary*, for student and parent organizations. The assets of these organizations do not directly benefit nor are under the direct control of the district. The district's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the entity wide financial statements because the district cannot use these assets to finance its operations.
- The district adopts an annual appropriation budget for the general fund. Although special education activities are reported in the general fund, the district prepares a separate budgetary comparison statement in compliance with regulatory requirements.

Governmental Funds

The district completed the year with a total governmental fund balance of \$10.9 million including \$3.1 million restricted for repayment of outstanding long-term debt and other purposes. The general fund balance decreased \$1.6 million in accordance with the district's plan to use accumulated funds to complete several facility maintenance and remodeling projects.

Budgetary highlights. In the general fund:

- The budget for regular operations anticipated a \$1.0 million reduction in fund balance, the actual results was a \$1.6 million reduction caused primarily by higher than expected costs in the district's self-funded medical benefit program.
- Total expenditures for special education was about \$321,392 greater than budget because of the higher than expected medical benefit costs described above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the district had invested over \$104.3 million in a broad range of capital assets, including buildings, sites, and equipment, an increase of \$9 million over the prior year. Total accumulated depreciation on these assets is \$35.4 million, including depreciation expense in the current year of \$3.8 million.

**School District of New Berlin
Management's Discussion and Analysis
For the Year Ended June 30, 2017**

Long-Term Debt

At year-end, the district had \$51.3 million in general obligation debt outstanding. Significant activity for the year included:

- Retired \$4.3 million of bonds, notes and capital leases.
- Borrowed \$.4 million in a capital lease to expand the number of students with a personal computer issued by the district.

The district long-term debt is considered "investment grade, based on its credit rating of Aa2 from Moody's Investor Services.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known circumstances that will impact the district's financial status in the future are:

1. The budget for the fiscal year ended June 30, 2018 anticipates a further reduction of the general fund balance of nearly \$1.3 million based on conservative budgeting practices.
2. Facility maintenance and remodeling projects approved by a prior school board will not be completed due to cost increases on completed projects exhausting available resources.
3. The Board of Education issued \$4 million of general obligation debt to complete its long-range heating, ventilation and air conditioning upgrade of all schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is prepared to provide a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roger J Dickson, Chief Finance and Operations Officer at School District of New Berlin, 4333 S Sunnyslope Rd, New Berlin, WI, 53151 or call 262-789-6210 or email roger.dickson@nbexcellence.org.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

Current assets

Cash and investments	\$ 6,766,614
Receivables	
Taxes	6,452,145
Accounts	703,023
Due from other governments	914,750
Other current assets	-
Total current assets	<u>14,836,532</u>

Noncurrent assets

Land	989,028
Buildings and improvements	95,155,802
Furniture, equipment and vehicles	8,116,293
Less accumulated depreciation	(35,414,207)
Total noncurrent assets	<u>68,846,916</u>

Other assets

OPEB assets	1,403,852
Total other assets	<u>1,403,852</u>

Deferred outflows of resources

Deferred outflows of resources from pensions	11,840,280
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Total assets and deferred outflows of resources	<u>\$ 96,927,580</u>
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LIABILITIES

Current liabilities

Accounts payable	\$ 1,122,270
Payroll and benefits payable	2,689,548
Accrued interest	423,115
Due to other governments	3,955
Deposits payable	32,655
Unearned revenue	56,501
Current portion, long-term obligations	4,487,720
Total current liabilities	<u>8,815,764</u>

Noncurrent liabilities

Noncurrent portion, long-term obligations	46,838,417
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Other liabilities

Multi-employer shared pension liability	1,442,886
Vested employee benefits	17,471
Pension liability	158,224
Total other liabilities	<u>1,618,581</u>

Deferred Inflows of Resources

Deferred inflows of resources from pensions	5,972,250
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Total liabilities and deferred inflows of resources	<u>63,245,012</u>
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NET POSITION

Net investment in capital assets	39,899,850
Restricted	14,999,327
Unrestricted	(21,216,609)
Total net position	<u>33,682,568</u>

Total liabilities, deferred inflows of resources and net position	<u>\$ 96,927,580</u>
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See notes to basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction				
Regular instruction	\$ 25,213,177	\$ 1,098,823	\$ 617,403	\$ (23,496,951)
Vocational instruction	876,830	15,545	47,894	(813,391)
Special instruction	5,713,844	-	1,804,777	(3,909,067)
Other instruction	2,393,555	161,765	-	(2,231,790)
Total instruction	34,197,406	1,276,133	2,470,074	(30,451,199)
Support services				
Pupil services	1,753,071	-	88,308	(1,664,763)
Instructional staff services	3,366,219	-	368,308	(2,997,911)
General administration	816,768	-	-	(816,768)
School administration	2,961,078	-	-	(2,961,078)
Business services	870,216	-	-	(870,216)
Buildings and grounds	5,040,538	-	1,904	(5,038,634)
Pupil transportation	2,456,055	-	211,439	(2,244,616)
Other business services	1,867,947	1,172,512	371,915	(323,520)
Central services	3,836,623	172,569	80,311	(3,583,743)
Insurance	465,499	92,237	-	(373,262)
Debt service	1,704,454	-	-	(1,704,454)
Other support services	1,246,245	-	11,955	(1,234,290)
Community services	281,863	157,972	-	(123,891)
Total support services	26,666,576	1,595,290	1,134,140	(23,937,146)
Total governmental activities	\$ 60,863,982	\$ 2,871,423	\$ 3,604,214	(54,388,345)
General revenues				
Property taxes				
General purposes				44,799,454
Debt services				5,749,322
Capital projects				424,448
State & federal aids not restricted to specific functions				4,578,354
Interest and investment on earnings				72,914
Donations				304,043
Loss on sale of assets				(350,273)
Miscellaneous				700,795
Total general revenues				56,279,057
Change in net position				1,890,712
Net positions, beginning of year				31,791,856
Net position, end of year				\$ 33,682,568

See notes to basic financial statements.

**SCHOOL DISTRICT OF NEW BERLIN
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund	Debt Service Funds	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,534,853	\$ 1,096,346	\$ -	\$ 2,135,406	\$ 6,766,605
Receivables					
Taxes	6,452,145	-	-	-	6,452,145
Accounts	698,142	-	-	5,480	703,622
Due from other governments	914,751	-	-	-	914,751
Total assets	\$ 11,599,891	\$ 1,096,346	\$ -	\$ 2,140,886	\$ 14,837,123
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 1,100,012	\$ -	\$ -	\$ 22,259	\$ 1,122,271
Payroll and benefits payable	2,689,548	-	-	-	2,689,548
Due to other governments	4,555	-	-	-	4,555
Deposits payable	32,655	-	-	-	32,655
Unearned revenue	566	-	-	55,926	56,492
Total liabilities	3,827,336	-	-	78,185	3,905,521
Fund balance					
Restricted	-	1,096,346	-	2,062,701	3,159,047
Unassigned	7,772,555	-	-	-	7,772,555
Total fund balance	7,772,555	1,096,346	-	2,062,701	10,931,602
Total liabilities and fund balance	\$ 11,599,891	\$ 1,096,346	\$ -	\$ 2,140,886	

Total net position reported for governmental activities in the Statement of Net Position are different from the amount reported above as total governmental fund balance because:

Capital and other long-term assets used in governmental activities are not financial resources and therefore are not reported in the fund balance sheet. The following assets are reported in the Statement of Net Position:

Governmental capital assets	\$ 104,261,123	
Governmental accumulated depreciation	(35,414,207)	
Net OPEB assets	<u>1,403,852</u>	\$ 70,250,768

The district's share of the Wisconsin Retirement System, a cost-sharing multiple-employer defined benefit pension plan, are not reported in the fund balance sheet but are reported in the Statement of Net Position:

Total deferred outflows	11,840,280	
Total deferred inflows	(5,972,250)	
WRS pension asset (liability)	<u>(1,442,886)</u>	4,425,144

Certain long-term obligations are not reported in the fund balance sheet, but are reported in the Statement of Net Position:

Net supplemental pension asset (liability)	(158,224)	
Vested employee benefits	(17,471)	(175,695)

Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund balance sheet. These liabilities are reported in the Statement of Net Position:

Capital leases	(434,109)	
Bonds & notes payable	(50,050,000)	
Deferred finance premium	(842,028)	
Accrued interest on long-term obligations	<u>(423,114)</u>	(51,749,251)

Total net position - governmental activities **\$ 33,682,568**

See notes to the basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 44,659,454	\$ 5,749,322	\$ 424,448	\$ 140,000	\$ 50,973,224
Other local sources	1,246,870	2,095	11,664	1,610,605	2,871,234
Intermediate sources	318,534	-	-	-	318,534
State sources	6,129,625	-	-	13,339	6,142,964
Federal sources	1,657,835	-	-	358,576	2,016,411
Other sources	630,166	27,986	80,162	-	738,314
Total revenues	54,642,484	5,779,403	516,274	2,122,520	63,060,681
Expenditures					
Instruction					
Regular instruction	20,412,437	-	-	15,312	20,427,749
Vocational instruction	808,227	-	-	2,715	810,942
Special instruction	5,379,816	-	-	-	5,379,816
Other instruction	2,274,616	-	-	8,937	2,283,553
Total instruction	28,875,096	-	-	26,964	28,902,060
Support services					
Pupil services	1,649,657	-	-	-	1,649,657
Instructional staff services	3,151,297	-	-	-	3,151,297
General administration	794,997	-	-	-	794,997
School administration	2,808,219	-	-	-	2,808,219
Business services	832,156	-	-	-	832,156
Buildings and grounds	7,420,134	-	3,907,898	2,320	11,330,352
Pupil transportation	2,719,870	-	-	5,309	2,725,179
Other business services	134,936	-	-	1,681,735	1,816,671
Central services	3,696,881	-	-	6,383	3,703,264
Insurance	465,499	-	-	-	465,499
Debt service payments	302,022	5,813,285	-	-	6,115,307
Other support services	1,257,433	-	-	-	1,257,433
Total support services	25,233,101	5,813,285	3,907,898	1,695,747	36,650,031
Community services	-	-	-	288,926	288,926
Non-program					
General tuition payments	2,589,651	-	-	-	2,589,651
Other non-program	23,425	-	-	-	23,425
Total non-program	2,613,076	-	-	-	2,613,076
Total expenditures	56,721,273	5,813,285	3,907,898	2,011,637	68,454,093
Excess of revenues over (under) expenditures	(2,078,789)	(33,882)	(3,391,624)	110,883	(5,393,412)
Other financing sources					
Premium from debt refinancing	5,365	-	-	-	5,365
Proceeds from long-term debt	424,163	-	-	-	424,163
Proceeds from sale of capital assets	11,000	-	-	-	11,000
Total other financing sources	440,528	-	-	-	440,528
Net Change in Fund Balances	(1,638,261)	(33,882)	(3,391,624)	110,883	(4,952,884)
Fund balances, beginning of year	9,410,816	1,130,228	3,391,624	1,951,818	15,884,486
Fund balances, end of year	\$ 7,772,555	\$ 1,096,346	\$ -	\$ 2,062,701	\$ 10,931,602

See notes to the basic financial statements.

**SCHOOL DISTRICT OF NEW BERLIN
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Net change in fund balance - total governmental funds \$ (4,952,884)

**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 but are reported as an increase of assets in the Statement of Net Position. The value of the assets is allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities:

Capital outlay reported as expenditures in governmental fund statements	\$ 9,465,711	
Proceeds from sale of capital assets reported as other financing sources in governmental fund statements	(11,000)	
Assets disposed, reported as a gain (loss) in the Statement of Net Position	(350,273)	
Depreciation expense reported in the Statement of Activities	<u>(3,806,258)</u>	5,298,180

Payments on behalf of retirees for post-employment benefits (OPEB) are recorded on a pay-as-you-go basis in the fund statements. In the Statement of Activities, OPEB is reported on the accrual basis based on an actuarial valuation:

The amount of contributions reported as an expenditure on fund statements	1,241,656	
The amount of OPEB expense reported on Statement of Activities	(1,800,617)	
Change in supplemental pension liability	<u>35,243</u>	(523,718)

Contributions to the cost-sharing, multiple-employer defined benefit pension plan are recorded as expenditures in governmental fund statements when made. In the Statement of Activities pension expenses are recognized on an accrual basis:

WRS pension expense, including changes in deferred inflows and outflows, reported on Statement of Activities	(3,640,542)	
Contributions	<u>1,685,622</u>	(1,954,920)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Position. Proceeds from long-term debt is reported as other financing sources in the governmental funds but as an increase in long-term debt in the Statement of Net Position. Changes in principal outstanding are not reported on the Statement of Activities.

The amount of long-term debt proceeds in the current year	(424,163)	
The amount of long-term debt principal payments in the current year	<u>4,377,720</u>	3,953,557

Costs of issuance for long-term obligations are an expenditure in the governmental funds but are capitalized and amortized over the life of the debt in the Statement of Activities. Deferred finance premium is income in the governmental funds but is recorded as unearned income and amortized in the Statement of Activities.

Less finance premium recognized this year	<u>38,118</u>	38,118
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Accrued employee leave benefits are not recorded in the governmental funds but are recognized as an expense in the Statement of Activities.

Change in vested employee benefits		(757)
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In governmental funds interest payments on outstanding long-term debt are reported as an expenditure when paid. In the Statement of Activities interest is reported as incurred.

The amount of interest accrued during the current period is:	(423,115)	
The amount of interest accrued during the prior period was:	<u>456,251</u>	33,136

Change in net position - governmental activities \$ 1,890,712

See notes to the basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 475,615
Total assets	<u>475,615</u>
Liabilities	
Accounts payable	\$ 9,375
Due to student groups	454,394
Other liabilities	11,846
Total liabilities	<u>\$ 475,615</u>

See notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

The financial statements of the School District of New Berlin (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 School District of New Berlin is organized as a common school district governed by an elected seven-member school board. The District operates grades pre-kindergarten through grade 12 and is comprised of one taxing District.

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

The financial reporting entity consists of (a) organizations for which the standalone government is financially accountable and (b) the standalone government that is controlled by a separately elected governing body that is legally and fiscally independent. All of the accounts of the District comprise the standalone government.

BASIS OF PRESENTATION

Entity 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. 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 for goods or 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 property taxes and general purpose state or federal aid, are presented as general revenues.

Fund Financial Statements:

Financial Statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets/deferred outflows of resources, liabilities/deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

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

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund – This is the District's primary operating fund. It accounts for all financial activity not required to be accounted for in another fund.

Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Fund – This fund accounts for resources to purchase or construct capital assets.

The District reports the following nonmajor funds:

Special Revenue Trust Fund – This fund accounts for donation and gifts from private parties that are used for district operations.

Food Service Fund – The Food Service Fund accounts for financial transactions related to operation of the National School Lunch Program.

Community Service Fund - This fund accounts for programs and services available to the community.

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

Measurement Focus and Basis of Accounting

The entity wide 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 property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general 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.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Control

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in measurement focus and basis of accounting. Operating budgets are adopted each fiscal year for governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The legally adopted budget and budgetary expenditure control is exercised at the function level in the General Fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution. Appropriations lapse at year end unless specifically carried over.

Cash and Investments

The District's cash and cash equivalents consists 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.

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. Agency issues, high-grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund.

All investments are stated at fair value. Determination of fair value for investments is based on quoted market prices.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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. The county treasurer, who then makes settlement with the city, town, village and school districts before retaining any for county purposes, collects second installment real estate taxes and delinquent taxes.

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

Property taxes are recognized as revenue in the period for which the taxes are levied. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

State and federal general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Revenue in expenditure driven programs are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not paid in the current reporting period are recorded as receivables. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenue susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and investment income. Other general revenues are recognized as revenue when received in cash or when measurable and available

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

Accounts Receivable

All account receivables are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since such allowance would not be material.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. The district does not carry inventories of a material value. Prepaid items represent payments made by the District for which benefits will not be received prior to July 1st.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Due to/Due from other funds

Amounts reported on the governmental funds Balance Sheet for due to and due from other funds represent amounts due between different funds. Eliminations have been made for amounts due to and due from within the governmental activity fund type in preparing the Statement of Net Position.

Capital Assets

Capital assets are reported at actual costs or estimated historical costs. The District uses a minimum capitalization limit of \$5,000. Donated assets are reported at estimated fair market value at the time received.

Long-term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the district-wide statements. The long-term debt consists primarily of bonds and notes payable and capital leases.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest are reported as expenditures.

In governmental funds, debt issuance premiums received are recognized in the current period. For the district-wide financial statements, these amounts are amortized over the life of the debt issue.

COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFITS

Vacation

The District's policy allows employees to earn varying amounts of vacation pay for each year depending on the total number of years employed. Accrued vacation not used during the fiscal year is recorded as a compensated absence liability when such vacation is approved for carryover.

Sick Pay

The District's policy does not allow accumulated sick pay benefits to vest. Unused accumulated employee sick pay benefits are forfeited upon retirement or termination of employment. Benefits are recorded as expenditure in the year used.

Postemployment Benefits

Teachers and certain administrative, clerical, and support personnel may be entitled to postemployment retirement benefits for employees who have provided specified minimum years of service to the District. Under the early retirement options, the District is liable at June 30 for varying amounts of health benefits (see Note 3).

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.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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 which represents a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditures) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, representing an acquisition of net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. [Is this still needed 3 years after adoption?]

EQUITY CLASSIFICATIONS

Entity Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested capital assets, net of related debt.
- b. Restricted - Consists of net position with constraints placed on use either 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.
- c. Unrestricted - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the practice of the District to spend restricted amounts first followed by unrestricted amounts when expenditures are incurred for purposes for which amounts in any of the net position classifications could be used.

Fund Statements

Governmental fund equity is classified as fund balance in the following categories:

- a. Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- c. Committed - Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School Board, the entity's highest level of decision-making authority.
- d. Assigned - Amounts that are intended to be used for a particular purpose expressed by the School Board of other authorized committee or individual.
- e. Unassigned - All amounts not included in other spendable classifications.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

It is the practice of the District to spend restricted amounts before unrestricted, and committed amounts first followed by assigned then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the fund balance classifications could be used.

The District's policy is to strive to maintain a minimum general fund balance of at least 10% of the subsequent year's general fund expenditures.

Note 2 – Detailed Disclosures Regarding Assets and Revenues

Cash and Investments

Deposits in local and area banks are insured by the FDIC in the amount of \$250,000 per depositor at each financial institution. Bank accounts and the local government pooled investment fund are also insured by the state Deposit Guarantee Fund in the aggregate total 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, as such, this coverage has not been considered in evaluation of risk. The School District of New Berlin did not make deposits in the local government investment pool and therefore does not have a balance as of the date of these statements.

Bank deposits are subject to *custodial credit risk* which is the risk that in the event of a bank failure, the District's deposits may not be returned. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

For investments, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to greater risk.

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

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

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 2 – Detailed Disclosures Regarding Assets and Revenues (continued)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of school district accounting funds is reported in the General Fund.

At June 30, 2017 the District had the following investments:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 months
Wisconsin Investment Series Cooperative			
Cash Management Series	Amortized Cost	\$ 936,314	\$ 936,314
Investment Series	Amortized Cost	6,506,818	6,506,818
Savings Deposit Account	Cost	111,247	111,247
Total Investments		<u>\$ 7,554,379</u>	<u>\$ 7,554,379</u>

Fluctuating cash flows during the year due to tax collection, receipt of state aid and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date.

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Sites (land)	\$ 1,350,301	\$ -	\$ (361,273)	\$ 989,028
Total capital assets not being depreciated	<u>1,350,301</u>	<u>-</u>	<u>(361,273)</u>	<u>989,028</u>
Depreciable capital assets				
Site Improvements	3,023,693	516,610	-	3,540,303
Buildings & building improvements	85,382,912	6,232,586	-	91,615,498
Furniture and equipment	5,206,470	2,462,797	(22,096)	7,647,171
Vehicles	371,666	253,717	(156,261)	469,122
Total depreciable capital assets	<u>93,984,741</u>	<u>9,465,711</u>	<u>(178,357)</u>	<u>103,272,094</u>
Less accumulated depreciation for:				
Site improvements	(1,429,473)	(132,170)	-	(1,561,643)
Buildings & building improvements	(27,230,845)	(2,140,194)	-	(29,371,039)
Furniture and equipment	(2,759,317)	(1,480,718)	22,096	(4,217,939)
Vehicles	(366,671)	(53,176)	156,261	(263,586)
Total accumulated depreciation	<u>(31,786,306)</u>	<u>(3,806,258)</u>	<u>178,357</u>	<u>(35,414,207)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>62,198,435</u>	<u>5,659,453</u>	<u>-</u>	<u>67,857,887</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 63,548,736</u>	<u>\$ 5,659,453</u>	<u>\$ (361,273)</u>	<u>\$ 68,846,915</u>

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 2 – Detailed Disclosures Regarding Assets and Revenues (continued)

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 2,419,007
Vocational instruction	18,122
Special education instruction	3,519
Other instruction	7,138
Instructional staff services	51,852
School administration	981
Building and grounds (includes construction in progress)	734,573
Pupil transportation services	(52,446)
Other business services (including food service)	53,906
Central services	569,486
Community services	120
Total depreciation for governmental activities	<u><u>\$ 3,806,258</u></u>

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

Long-term Obligations

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
General obligation debt					
Bonds and notes payable					
Bonds	\$ 53,420,000	\$ -	\$ 4,085,000	\$ 49,335,000	\$ 4,195,000
Notes	715,000	-	-	715,000	-
Refunding premium	880,146	-	38,118	842,028	-
Total general obligation debt	55,015,146	-	4,123,118	50,892,028	4,195,000
Other liabilities:					
Capital leases	302,666	424,163	292,720	434,109	292,720
Total other liabilities	302,666	424,163	292,720	434,109	292,720
 Total governmental activity long-term liabilities	 <u><u>\$ 55,317,812</u></u>	 <u><u>\$ 424,163</u></u>	 <u><u>\$ 4,415,838</u></u>	 <u><u>\$ 51,326,137</u></u>	 <u><u>\$ 4,487,720</u></u>

Payments on bonds and notes are made by the debt service fund.

Interest incurred and paid on long-term obligations:

Bonds	\$ 1,697,490
Notes	30,045
Total interest paid	<u><u>\$ 1,727,535</u></u>

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

The full faith, credit and taxing powers of the District secure all general obligation debt, including business type activities, if any. Bonds and notes payable is comprised of the following:

Government Activities					
	Original Amount	Issue Dates	Interest Rates	Date of Maturity	Balance 6/30/2017
Bonds payable	\$ 10,000,000	4/1/2005	3.0-5.0%	3/1/2025	\$ -
Bonds payable	22,530,000	2/6/2006	3.75-5.0%	3/1/2025	370,000
Bonds payable	5,330,000	3/22/2010	2.0-3.3%	3/1/2021	2,465,000
Bonds payable	11,995,000	2/16/2011	3.5-5.5%	3/1/2029	11,995,000
Bonds payable	1,290,000	2/21/2011	4.0-4.4%	3/1/2025	1,290,000
Bonds payable	9,720,000	6/19/2012	2.0-2.5%	3/1/2025	9,025,000
Notes payable	715,000	8/16/2010	4.20%	3/1/2020	715,000
Bonds payable	8,200,000	10/15/2013	3.00%	3/1/2028	7,660,000
Bonds payable	9,995,000	2/24/2014	2.18%	3/1/2025	7,125,000
Bonds payable	9,995,000	11/16/2015	2-2.375%	3/1/2029	9,405,000
					<u>\$ 50,050,000</u>

The legal debt limit and margin of indebtedness is set at 10% of equalized value by Section 67.06(1)(b), Wisconsin statutes. The margin of indebtedness at June 30, 2017:

Equalized value certified by Wisconsin Depart. of Revenue for 2016:	\$ 4,566,665,526
Margin of indebtedness at 10%	456,666,553
Deduct long-term debt applicable to debt margin	50,050,000
Margin of indebtedness	<u>\$ 406,616,553</u>

Aggregate cash flow requirements for retirement of long-term principal and interest on bonds as of June 30, 2017:

Year ended June 30	Principal	Interest	Total
2017	\$ -	\$ -	-
2018	4,195,000	1,381,057	5,576,057
2019	4,295,000	1,361,322	5,656,322
2020	4,380,000	1,249,485	5,629,485
2021	4,480,000	1,141,441	5,621,441
2022-2026	21,410,000	3,778,767	25,188,767
2027-2031	11,290,000	327,325	11,617,325
Totals	<u>\$ 50,050,000</u>	<u>\$ 9,239,397</u>	<u>\$ 59,289,397</u>

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

Capital Leases

The District acquired computer equipment through lease / purchase agreements. The gross cost of the equipment under the capital lease was \$434,467 which is included in capital assets.

The future remaining lease obligations and the net present value on these minimum lease payments as of June 30, 2017 are:

Year ended June 30	Principal
2018	\$ 292,720
2019	141,389
	<u>434,109</u>
Less amount representing interest	-
Net outstanding lease principal	<u>\$ 434,109</u>

Short-term Debt Activity

This District issues short-term debt for working capital and operational cash flow needs. Short-term debt activity for the year ended June 30, 2017:

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017
Tax and revenue anticipation notes	\$ -	\$ 8,000,000	\$ 8,000,000	\$ -

Wisconsin Retirement System

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

Benefits provided. Employees who retire at or after age 65 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 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, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Calendar Year	Core Fund Adjustments	Variable Fund Adjustments
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)

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (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. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,685,622 in contributions from the employer.

Contribution rates as of June 30, 2017:

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 New Berlin School District had a liability of \$1,442,886 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2016, and the total pension liability used to calculate the net pension 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 asset was based on the New Berlin School 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 .17%, which was the same as its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the New Berlin School District recognized a net pension expense adjustment of \$1,954,920.

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 550,172	\$ (4,537,753)
Net differences between projected and actual earnings on pension plan investments	8,604,880	(1,422,649)
Changes in assumptions	1,508,594	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,464	(11,848)
Employer contributions subsequent to the measurement date	1,106,170	-
Totals	\$ 11,840,280	\$ (5,972,250)

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

The \$1,106,170 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date is recognized as a reduction of the net pension 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:

Year Ended June 30,	Deferred Outflow of Resources	Deferred Inflow of Resources
2017	\$ 3,740,279	\$ (1,807,535)
2018	\$ 3,740,279	\$ (1,807,535)
2019	\$ 3,132,260	\$ (1,807,231)
2020	\$ 118,784	\$ (549,821)
2021	\$ 2,508	\$ (127)

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.

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:

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

Asset Allocation Targets and Expected Returns				
As of December 31, 2016				
Core Fund Asset Class	Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50 %	45 %	8.3 %	5.4 %
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
Variable Fund Asset Class				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5
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.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

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

	1% Decrease to Discount Rate 6.20%	Current Discount Rate 7.20%	1% Increase to Discount Rate 8.20%
Proportionate share of the net pension liability (asset)	\$ 18,982,095	\$ 1,442,886	\$ (12,063,099)

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://legis.wisconsin.gov/lab/> and reference report number 15-11.

Other Postemployment Benefits

The District reports its liability for other postemployment benefits consistent with established generally accepted accounting principles to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description. The District operates a single-employer retiree benefit plan that provides postemployment medical insurance benefits to eligible employees and their spouses. There are 720 active and 350 retired members in the plan as of the July 1, 2016 actuarial study. Benefits and eligibility are established and amended by the governing body.

The District has \$0 of invested plan assets accumulated for payment of future benefits. The employer makes all contributions on a pay-as-you-go basis. The District paid \$1,241,656 of benefits for the year ended June 30, 2017.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 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 paid from the plan, and changes in the District's net OPEB obligation.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

	OPEB
Annual required contribution	\$ 1,657,330
Interest on net OPEB	(58,884)
ARC adjustment	202,171
Annual expense	1,800,617
Contributions made	(1,241,656)
Change in net obligation (asset)	558,961
Obligation (asset) at beginning of year	(1,962,813)
Obligation (asset) at end of year	\$ (1,403,852)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2017 and the preceding two years was:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed / Paid	Net OPEB Obligation (Asset)
6/30/2017	1,800,617	69%	(1,403,852)
6/30/2016	1,427,937	108%	(1,962,813)
6/30/2015	1,427,937	67%	(1,842,348)

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$11,513,191. The annual payroll for active employees covered by the plan in the actuarial valuation was \$26,922,085 for a ratio of the UAAL to covered payroll of 46%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

In the July 1, 2016 actuarial valuation, the level percentage amortization was used. The actuarial assumptions included a rate of 3.0% to discount expected liabilities to the valuation date. The healthcare trend rate varies from 5.0% to 7.5%. The trend rate for dental and vision is 5.0%. The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2015 was 10 years.

Supplemental Pension (Stipend) Plan

The District provides a stipend benefit to 2 Active Administrators hired prior to July 1, 2012 based upon a percentage of their final salary at retirement. As of June 30, 2016 the final administrators eligible for this benefit retired and the District recognized the full liability. The District has \$0 of net plan assets accumulated for payment of these future benefits. The employer will pay \$35,243 each year for 5 years fully satisfying the obligation.

The district's annual pension cost and net pension obligation for the current year is:

Total future payments to be made	\$193,467
Contributions made on prior liability	<u>(35,243)</u>
Obligation (asset) at end of year	<u>\$158,224</u>

Vested Employee Benefits

	Beginning Balances	Additions	Reductions	Ending Balances
Paid time off	16,179	9,277	16,179	9,277
Compensatory time off	535	8,194	535	8,194
Total vested employee benefits	16,714	17,471	16,714	17,471

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 and workers compensation. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverages for any risk of loss during the past year.

Self-funded Insurance Program

The District provides self-funded health and dental benefits for its employees. A third party administrator is responsible for the approval, processing and payment of claims, after which the District is billed for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30.

The Plan is registered with the Wisconsin Office of the Commissioner of Insurance as an employee welfare plan. Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction.

As part of the medical care coverage of the Plan, the District purchased specific stop-loss insurance for claims in excess of \$250,000 per individual. The District does not have aggregate stop-loss coverage. The District has no stop-loss insurance for the Plan's dental coverage.

The District has recognized a liability of \$820,619, which represents estimated unreported claims that were incurred on or before June 30,

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 3 – Detailed Disclosures Regarding Liabilities and Expenses/Expenditures (continued)

Changes for this liability amount for the years ended June 30, 2017 and 2016 were as follows:

Year	Balance Beginning of Year	Current Changes	Claim Payments	Balance End of Year
2017	472,556	10,312,202	9,964,139	820,619
2016	462,105	5,500,135	5,489,684	472,556

Note 4 - Governmental Activities Net Position

Governmental activities net position reported on the government wide statement of net position at June 30, 2017 includes the following:

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 68,846,916
Related long-term debt outstanding	<u>(28,947,066)</u>
Total net investment in capital assets	39,899,850
Restricted	14,999,327
Unrestricted	(21,216,610)
Total governmental activities net position	<u>\$ 33,682,567</u>

Note 5 - Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at June 30, 2017 include the following:

Restricted	
Debt service fund	\$ 1,096,346
Capital projects fund	-
Food service fund	1,035,867
Community service fund	397,264
Special revenue trust fund	<u>629,570</u>
Total restricted fund balance	<u>3,159,047</u>
Unassigned	
General fund	<u>7,772,555</u>
Total governmental fund balance	<u>\$ 10,931,602</u>

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 6 – Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues 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 which is determined by the legislature.

This 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 a referendum prior to August 12, 1993 or (b) a referendum on or after August 12, 1993.

Note 7 – Operating Leases

The District leases equipment under non-cancelable operating leases under terms expiring the year ending June 30, 2021. Future scheduled minimum lease payments are:

Year Ended June 30	Amount
2018	\$ 55,284
2019	55,284
2020	46,116
2021	27,006

Note 8 – Commitments and Contingent Liabilities

From time to time, the District is party to various 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 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 requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowance, if any, would be immaterial.

Note 9 - Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements

a. Statement of Net Position

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Capital assets and other long-term assets used in governmental funds are not financial resources and, therefore, not reported in the funds.

Capital assets, net of accumulated depreciation	\$ 68,846,916
Other postemployment benefit asset	1,403,852
Deferred outflows - Wisconsin Retirement System	<u>11,840,280</u>
Total asset adjustment	<u>\$ 82,091,048</u>

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 9 - Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements (continued)

a. Statement of Net Position (continued)

Long-term liabilities applicable to District governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Supplemental pension liability	\$ (158,224)
Deferred inflows - Wisconsin Retirement System	(5,972,250)
Net pension liability - Wisconsin Retirement System	(1,442,886)
Bonds and notes payable	(50,050,000)
Refunding premium	(842,028)
Accrued interest	(423,115)
Vested employee benefits	(17,471)
Capital leases	(434,109)
	<hr/>
Total liability adjustment	\$ (59,340,083)
	<hr/>
Combined adjustment	\$ 22,750,965
	<hr/>

b. Statement of Activities

Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported when the liability is incurred. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Other postemployment benefits, including supplemental pension	\$ (523,718)
Pension liabilities (assets) - Wisconsin Retirement System	(1,954,920)
Vested employee benefits	(757)
	<hr/>
	(2,479,395)
	<hr/>

Capital related differences include (1) the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and capitalization and depreciation expense on those items as recorded in the statement of activities.

Depreciation expense	(3,806,258)
Proceeds from sale of capital assets	(11,000)
Capital expenditures	9,465,711
Loss on disposal of capital assets	(350,273)
	<hr/>
	5,298,180
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SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 9 - Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements (continued)

Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenues and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability and principal payments are recorded as a reduction of liabilities.

Amounts borrowed	(424,163)
Principal payments on long-term debt	4,377,720
Amortized deferred finance premiums	38,118
Accrued interest on long-term debt	33,135
	4,024,810
Combined adjustment	\$ 6,843,595

Note 10 - Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed February 26, 2018.

Note 11 - Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This Statement is meant to improve the usefulness of information about postemployment benefits other than pensions, and replaces Statement No. 45 and No. 57. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2017.

The GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in June 2015. This Statement is meant to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2015.

The GASB issued Statement No. 77 *Tax Abatement Disclosures* in August 2015. This Statement is meant to define tax abatements and identify the related disclosures that governments should provide. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2015.

The GASB issued Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* in December 2015. Amends the scope and applicability of Statement 68 to exclude pensions provided to employees or state or local governmental employers through a cost-sharing multiple-employer defined benefit plan under certain circumstances. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2015.

SCHOOL DISTRICT of NEW BERLIN
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 11 - Recently Issued Accounting Standards (continued)

The GASB issued Statement No. 79 *Certain External Investment Pools and Pool Participants* in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2015.

The GASB issued Statement No. 80 *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* in January 2016. This Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2016.

The GASB issued Statement No. 81 *Irrevocable Split-Interest Agreements* in March 2016. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2016.

The GASB issued Statement No. 83 *Certain Asset Retirement Obligations* in November 2016. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2018.

The GASB issued Statement No. 84 *Fiduciary Activities* in January 2017. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2018.

The GASB issued Statement No. 85 *Omnibus 2017* in March 2017. This statement is to address practice issues that have been identified during implementation of other GASB Statements. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2017.

The GASB issued Statement No. 86 *Certain Debt Extinguishment Issues* in May 2017. This statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2017.

The GASB issued Statement No. 87 *Leases* in June 2017. This statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2019.

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
Revenues				
Property taxes	\$ 44,660,454	\$ 44,660,454	\$ 44,659,454	\$ (1,000)
Other local sources	1,050,253	1,050,253	1,246,870	196,617
Intermediate sources	212,480	212,480	317,318	104,838
State sources	4,523,000	4,523,000	4,588,147	65,147
Federal sources	579,470	579,470	491,120	(88,350)
Other sources	166,748	166,748	618,283	451,535
Total revenues	51,192,405	51,192,405	51,921,192	728,787
Expenditures				
Instruction				
Regular instruction	20,148,746	20,148,746	20,412,437	(263,691)
Vocational instruction	746,087	746,087	808,208	(62,121)
Other instruction	2,048,902	2,048,902	2,274,616	(225,714)
Total instruction	22,943,735	22,943,735	23,495,261	(551,526)
Support services				
Pupil services	875,413	875,413	984,228	(108,815)
Instructional staff services	2,933,175	2,933,175	2,803,038	130,137
General administration	656,492	656,492	794,997	(138,505)
School administration	2,702,936	2,702,936	2,808,219	(105,283)
Fiscal services	685,459	685,459	824,266	(138,807)
Buildings and grounds	7,512,136	7,512,136	7,412,071	100,065
Pupil transportation	2,369,669	2,369,669	2,226,681	142,988
Other business services	177,434	177,434	134,936	42,498
Central services	3,600,457	3,600,457	3,688,240	(87,783)
Insurance	460,555	460,555	465,499	(4,944)
Principal and interest	297,720	297,720	302,022	(4,302)
Other support services	1,113,316	1,113,316	1,257,433	(144,117)
Total support services	23,384,762	23,384,762	23,701,630	(316,868)
Non-program				
Tuition payments	1,585,615	1,585,615	1,708,564	(122,949)
Other non-program	-	-	16,725	(16,725)
Total non-program	1,585,615	1,585,615	1,725,289	(139,674)
Total expenditures	47,914,112	47,914,112	48,922,180	(1,008,068)
Excess revenues over expenditures	3,278,293	3,278,293	2,999,012	(279,281)
Other financing sources (uses)				
Transfers from other funds	25,300	25,300	19,743	(5,557)
Transfers to other funds	(4,814,595)	(4,814,595)	(5,097,544)	(282,949)
Proceeds from sale of capital assets	-	-	11,000	11,000
Premium from debt refinancing	-	-	5,365	5,365
Proceeds from long-term debt	450,000	450,000	424,163	(25,837)
Total other financing sources (uses)	(4,339,295)	(4,339,295)	(4,637,273)	(297,978)
Net Change in Fund Balance	(1,061,002)	(1,061,002)	(1,638,261)	(577,259)
Fund balance, beginning of year	9,410,816	9,410,816	9,410,816	-
Fund balance, end of year	\$ 8,349,814	\$ 8,349,814	\$ 7,772,555	\$ (577,259)

See notes to the basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Favorable
				(Unfavorable)
Revenues				
Intermediate sources	\$ -	\$ -	\$ 1,216	\$ 1,216
State sources	1,548,784	1,548,784	1,541,478	(7,306)
Federal sources	1,139,615	1,139,615	1,166,715	27,100
Other sources	-	-	11,883	11,883
Total revenues	2,688,399	2,688,399	2,721,292	32,893
Expenditures				
Instruction				
Vocational instruction	-	-	19	(19)
Special instruction	5,231,023	5,231,023	5,379,816	(148,793)
Total instruction	5,231,023	5,231,023	5,379,835	(148,812)
Support services				
Pupil services	590,175	590,175	665,429	(75,254)
Instructional staff services	437,553	437,553	348,259	89,294
Fiscal services	8,874	8,874	7,890	984
Buildings and grounds	17,620	17,620	8,063	9,557
Pupil transportation	535,061	535,061	493,189	41,872
Central services	11,852	11,852	8,641	3,211
Total support services	1,601,135	1,601,135	1,531,471	69,664
Non-program				
Tuition payments	645,536	645,536	881,087	(235,551)
Other non-program	-	-	6,700	(6,700)
Total non-program	645,536	645,536	887,787	(242,251)
Total expenditures	7,477,694	7,477,694	7,799,093	(321,399)
Excess revenues over expenditures	(4,789,295)	(4,789,295)	(5,077,801)	(288,506)
Other financing sources (uses)				
Transfers from other funds	4,814,595	4,814,595	5,097,545	(282,950)
Transfers to other funds	(25,300)	(25,300)	(19,744)	(5,556)
Total other financing sources (uses)	4,789,295	4,789,295	5,077,801	(288,506)
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

**SCHOOL DISTRICT OF NEW BERLIN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN**

Schedule of Funding Progress Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$ -	\$ 15,614,381	\$ 15,614,381	0.0%	\$ 23,742,706	66%
7/1/2014	-	9,055,649	9,055,649	0.0%	24,478,119	37%
7/1/2016	-	11,513,191	11,513,191	0.0%	26,922,085	43%

**SCHOOL DISTRICT OF NEW BERLIN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
Last 10 Fiscal Years* (which may be built prospectively)**

	2017	2016	2015
Proportion of net pension liability (asset)	17.400%	1.740%	13.600%
Proportionate share of new pension liability (asset)	\$ 1,442,886	\$ 2,829,254	\$ (4,339,880)
Covered employee payroll	\$ 25,536,566	\$ 24,960,530	\$ 24,193,417
Plan fiduciary net position as a percentage of total pension liability (asset)	99.1%	98.2%	102.74%

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

**SCHOOL DISTRICT OF NEW BERLIN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
Last 10 Fiscal Years* (which may be built prospectively)**

	2017	2016	2015
Contractually required contributions	\$ 1,685,622	\$ 1,697,315	\$ 1,693,539
Contributions made	(1,685,622)	(1,697,315)	(1,693,539)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 25,536,566	\$ 24,960,530	\$ 24,193,417
Contributions as a percentage of covered payroll	6.6%	6.8%	7.0%

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

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

Note 1 - Funding Progress Data

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

The District is required to present information for the retiree benefit plan for the three most recent actuarial studies. Data for intervening years are not presented.

Note 2 - Excess Expenditures Over Appropriations

The following functional expenditure categories reported an excess of \$50,000 or more actual costs over budget:

General fund	
Instruction	\$ (551,526)
Pupil services	\$ (108,815)
General administration	\$ (138,505)
School administration	\$ (105,283)
Fiscal services	\$ (138,807)
Central services	\$ (87,783)
Insurance	\$ (4,944)
Principal and interest	\$ (4,302)
Other support services	\$ (144,116)
Tuition payments	\$ (122,949)
Other non-program	\$ (16,725)
Special education fund	
Instruction	\$ (14,812)
Pupil services	\$ (75,254)

Note 3 - Wisconsin Retirement System

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

Changes of assumptions. There were no changes in the assumptions.

OTHER SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF NEW BERLIN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Community Service Fund	Food Service Fund	Special Revenue Trust Fund	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 401,837	\$ 1,084,234	\$ 649,335	\$ 2,135,406
Accounts receivable	5,018	462	-	5,480
Total assets	\$ 406,855	\$ 1,084,696	\$ 649,335	\$ 2,140,886
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 2,341	\$ 153	\$ 19,765	\$ 22,259
Unearned revenue	7,250	48,676	-	55,926
Total liabilities	9,591	48,829	19,765	78,185
Fund balance				
Restricted	397,264	1,035,867	629,570	2,062,701
Total fund balances	397,264	1,035,867	629,570	2,062,701
Total liabilities and fund balances	\$ 406,855	\$ 1,084,696	\$ 649,335	\$ 2,140,886

See notes to the basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Community Service Fund	Food Service Fund	Special Revenue Trust Fund	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 140,000	\$ -	\$ -	\$ 140,000
Local sources	225,635	1,172,512	212,456	1,610,603
State sources	-	13,339	-	13,339
Federal sources	-	358,576	-	358,576
Total revenues	365,635	1,544,427	212,456	2,122,518
Expenditures				
Instruction				
Regular instruction	-	-	15,312	15,312
Vocational instruction	-	-	2,715	2,715
Other instruction	-	-	8,937	8,937
Total instruction	-	-	26,964	26,964
Support services				
Buildings and grounds	-	2,320	-	2,320
Transportation	-	-	5,309	5,309
Other business services	-	-	137,301	137,301
School food service	-	1,544,435	-	1,544,435
Central services	-	6,383	-	6,383
Total support services	-	1,553,138	142,610	1,695,748
Community services	288,923	-	-	288,923
Total expenditures	288,923	1,553,138	169,574	2,011,635
Excess of revenues over (under) expenditures	76,712	(8,711)	42,882	110,883
Net change in fund balances	76,712	(8,711)	42,882	110,883
Fund balance, beginning of year	320,552	1,044,578	586,688	1,951,818
Fund balance, end of year	\$ 397,264	\$ 1,035,867	\$ 629,570	\$ 2,062,701

See notes to the basic financial statements.

SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
PUPIL ACTIVITY FUNDS
For the Year Ended June 30, 2017

	<u>Balance</u> <u>7/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2017</u>
ASSETS				
Cash and investments	\$ 460,793	\$ 573,145	\$ 558,323	\$ 475,615
	<u>\$ 460,793</u>	<u>\$ 573,145</u>	<u>\$ 558,323</u>	<u>\$ 475,615</u>
LIABILITIES				
Accounts payable	\$ 18,583	\$ 428,093	\$ 437,301	\$ 9,375
Due to student organizations	430,134	649,891	625,631	454,394
Other liabilities	12,076	48,601	48,831	11,846
	<u>\$ 460,793</u>	<u>\$ 1,126,585</u>	<u>\$ 1,111,763</u>	<u>\$ 475,615</u>

See notes to the basic financial statements.

SINGLE AUDIT SECTION

SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

	Federal Catalog Number	Program or Award Amount	Pass-through Entity Identification Number	Accrued Receivable 7/1/2016	Expenditures Grantor	Revenues Grantor Reimbursements	Accrued Receivable 6/30/2017
U.S. Department of Education							
State of Wisconsin							
Wisconsin Department of Public Instruction							
Special Education Cluster							
<u>Individuals with Disabilities Education</u>							
<u>Act (IDEA) - Flow Through</u>							
	84.027		2017-673925-IDEA-341				
July 1, 2015 to June 30, 2016		\$ 980,850		\$ 277,550	\$ -	\$ 277,550	\$ -
July 1, 2016 to June 30, 2017		\$ 1,151,573		-	893,969	520,352	373,617
<u>Individuals with Disabilities Education</u>							
<u>Act (IDEA) - Flow Through (EIS)</u>							
	84.027		2017-673925-IDEA-341				
July 1, 2015 to June 30, 2016		\$ 176,783		26,587	(800)	25,787	-
July 1, 2016 to June 30, 2017		\$ 201,950		-	139,500	69,704	69,796
CESA #11							
<u>Transition Improvement Grant</u>							
	84.027		2017-749911-IDEA-342				
July 1, 2016 to June 30, 2017		\$ 10,000		-	1,216	616	600
<u>PL-99-457</u>							
	84.173		2017-673925-Preschool-347				
July 1, 2015 to June 30, 2016		\$ 30,760		6,729	-	6,729	-
July 1, 2016 to June 30, 2017		\$ 60,311		-	38,539	6,699	31,840
Total Special Education Cluster				<u>310,866</u>	<u>1,072,424</u>	<u>907,437</u>	<u>475,853</u>
Career Education Cluster							
CESA #1							
<u>Carl Perkins Grant</u>							
	84.048		2017-749901-CP-CTE-400				
July 1, 2016 to June 30, 2017		\$ 14,487		-	14,487	9,260	5,227
WCTC							
<u>WCTC Youth Apprenticeship</u>							
	84.048		2017-768808-CP-CTE-400				
July 1, 2016 to June 30, 2017		\$ 5,327		-	5,327	-	5,327
<u>WCTC Career Prep Tech Support</u>							
	84.048		2017-768808-CP-CTE-400				
July 1, 2016 to June 30, 2017		\$ 1,364		-	1,364	-	1,364
Total Career Education Cluster				<u>-</u>	<u>21,178</u>	<u>9,260</u>	<u>11,918</u>
<u>IASA Title I</u>							
	84.010		17-673925-TITLE I -141				
July 1, 2015 to June 30, 2016		\$ 138,114		128,084	-	128,084	-
July 1, 2016 to June 30, 2017		\$ 101,905		-	130,408	101,905	28,503
<u>Title IIA Quality Teachers and Principals</u>							
	84.367		17-673925-TITLE II -365				
July 1, 2015 to June 30, 2016		\$ 66,104		66,948	-	66,948	-
July 1, 2016 to June 30, 2017		\$ 71,560		-	67,868	59,867	8,001
<u>Title IIIA - English language acquisition</u>							
	84.365		17-673925-TITLE IIIA -391				
July 1, 2015 to June 30, 2016		\$ 30,000		29,968	-	29,968	-
Total U.S. Department of Education				<u>535,866</u>	<u>1,291,878</u>	<u>1,303,469</u>	<u>524,275</u>
U.S. Department of Agriculture							
State of Wisconsin							
Wisconsin Department of Public Instruction							
School Nutrition Cluster							
<u>Food Distribution</u>							
	10.555		2017-673925-NSL-547				
July 1, 2016 to June 30, 2017		\$ -		-	91,973	91,973	-
<u>National School Lunch Program</u>							
	10.555		2017-673925-NSL-547				
July 1, 2015 to June 30, 2016		\$ -		10,785	-	10,785	-
July 1, 2016 to June 30, 2017		-		-	255,819	255,819	-
Total School Nutrition Cluster				<u>10,785</u>	<u>347,792</u>	<u>358,577</u>	<u>-</u>
Total U.S. Department of Agriculture				<u>10,785</u>	<u>347,792</u>	<u>358,577</u>	<u>-</u>
U.S. Department of Health and Human Services							
Wisconsin Department of Health Services							
<u>Medicaid Reimbursement</u>							
	93.778		44210200				
July 1, 2014 to June 30, 2015		-		-	69,611	69,611	-
July 1, 2015 to June 30, 2016		-		50,673	19,663	70,336	-
July 1, 2016 to June 30, 2017		-		-	234,212	215,352	18,860
Total Medicaid Reimbursement and				<u>-</u>	<u>323,486</u>	<u>355,299</u>	<u>18,860</u>
U.S. Department of Health and Human Services				<u>50,673</u>	<u>323,486</u>	<u>355,299</u>	<u>18,860</u>
Totals				<u>\$ 597,324</u>	<u>\$ 1,963,156</u>	<u>\$ 2,017,345</u>	<u>\$ 543,135</u>

See Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

**SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2017**

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Accrued Receivable 7/1/2016</u>	<u>Revenue/ Expenditures</u>	<u>State Reimbursements</u>	<u>Accrued Receivable 6/30/2017</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Entitlement Programs						
Major State Programs						
Per Pupil Adjustment Aid	255.945	673925-113	\$ 687,450	\$ 1,128,000	\$ 1,815,450	\$ -
General Equalization Aid	255.201	673925-116	40,030	1,570,183	1,571,917	38,296
Integration Aid - Non-resident	255.204	673925-106	-	125,571	125,571	-
Pupil Transportation Aid	255.107	673925-113	-	115,742	115,742	-
General Special Adjustment Aid	255.203	673925-118	-	441,578	441,578	-
Total Major Programs			<u>727,480</u>	<u>3,381,074</u>	<u>4,070,258</u>	<u>38,296</u>
Nonmajor State Programs						
Handicapped Pupils and School Age Parents	255.101	673925-100	-	1,540,960	1,540,960	-
Alcohol and Other Drug Abuse	255.306	673925-143	998	-	998	-
Common School Library Fund	255.103	673925-104	-	147,743	147,743	-
Assessment and Readiness	255.956	673925-166	-	186	186	-
Special Education Transition Grant	255.960	673925-168	-	518	518	-
Financial Literacy Reality Store Model	255.367	673925-146	-	7,452	-	7,452
State School Lunch Aid	255.102	673925-107	-	13,339	13,339	-
Technical Incentive Grant	255.950	673925-151	-	28,193	28,193	-
Educator Effectiveness - Teachscape	255.940	673925-154	27,265	26,560	53,825	-
Total Nonmajor Programs			<u>28,263</u>	<u>1,764,951</u>	<u>1,785,762</u>	<u>7,452</u>
Total Entitlement Programs			755,743	5,146,025	5,856,020	45,748
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT						
Fast Forward Health Occupations		N/A	83,546	7,403	83,546	7,403
WISCONSIN DEPARTMENT OF REVENUE						
Exempt Computer Aid		N/A	347,874	315,025	347,874	315,025
Totals			<u>\$ 1,187,163</u>	<u>\$ 5,468,453</u>	<u>\$ 6,287,440</u>	<u>\$ 368,176</u>

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

SCHOOL DISTRICT OF NEW BERLIN
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2017

Note 1 – Reporting Entity

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state award activity of the School District of New Berlin “the District”) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the Wisconsin State Single Audit guidelines. Because the Schedules present 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 2 – Basis Presentation

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Wisconsin Single Audit Guidelines, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance Section 200.414 *Indirect (F&A) Costs*.

Note 3 – Oversight Agencies

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

Note 4 – Eligible Costs for Special Education

Eligible costs for special education under project 011 were \$6,534,151 for the year ended June 30, 2017.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
School District of New Berlin
New Berlin, Wisconsin

We have audited, in accordance with the auditing standards generally accept in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of New Berlin (the "District") as of and for the year ended June 30, 2017, and have issued our report thereon dated February 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over 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. This report is intended for the information of the Board of Education, management, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

FELD, SCHUMACHER & COMPANY, LLP

Feld, Schumacher & Company, LLP

West Allis, Wisconsin

February 26, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT GUIDELINES**

Board of Education
School District of New Berlin
New Berlin, Wisconsin

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on State Pupil Transportation Aid

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding State ID Number 255.107, *State Pupil Transportation Aid* as described in **Finding 2017-01** for Eligibility.

Qualified Opinion on State Pupil Transportation Aid

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Pupil Transportation Aide for the year ended June 30, 2017.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Major Federal and State Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of it other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs 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 compliance 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 a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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 that testing based on the requirements of the Uniform Guidance and the State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

FELD, SCHUMACHER & COMPANY, LLP

Feld, Schumacher & Company, LLP
February 26, 2018
West Allis, Wisconsin

**SCHOOL DISTRICT OF NEW BERLIN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the 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?	___ yes	_X_ no
Significant deficiency(ies) identified?	___ yes	_X_ no
Noncompliance material to financial statements noted?	___ yes	_X_ no

Federal Awards

Internal control over major programs		
Material weakness(es) identified?	___ yes	_X_ no
Significant deficiency(ies) identified?	___ yes	_X_ no
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR Part 200.516(a)?	___ yes	_X_ no

Identification of major programs

<u>CFDA NUMBER(S)</u>	<u>Name of Federal Program or Cluster</u>
	IDEA Cluster
84.027	IDEA Flowthrough
84.027	IDEA - Flowthrough (EIS)
84.173	Preschool Entitlement
84.027	Transition and Improvement
	School Nutrition Cluster
10.555	Food Distribution
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A & Type B programs	<u>\$750,000</u>	
Auditee qualified as low-risk auditee?	_X_ yes	___ no

**SCHOOL DISTRICT OF NEW BERLIN
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2017**

Finding:

WI Stats 121.58(2)(am) requires the pupil to be actually transported to receive aid. The District relied on information supplied to them by the transportation company. The information was inaccurate and overstated the number of pupils transported.

Corrective Action Plan

The District will no longer rely on totals compiled by the contracted transportation provider. The District will independently compile the totals from attendance lists of students who were actually transported. The District will also annually verify the distance travelled for each student.

**SCHOOL DISTRICT OF NEW BERLIN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2017**

None