

**SCHOOL DISTRICT OF BELOIT
BELOIT, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SCHOOL DISTRICT OF BELOIT

Beloit, Wisconsin
June 30, 2017

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SCHOOL DISTRICT OF БЕLOIT

Beloit, Wisconsin

June 30, 2017

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INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note C.6, the District recorded a prior period adjustment of \$3,809,366 in the government-wide statements to reflect the balance of a capital lease that wasn't recorded in the prior year. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note C., the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 35 through 39 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, the schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
November 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The discussion and analysis of the financial performance of the School District of Beloit (District) provides an overview of financial activities for the fiscal year ended June 30, 2017. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's government-wide financial statements reflect the following:

- Total net position of the District increased to \$76,798,438 from \$68,932,604 or 11.4% at June 30, 2017. This increase is primarily attributable to a \$3,475,269 reduction in OPEB liability due to the implementation of GASB 74 and 75. In addition, the District's share of the WRS pension liability decreased from \$4,837,894 to \$2,355,073.
- Total revenues decreased to \$101,609,443 in fiscal year 2017, down from \$103,358,975 in fiscal year 2016, a decrease of approximately 1.69%.
- Total expenses increased to \$93,290,249 in fiscal year 2017, up from \$92,413,971 in the year ended June 30, 2016, an increase of .95%.

The District's governmental fund financial statements reflect the following:

The general fund had a net increase of \$4,106,637 (per DPI). The district savings was contributed to savings from the district self-funded health insurance plan as well as unspent budgeted salaries.

The debt service funds had a net decrease of \$46,642. The fund balance of debt service will fluctuate each year to due Internal Service Revenue credits on qualified bonds.

The food service fund had a net increase of \$648,655. This is due to the revenues exceeding the expenditures.

The fund balance for all governmental funds at June 30, 2017 was \$22,176,233. Of this amount, \$168,562 was nonspendable; \$4,453,952 was restricted for debt service, nutrition services and special revenues; and \$17,553,719 remains unassigned. Unassigned fund balance is maintained for adequate reserves primarily for working capital for cash flow purposes.

Total governmental funds expenditures were \$97,010,771 including \$47,089,891 for direct instruction.

Consistent with current state statutes and regulations an original budget is adopted in October following determination of official enrollment and certification of state aids. To balance the district's budget in 2016-17 the district implemented the following additional program initiatives or cost savings measures.

Program or cost initiatives that increased the district budget for 2016-17 fiscal year totaled \$1,227,281 and are as follows:

- Employee Compensation increase of 1.69%
- Federal program carryover use
- Virtual Program Expansion
- Facilities Coordinator
- Dual Language expansion (4th grade)

Cost saving initiatives that reduced the district budget for the 2016-17 fiscal year totaled \$4,142,038 and are as follows:

- Employee health insurance premium contribution (2%)
- Align health savings account contribution to qualifying staff
- Cenergistic energy education software
- Reduction in 1:1 equipment payment through refinancing
- Remove moving costs (Morgan to Fruzen)
- Class size flexibility
- Library Media staff
- Support Staff (Aldrich)
- Support Staff (Kolak)
- Administrative Department budget reductions
- Reduce interns
- Capital Projects

The District invested \$1,655,378 on energy efficiency projects. These projects included window replacement at Converse, replacing air handling unit and adding cooling coils to the High School Fitness Center, upgrade lighting at Aldrich Intermediate School. The District anticipates an estimated annual energy savings of approximately be \$114,288. These savings are in utility, operational and capital cost avoidance.

BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Statement of Net Position
June 30, 2017

| | Governmental Activities |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 27,296,795 |
| Receivables | |
| Taxes | 2,726,117 |
| Accounts | 80,383 |
| Due from other governments | 2,918,551 |
| Inventory | 47,374 |
| Prepaid items | 121,188 |
| Capital Assets | |
| Land | 6,429,118 |
| Buildings | 137,374,774 |
| Equipment | 17,701,271 |
| Construction work in progress | 359,465 |
| Less: Accumulated depreciation | <u>(43,120,795)</u> |
| TOTAL ASSETS | <u>151,934,241</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension plan | <u>16,837,140</u> |
| LIABILITIES | |
| Accounts payable | 2,568,658 |
| Accrued payroll liabilities | 7,232,898 |
| Claims payable | 1,198,330 |
| Accrued interest payable | 459,697 |
| Unearned revenues | 14,289 |
| Long-term Obligations | |
| Due within one year | 4,757,278 |
| Due in more than one year | 61,893,125 |
| OPEB liability | 4,087,094 |
| Net pension liability | <u>2,355,073</u> |
| TOTAL LIABILITIES | <u>84,566,442</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension plan | <u>7,406,501</u> |
| NET POSITION | |
| Net investment in capital assets | 52,408,868 |
| Restricted for | |
| Debt service | 1,204,577 |
| Nutrition service | 2,625,849 |
| Donor restricted | 211,203 |
| Unrestricted | <u>20,347,941</u> |
| TOTAL NET POSITION | <u>\$ 76,798,438</u> |

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

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Statement of Activities
For the Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Regular instruction | \$ 32,087,957 | \$ 1,380,240 | \$ 6,248,774 | \$ (24,458,943) |
| Vocational instruction | 1,741,813 | 31,647 | 89,976 | (1,620,190) |
| Physical instruction | 1,866,594 | 74,563 | 95,809 | (1,696,222) |
| Special education instruction | 8,682,670 | - | 4,002,978 | (4,679,692) |
| Other instruction | 4,043,573 | 362,684 | 62,278 | (3,618,611) |
| Total Instruction | <u>48,422,607</u> | <u>1,849,134</u> | <u>10,499,815</u> | <u>(36,073,658)</u> |
| Support Services | | | | |
| Pupil services | 5,892,899 | - | 762,291 | (5,130,608) |
| Instructional staff services | 4,773,575 | 772 | 1,639,168 | (3,133,635) |
| General administration services | 1,566,300 | - | - | (1,566,300) |
| School administration services | 4,183,108 | - | 44 | (4,183,064) |
| Business services | 1,146,707 | - | - | (1,146,707) |
| Operation and maintenance of plant | 9,685,923 | 225 | 545,070 | (9,140,628) |
| Pupil transportation services | 2,241,074 | 41,899 | 963,179 | (1,235,996) |
| Food services | 4,205,631 | 52,201 | 4,982,149 | 828,719 |
| Central services | 3,025,978 | 1,539 | 735 | (3,023,704) |
| Insurance | 589,519 | - | - | (589,519) |
| Other support services | 213,450 | - | 24,017 | (189,433) |
| Total Support Services | <u>37,524,164</u> | <u>96,636</u> | <u>8,916,653</u> | <u>(28,510,875)</u> |
| Interest and fiscal charges | <u>1,890,726</u> | <u>-</u> | <u>97,704</u> | <u>(1,793,022)</u> |
| Non-program | | | | |
| General tuition payments | 4,733,107 | - | 3,269 | (4,729,838) |
| Special education tuition payments | 707,745 | - | 376,058 | (331,687) |
| Adjustments and refunds | 11,900 | - | - | (11,900) |
| Total Non-program | <u>5,452,752</u> | <u>-</u> | <u>379,327</u> | <u>(5,073,425)</u> |
| Total School District | <u>\$ 93,290,249</u> | <u>\$ 1,945,770</u> | <u>\$ 19,893,499</u> | <u>(71,450,980)</u> |
| General revenues | | | | |
| Property taxes, levied for general purposes | | | | 7,846,363 |
| Property taxes, levied for debt service | | | | 5,364,858 |
| Other taxes | | | | 20,609 |
| State and federal aids not restricted to specific functions | | | | |
| General aid | | | | 63,507,031 |
| Othe aid | | | | 2,548,790 |
| Interest and investment earnings | | | | 114,693 |
| Gain on sale of capital assets | | | | 54,274 |
| Miscellaneous | | | | 313,556 |
| Total General Revenues | | | | <u>79,770,174</u> |
| Change in net position | | | | <u>8,319,194</u> |
| Net position - Beginning of Year, as previously reported | | | | 68,932,604 |
| Prior period adjustment | | | | (3,928,629) |
| Change in accounting principle | | | | <u>3,475,269</u> |
| Net position - Beginning of Year, as restated | | | | <u>68,479,244</u> |
| Net position - End of Year | | | | <u>\$ 76,798,438</u> |

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

SCHOOL DISTRICT OF BELOIT

Beloit, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2017

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and investments | \$ 22,557,021 | \$ 4,739,774 | \$ 27,296,795 |
| Receivables | | | |
| Taxes | 2,726,117 | - | 2,726,117 |
| Accounts | 69,291 | 11,092 | 80,383 |
| Due from other funds | 282,041 | - | 282,041 |
| Due from other governments | 2,690,949 | 227,602 | 2,918,551 |
| Inventory | - | 47,374 | 47,374 |
| Prepaid items | 121,188 | - | 121,188 |
| TOTAL ASSETS | \$ 28,446,607 | \$ 5,025,842 | \$ 33,472,449 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts payable | \$ 2,339,747 | \$ 228,911 | \$ 2,568,658 |
| Accrued payroll liabilities | 7,232,898 | - | 7,232,898 |
| Claims payable | 1,198,330 | - | 1,198,330 |
| Due to other funds | - | 282,041 | 282,041 |
| Unearned revenues | 725 | 13,564 | 14,289 |
| Total Liabilities | 10,771,700 | 524,516 | 11,296,216 |
| Fund Balances | | | |
| Nonspendable | 121,188 | 47,374 | 168,562 |
| Restricted | | | |
| Debt service | - | 1,664,274 | 1,664,274 |
| Donor restricted | - | 211,203 | 211,203 |
| Nutrition service | - | 2,578,475 | 2,578,475 |
| Unassigned | 17,553,719 | - | 17,553,719 |
| Total Fund Balances | 17,674,907 | 4,501,326 | 22,176,233 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 28,446,607 | \$ 5,025,842 | \$ 33,472,449 |

(Continued)

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

Reconciliation to the Statement of Net Position

| | |
|--|----------------------|
| Total Fund Balances from previous page | \$ 22,176,233 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 118,743,833 |
| The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements: | |
| Deferred outflows of resources | 16,837,140 |
| Net pension liability | (2,355,073) |
| Deferred inflows of resources | (7,406,501) |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | |
| Bonds and notes payable | (62,495,105) |
| Debt premium | (970,745) |
| Other post-employment benefits | (4,087,094) |
| Compensated absences | (105,841) |
| Capital lease | (3,078,712) |
| Accrued interest on long-term obligations | <u>(459,697)</u> |
| Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 6) | <u>\$ 76,798,438</u> |

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

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| Revenues | | | |
| Property taxes | \$ 7,846,363 | \$ 5,364,858 | \$ 13,211,221 |
| Other local sources | 1,095,721 | 381,032 | 1,476,753 |
| Interdistrict sources | 1,153,309 | 40,990 | 1,194,299 |
| Intermediate sources | 6,327 | 5,272 | 11,599 |
| State sources | 72,750,606 | 95,049 | 72,845,655 |
| Federal sources | 7,559,743 | 4,887,100 | 12,446,843 |
| Other sources | 254,290 | 60,805 | 315,095 |
| Total Revenues | 90,666,359 | 10,835,106 | 101,501,465 |
| Expenditures | | | |
| Instruction | | | |
| Regular instruction | 31,091,423 | 3,468 | 31,094,891 |
| Vocational instruction | 1,685,480 | 5,047 | 1,690,527 |
| Special education instruction | 8,503,327 | - | 8,503,327 |
| Other instruction | 5,554,973 | 246,173 | 5,801,146 |
| Total Instruction | 46,835,203 | 254,688 | 47,089,891 |
| Support Services | | | |
| Pupil services | 5,753,754 | - | 5,753,754 |
| Instructional staff services | 4,651,980 | - | 4,651,980 |
| General administration services | 1,521,143 | - | 1,521,143 |
| School administration services | 4,064,302 | - | 4,064,302 |
| Business services | 1,107,810 | 19,460 | 1,127,270 |
| Operation and maintenance of plant | 10,470,072 | 51,605 | 10,521,677 |
| Pupil transportation services | 2,193,982 | 46,960 | 2,240,942 |
| Food services | - | 4,349,311 | 4,349,311 |
| Central services | 2,147,118 | - | 2,147,118 |
| Insurance | 589,519 | - | 589,519 |
| Other support services | 213,076 | - | 213,076 |
| Total Support Services | 32,712,756 | 4,467,336 | 37,180,092 |
| Debt Service | | | |
| Principal | 1,740,482 | 3,567,054 | 5,307,536 |
| Interest | 19,125 | 1,961,375 | 1,980,500 |
| Total Debt Service | 1,759,607 | 5,528,429 | 7,288,036 |
| Non-program | | | |
| General tuition payments | 4,733,107 | - | 4,733,107 |
| Special education tuition payments | 376,057 | - | 376,057 |
| Adjustments and refunds | 11,900 | - | 11,900 |
| Other non-program | 331,688 | - | 331,688 |
| Total Non-program | 5,452,752 | - | 5,452,752 |
| Total Expenditures | 86,760,318 | 10,250,453 | 97,010,771 |
| Excess of Revenues Over Expenditures | 3,906,041 | 584,653 | 4,490,694 |
| Other Financing Sources (Uses) | | | |
| Capital leases | 161,815 | - | 161,815 |
| Sale of capital assets | 54,274 | - | 54,274 |
| Transfers in | - | 16,452 | 16,452 |
| Transfers out | (16,452) | - | (16,452) |
| Total Other Financing Sources (Uses) | 199,637 | 16,452 | 216,089 |
| Net Change in Fund Balances | 4,105,678 | 601,105 | 4,706,783 |
| Fund Balances - Beginning of Year | 13,569,229 | 3,900,221 | 17,469,450 |
| Fund Balances - End of Year | \$ 17,674,907 | \$ 4,501,326 | \$ 22,176,233 |

(Continued)

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
 Governmental Funds
 For the Year Ended June 30, 2017

2017

Reconciliation to the Statement of Activities

Net Change in Fund Balances from previous page \$ 4,706,783

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

Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|--|--------------|--------|
| Capital outlay reported in governmental fund statements | \$ 4,071,654 | |
| Depreciation expense reported in the statement of activities | (3,986,313) | |
| Amount in which depreciation is less than capital outlays | | 85,341 |

In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported. (426,227)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits (increased) decreased by: (24,686)

Change in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan. (3,381,212)

Change in the net OPEB liability and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan. 2,069,996

The issuance of long-term debt (e.g., bonds) provide current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premium, discounts, losses on advance refundings, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|--|--------------|-----------|
| Principal paid on long-term debt | \$ 3,567,054 | |
| Accretion of escrow for debt retirement | 53,704 | |
| Capital leases issued | (161,815) | |
| Payment on capital lease | 1,740,482 | |
| Change in interest accrued on long-term debt | 23,380 | |
| Debt premium amortized | 66,394 | 5,289,199 |

Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 7) \$ 8,319,194

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

SCHOOL DISTRICT OF BELOIT

Beloit, Wisconsin

Statement of Net Position

Fiduciary Funds

June 30, 2017

| | Private Purpose Trust Fund | Employee Benefit Trust Fund | Agency Funds | Total Fiduciary Funds |
|------------------------------|----------------------------------|-----------------------------------|-----------------|-----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 8,622 | \$ 3,397,707 | \$ 91,399 | \$ 3,497,728 |
| LIABILITIES | | | | |
| Accounts payable | - | - | 9,685 | 9,685 |
| Due to student organizations | - | - | 81,714 | 81,714 |
| TOTAL LIABILITIES | - | - | 91,399 | 91,399 |
| NET POSITION | | | | |
| Restricted for | | | | |
| Employee benefits | - | 3,397,707 | - | 3,397,707 |
| Scholarships | 8,622 | - | - | 8,622 |
| TOTAL NET POSITION | \$ 8,622 | \$ 3,397,707 | \$ - | \$ 3,406,329 |

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

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Statement of Changes in Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2017

| | Private Purpose Trust Fund | Employee Benefit Trust Fund | Total Fiduciary Funds |
|--------------------------|----------------------------------|-----------------------------------|-----------------------------|
| ADDITIONS | | | |
| Other local sources | \$ 8,118 | \$ 45,103 | \$ 53,221 |
| Other | - | 2,390,329 | 2,390,329 |
| Total Additions | 8,118 | 2,435,432 | 2,443,550 |
| DEDUCTIONS | | | |
| Trust fund disbursements | - | 2,016,573 | 2,016,573 |
| Change in Net Position | 8,118 | 418,859 | 426,977 |
| Net Position - July 1 | 504 | 2,978,848 | 2,979,352 |
| Net Position - June 30 | \$ 8,622 | \$ 3,397,707 | \$ 3,406,329 |

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

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The School District of Beloit is organized as a unified school district. The District, governed by a seven member elected school board, operates grades K through 12 and is comprised of all or parts of 3 taxing districts.

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital project funds. The District has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Additionally, the government reports the following fund types:

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

The *employee benefit trust fund* is used to account for resources legally held in trust for other post-employment benefits.

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

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is reduced as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental fund types in the fund financial statements are offset by nonspendable fund balance accounts to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items, and are accounted for on the consumption method.

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

f. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

| | Governmental Activities Years |
|-------------------------|-------------------------------------|
| <u>Assets</u> | |
| Buildings | 20 - 65 |
| Furniture and equipment | 5 - 30 |

g. Compensated Absences

Employees may accumulate a total of 120 days of paid leave. Retiring employees will receive a cash payout for up to 60 days of paid leave, accrued in excess of 60 days, at the time of his/her retirement at a value to be determined by the district. The current value is \$100 per day. The District also allows employees to earn vacation pay for each year employed in accordance with District policies. Upon retirement or termination of employment, the employee is entitled to use accumulated vacation days until the vested amount is exhausted. All vacation is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has one item that qualifies for reporting in this category. This item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

i. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond. Issuance costs are expensed during the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

j. Pension

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.

k. Other Postemployment Benefits Other Than Pensions (OPEB)

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

l. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

DISTRICT-WIDE STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The debt service fund accounts for its transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the fiduciary funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act."

The carrying amount of the District's cash and investments totaled \$30,794,523 on June 30, 2017 as summarized below:

| | |
|--------------------------------------|----------------------|
| Deposits with financial institutions | \$ 29,123,531 |
| Investments | |
| Money market mutual funds | 32,376 |
| Equities exchange traded funds | 691,146 |
| Fixed income exchange traded funds | 561,416 |
| Repurchase agreements | 386,054 |
| | <u>\$ 30,794,523</u> |

Reconciliation to the basic financial statements:

| | |
|---|----------------------|
| District-wide Statement of Net Position | |
| Cash and investments | \$ 27,296,795 |
| Fiduciary Funds Statement of Net Position | |
| Private purpose trust fund | 8,622 |
| Employee benefit trust fund | 3,397,707 |
| Agency funds | 91,399 |
| | <u>\$ 30,794,523</u> |

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2017:

| Investment Type | Fair Value Measurement Using: | | |
|---------------------------------------|-------------------------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 |
| Money market mutual funds | \$ 32,376 | \$ - | \$ - |
| Exchange traded funds - equity | 691,146 | - | - |
| Exchange traded funds - fixed income | 561,416 | - | - |
| Total investments by fair value level | <u>\$ 1,284,938</u> | <u>\$ -</u> | <u>\$ -</u> |

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings accounts and \$250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposit accounts per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On June 30, 2017 \$28,938,434 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

On June 30, 2017, the District held repurchase agreements of \$386,054 of which the underlying securities are held by the investment counterpart, not in the name of the District.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Additional types of investments are allowed for the private-purpose trust fund. The District does not have an additional credit risk policy.

| Investment Type | Amount | Exempt From Disclosure | AAA | Aa | Not Rated |
|---------------------------|-------------------|------------------------------|------------------|-------------|-------------------|
| Money market mutual funds | \$ 32,376 | \$ - | \$ 32,376 | \$ - | \$ - |
| Exchange traded funds | | | | | |
| fixed income | 561,416 | - | - | - | 561,416 |
| Repurchase agreements | 386,054 | 386,054 | - | - | - |
| Total | <u>\$ 979,846</u> | <u>\$ 386,054</u> | <u>\$ 32,376</u> | <u>\$ -</u> | <u>\$ 561,416</u> |

Exchange Traded Fund Transactions

Exchange traded funds - equity (invested in employee benefit trust fund) are considered equity investments not subject to credit risk.

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the table on the following page that shows the distribution of the District's investments by maturity:

| Investment Type | Amount | Remaining Maturity (in Months) | | | |
|---------------------------|-------------------|--------------------------------|-----------------|-----------------|---------------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | More Than 60 Months |
| Money market mutual funds | \$ 32,376 | \$ 32,376 | \$ - | \$ - | \$ - |
| Exchange traded funds | | | | | |
| fixed income | 561,416 | 561,416 | - | - | - |
| Repurchase agreements | 386,054 | 386,054 | - | - | - |
| Totals | <u>\$ 979,846</u> | <u>\$ 979,846</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

2. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------|------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,429,118 | \$ - | \$ - | \$ 6,429,118 |
| Construction in progress | - | 359,465 | - | 359,465 |
| Subtotals | 6,429,118 | 359,465 | - | 6,788,583 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 134,245,337 | 3,129,437 | - | 137,374,774 |
| Equipment | 17,593,101 | 582,752 | 474,582 | 17,701,271 |
| Subtotals | 151,838,438 | 3,712,189 | 474,582 | 155,076,045 |
| Less accumulated depreciation: | 39,182,837 | 3,986,313 | 48,355 | 43,120,795 |
| Total capital assets, being depreciated, net | 112,655,601 | (274,124) | 426,227 | 111,955,250 |
| Governmental activities capital assets, net | \$ 119,084,719 | \$ 85,341 | \$ 426,227 | 118,743,833 |
| Less related long-term debt outstanding | | | | 66,334,965 |
| Net investment in capital assets | | | | \$ 52,408,868 |

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

| | |
|--|---------------------|
| Governmental activities | |
| Instruction | \$ 235,403 |
| Support services | 3,750,910 |
| Total depreciation expense - governmental activities | <u>\$ 3,986,313</u> |

4. Interfund Transfers

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

| | |
|-----------------|------------------|
| | Transfer to: |
| | Other Package |
| | Cooperative |
| Transfers from: | |
| General fund | <u>\$ 16,452</u> |

Transfers are to fund excess expenditures over revenues in the current fiscal year.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

5. Long-term Obligations

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

| | Outstanding 7/1/16 | Issued | Retired | Outstanding 6/30/17 | Due Within One Year |
|--|-----------------------|-------------------|---------------------|------------------------|------------------------|
| Governmental activities: | | | | | |
| General Obligation Debt | | | | | |
| Bonds | \$ 62,275,000 | \$ - | \$ 3,255,000 | \$ 59,020,000 | \$ 3,365,000 |
| Qualified Zone Academy Bonds | 1,319,943 | - | 222,844 | 1,097,099 | 178,875 |
| Qualified Zone Academy Lease | 206,089 | - | 43,083 | 163,006 | 33,348 |
| Qualified Energy Conservation Bonds | 2,215,000 | - | - | 2,215,000 | - |
| Notes | 99,831 | - | 99,831 | - | - |
| Total General Obligation Debt | 66,115,863 | - | 3,620,758 | 62,495,105 | 3,577,223 |
| Debt premium | 1,037,139 | - | 66,394 | 970,745 | 66,394 |
| Capital leases | 4,657,379 | 161,815 | 1,740,482 | 3,078,712 | 1,007,820 |
| Compensated absences | 81,155 | 105,841 | 81,155 | 105,841 | 105,841 |
| Governmental activities Long-term obligations | <u>\$ 71,891,536</u> | <u>\$ 267,656</u> | <u>\$ 5,508,789</u> | <u>\$ 66,650,403</u> | <u>\$ 4,757,278</u> |

Total interest paid during the year on long-term debt totaled \$2,018,266.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

| | Issue Date | Interest Rate | Maturity Date | Issue Amount | Outstanding 6/30/17 |
|--|---------------|------------------|------------------|-----------------|------------------------|
| Qualified Zone Academy Bond | 8/23/2004 | 0.00% | 8/23/2018 | \$ 1,000,000 | \$ 145,099 |
| Qualified Zone Academy Lease | 12/28/2005 | 0.00% | 12/28/2020 | 574,000 | 163,006 |
| Qualified Zone Academy Bond | 12/28/2009 | 0.00% | 9/15/2004 | 1,785,000 | 952,000 |
| G.O. Refunding Bonds | 3/8/2010 | 2.65 - 5.90% | 10/1/2028 | 6,270,000 | 5,420,000 |
| Qualified Energy Conservation Bonds | 9/16/2012 | 4.75% | 4/1/2032 | 2,215,000 | 2,215,000 |
| G.O. Refunding Bonds | 9/17/2012 | 2.00 - 3.00% | 4/1/2029 | 10,000,000 | 7,770,000 |
| G.O. School Improvement Bonds | 1/7/2013 | 2.00 - 3.00% | 4/1/2032 | 57,785,000 | 45,830,000 |
| Total General Obligation Debt | | | | | <u>\$ 62,495,105</u> |

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$62,495,105 on June 30, 2017 are detailed below:

| Year Ended June 30 | Governmental Activities | | | | |
|-----------------------|-------------------------|------------------|----------------------|----------------------|----------------------|
| | Principal | | | Interest | Total |
| | District | Escrow | Total | | |
| 2018 | \$ 3,577,223 | \$ 29,025 | \$ 3,606,248 | \$ 1,863,295 | \$ 5,469,543 |
| 2019 | 3,687,223 | 11,821 | 3,699,044 | 1,763,816 | 5,462,860 |
| 2020 | 3,742,348 | 9,560 | 3,751,908 | 1,654,165 | 5,406,073 |
| 2021 | 3,857,348 | 4,557 | 3,861,905 | 1,540,044 | 5,401,949 |
| 2022 | 3,954,000 | - | 3,954,000 | 1,421,438 | 5,375,438 |
| 2023-2027 | 21,292,000 | - | 21,292,000 | 5,384,809 | 26,676,809 |
| 2028-2032 | 22,330,000 | - | 22,330,000 | 2,257,133 | 24,587,133 |
| | <u>\$ 62,440,142</u> | <u>\$ 54,963</u> | <u>\$ 62,495,105</u> | <u>\$ 15,884,700</u> | <u>\$ 78,379,805</u> |

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

Qualified Zone Academy Bond and Lease

The District has a \$1,000,000 Qualified Zone Academy Bond which requires annual payments of \$59,875 through August 23, 2018 to be deposited with an escrow agent. The District records the payment as a principal retirement in its financial statements, since the escrow account is irrevocable, and removes the liability from the District's financial statements. Total payments of \$838,250, plus interest earned on the escrow account, will be sufficient to retire the bond at August 23, 2018. At June 30, 2017, the escrow account has a balance of \$854,901.

The District has a \$574,000 Qualified Zone Academy Lease which requires annual payments of \$33,348 through December 28, 2020 to be deposited with an escrow agent. The District records the payment as a principal retirement in its financial statements, since the escrow account is irrevocable, and removes the liability from the District's financial statements. Total payments of \$500,214, plus interest earned on the escrow account, will be sufficient to retire the bond at August 23, 2018. At June 30, 2017, the escrow account has a balance of \$410,994.

The District records the earnings on the escrow accounts over the life of the bond and lease as interest income and debt retirement.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2017 was \$74,068,414 as follows:

| | |
|---|-----------------------------|
| Equalized valuation of the County | \$ 1,358,339,637 |
| Statutory limitation percentage | (x) 10% |
| General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes | <u>135,833,964</u> |
| Total outstanding general obligation debt applicable to debt limitation | \$ 62,495,105 |
| Less: Amounts available for financing general obligation debt | |
| Debt service fund, less interest of \$934,719 due October 1 | <u>729,555</u> |
| Net outstanding general obligation debt applicable to debt limitation | 61,765,550 |
| Legal Margin for New Debt | <u><u>\$ 74,068,414</u></u> |

SCHOOL DISTRICT OF БЕЛОIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Capital lease obligation

The District is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. The following is a schedule of the minimum lease payments under the lease agreements and the present value of the minimum lease payments at June 30, 2017.

| Year Ending June 30, | Amount |
|--|---------------------|
| 2018 | \$ 1,030,857 |
| 2019 | 1,030,857 |
| | 1,030,857 |
| 2020 | 33,716 |
| Total Minimum lease payments | 3,126,287 |
| Less: Amount representing interest | 47,576 |
| Present value of future minimum lease payments | <u>\$ 3,078,711</u> |

6. Pension Plan

a. Plan Description

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

b. Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

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

c. Contributions

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

During the reporting period, the WRS recognized \$2,606,673 in contributions from the District.

Contribution rates as of June 30, 2017 are:

| Employee Category | Employee | Employer |
|------------------------------|----------|----------|
| General (including teachers) | 6.6% | 6.6% |

SCHOOL DISTRICT OF БЕЛОIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

At June 30, 2017, the District reported a liability of \$2,355,073 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.28572704%, which was a decrease of 0.01199308% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$6,200,441.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 897,990 | \$ 7,406,501 |
| Changes in assumptions | 2,462,320 | - |
| Net differences between projected and actual earnings on pension plan investments | 11,722,808 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 448,686 | - |
| Employer contributions subsequent to the measurement date | 1,305,336 | - |
| Total | <u>\$ 16,837,140</u> | <u>\$ 7,406,501</u> |

The \$1,305,336 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended June 30 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------|-----------------------------------|----------------------------------|
| 2017 | \$ 5,628,141 | \$ 2,364,633 |
| 2018 | 5,628,141 | 2,364,633 |
| 2019 | 4,606,601 | 2,364,633 |
| 2020 | (337,484) | 312,602 |
| 2021 | 6,405 | - |
| Total | <u>\$ 15,531,804</u> | <u>\$ 7,406,501</u> |

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

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 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. The 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:

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

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

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

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

| | 1% Decrease to Discount Rate (6.2%) | Current Discount Rate (7.2%) | 1% Increase to Discount Rate (8.2%) |
|--|---|------------------------------------|---|
| District's proportionate share of the net pension liability (asset) | \$ 30,982,495 | \$ 2,355,073 | \$ (19,689,339) |

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

f. Payable to the WRS

At June 30, 2017, the District reported a payable of \$435,033 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

7. Minimum Fund Balance Policy

The Board of Education has adopted a policy that fund balance in the amount of 18% of general fund expenditures be maintained for cash flow and working capital purposes. The District's unassigned general fund balance of \$17,553,719 exceeds the District's minimum fund balance policy.

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION

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

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

The cumulative effect of this change was to increase the June 30, 2016 net position by \$3,475,269 as follows:

| | |
|--|---------------------|
| Other postemployment liability | |
| Balance previously reported | \$ 9,632,359 |
| Actuarially determined balance | 6,157,090 |
| Change in other postemployment liability | <u>\$ 3,475,269</u> |

a. Plan Description

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

b. Benefits Provided

| Classification | Eligibility | | Maximum Years of Benefits School Year Retiring | | | Type of benefit |
|---|-------------|---------|---|------|---------------|-----------------------|
| | Age | Service | 2015 | 2016 | 2017 or later | |
| Administrators | 57 | 10 | 5.0 | 4.0 | None | Medical, Dental, Life |
| | 57 | 11 | 5.5 | 4.0 | None | Medical, Dental, Life |
| | 57 | 12+ | 6.0 | 4.0 | None | Medical, Dental, Life |
| Teachers, Educational Assistants, Secretaries | 55 | 15 | 6.0 | 4.0 | None | Medical |
| Instructional Support | 55 | 15 | 6.0 | 4.0 | None | Medical, Life |
| Administrative Assistant | 55 | 15 | 6.0 | 4.0 | None | Medical, Dental, Life |

The District contributes the employer share of the premium for medical, dental and life insurance for eligible employees. The retiree remains responsible for the employee share of the premium.

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

| | |
|----------------|------------|
| Administrators | 7 |
| All others | 128 |
| | <u>135</u> |

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

d. Contributions

The District contributes a portion of the premium for medical, dental and life insurance for eligible employees as indicated by the plan that retired on or before June 30, 2016. The retiree remains responsible for the employee share of the premium.

e. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|-------------------------|
| Discount Rate: | 4.0 percent |
| Salary Increases: | 2.0 percent |
| Investment Rate of Return: | 4.0 percent |
| | 2017 - 3.8 percent |
| | 2018,2019 - 6.5 percent |
| Healthcare cost trend rates: | 2020,2021 - 6.0 percent |
| | 2022 - 5.5 percent |

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 - June 30 2017.

The long-term expected rate of return on OPEB plan investments was valued at 4.00%. The 20 year tax-exempt AA Municipal bond rate as of the measurement date was used for all years of benefit payments.

Discount rate. The discount rate used to measure the total OPEB liability was 4.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

f. Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|-----------------------------|------------------------------------|---------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at July 1, 2016 | \$ 9,135,938 | \$ 2,978,848 | \$ 6,157,090 |
| Changes for the year: | | | |
| Service cost | - | - | - |
| Interest | 365,438 | - | 365,438 |
| Differences between expected and actual experience | - | - | - |
| Contributions - employer | - | 2,319,644 | (2,319,644) |
| Net investment income | - | 115,790 | (115,790) |
| Benefit payments | (2,016,574) | (2,016,574) | - |
| Administrative expense | - | - | - |
| Net changes | (1,651,136) | 418,860 | (2,069,996) |
| Balance at June 30, 2017 | \$ 7,484,802 | \$ 3,397,708 | \$ 4,087,094 |

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current rate:

| | 1% Decrease to Discount Rate (3.00%) | Current Discount Rate (4.00%) | 1% Increase to Discount Rate (5.00%) |
|--------------------|---|----------------------------------|---|
| Net OPEB Liability | \$ 4,179,699 | \$ 4,087,094 | \$ 3,997,979 |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (2.8 percent) or 1-percentage-point higher (4.8 percent) than the current healthcare cost trend rates:

| | 1% Decrease (2.8%) | Healthcare Cost Trend Rates (3.8%) | 1% Increase (4.8%) |
|--------------------|-----------------------|---------------------------------------|-----------------------|
| Net OPEB liability | \$ 3,996,855 | \$ 4,087,094 | \$ 4,179,049 |

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

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$249,648. At June 30, 2017, the District did not report any deferred outflows of resources and deferred inflows of resources related to OPEB.

SCHOOL DISTRICT OF БЕЛОIT
 Beloit, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

h. Payable to the OPEB Plan

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

2. Self-Funded Insurance Program

On December 1, 1983 the District established a self-funded health and dental plan for its employees. The plan administrators are responsible for the approval, processing, and payments of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2017.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$250,000 per individual and/or 125% of the annual estimated claims as provided by Prairie States and Restat. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2017 the District reported a liability of \$1,198,330, which represents reported and unreported claims which were incurred on or before June 30, 2017, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Change in the claims liability for the year ended June 20, 2017 is as follows:

| | Liability July 1 | Current Year Claims and Changes in Estimates | Claim Payments | Liability June 30 |
|------|---------------------|---|-------------------|----------------------|
| 2017 | \$ 1,246,312 | \$ 11,646,754 | \$ 11,694,736 | \$ 1,198,330 |
| 2016 | 1,661,109 | 10,729,656 | 11,144,453 | 1,246,312 |

3. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

4. Contingencies

- a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

5. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

6. Prior Period Adjustment

The District's June 30, 2016 financial statements reported an addition of capital assets for a lease agreement but did not report a corresponding lease liability for the lease. For June 30, 2017, the District reported a prior period adjustment of \$3,928,629 to record a liability for the lease.

The prior period adjustment did not affect the District's fund financial statements as of June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 7,846,363 | \$ 7,846,363 | \$ 7,846,363 | \$ - |
| Other local sources | 918,522 | 965,307 | 1,095,721 | 130,414 |
| Interdistrict sources | 1,182,347 | 1,338,347 | 1,153,309 | (185,038) |
| State sources | 69,460,941 | 69,597,934 | 69,771,823 | 173,889 |
| Federal sources | 6,183,454 | 6,334,758 | 5,604,237 | (730,521) |
| Other sources | 261,267 | 262,267 | 253,921 | (8,346) |
| Total Revenues | 85,852,894 | 86,344,976 | 85,725,374 | (619,602) |
| Expenditures | | | | |
| Instruction | | | | |
| Regular instruction | 32,059,847 | 32,085,907 | 31,091,423 | 994,484 |
| Vocational instruction | 1,790,708 | 1,789,024 | 1,685,480 | 103,544 |
| Other instruction | 5,932,586 | 5,935,225 | 5,513,584 | 421,641 |
| Total Instruction | 39,783,141 | 39,810,156 | 38,290,487 | 1,519,669 |
| Support Services | | | | |
| Pupil services | 3,874,615 | 3,908,937 | 3,589,206 | 319,731 |
| Instructional staff services | 4,073,403 | 4,268,723 | 3,997,874 | 270,849 |
| General administration services | 1,301,101 | 1,425,313 | 1,521,143 | (95,830) |
| School administration services | 4,086,173 | 4,067,906 | 4,064,302 | 3,604 |
| Business services | 1,193,860 | 1,208,184 | 1,107,810 | 100,374 |
| Operation and maintenance of plant | 10,948,378 | 10,976,338 | 10,469,554 | 506,784 |
| Pupil transportation services | 1,431,921 | 1,466,833 | 1,295,544 | 171,289 |
| Central services | 2,571,901 | 2,555,801 | 2,147,118 | 408,683 |
| Insurance | 563,909 | 563,909 | 589,519 | (25,610) |
| Other support services | 132,708 | 152,954 | 213,076 | (60,122) |
| Total Support Services | 30,177,969 | 30,594,898 | 28,995,146 | 1,599,752 |
| Debt Service | | | | |
| Principal | 1,725,221 | 1,725,221 | 1,740,482 | (15,261) |
| Interest | 34,388 | 34,388 | 19,125 | 15,263 |
| Total Debt Service | 1,759,609 | 1,759,609 | 1,759,607 | 2 |
| Non-program | | | | |
| General tuition payments | 4,783,554 | 5,580,494 | 4,733,107 | 847,387 |
| Adjustments and refunds | 179,474 | 66,100 | 11,900 | 54,200 |
| Other non-program | 335,349 | 335,349 | 331,688 | 3,661 |
| Total Non-program | 5,298,377 | 5,981,943 | 5,076,695 | 905,248 |
| Total Expenditures | 77,019,096 | 78,146,606 | 74,121,935 | 4,024,671 |
| Excess of Revenues Over Expenditures | 8,833,798 | 8,198,370 | 11,603,439 | 3,405,069 |
| Other Financing Sources (Uses) | | | | |
| Capital leases | - | - | 161,815 | 161,815 |
| Sale of capital assets | 62,000 | 62,000 | 54,274 | (7,726) |
| Transfers out | (8,895,798) | (8,247,798) | (7,713,850) | 533,948 |
| Total Other Financing Sources (Uses) | (8,833,798) | (8,185,798) | (7,497,761) | 688,037 |
| Net Change in Fund Balances | - | 12,572 | 4,105,678 | 4,093,106 |
| Fund Balance - Beginning of Year | 13,569,229 | 13,569,229 | 13,569,229 | - |
| Fund Balance - End of Year | \$ 13,569,229 | \$ 13,581,801 | \$ 17,674,907 | \$ 4,093,106 |

The notes to the required supplementary information are an integral part of this statement.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Education Fund - Budgetary Basis
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Interdistrict sources | \$ 156,000 | \$ - | \$ - | \$ - |
| Intermediate sources | 15,000 | 17,000 | 6,327 | (10,673) |
| State sources | 3,105,192 | 3,105,192 | 2,978,783 | (126,409) |
| Federal sources | 2,297,029 | 2,297,029 | 1,955,506 | (341,523) |
| Other sources | - | - | 369 | 369 |
| Total Revenues | 5,573,221 | 5,419,221 | 4,940,985 | (478,236) |
| Expenditures | | | | |
| Instruction | | | | |
| Special education instruction | 8,726,990 | 8,905,678 | 8,503,327 | 402,351 |
| Other instruction | 44,023 | 44,023 | 41,389 | 2,634 |
| Total Instruction | 8,771,013 | 8,949,701 | 8,544,716 | 404,985 |
| Support Services | | | | |
| Pupil services | 2,580,316 | 2,483,294 | 2,164,548 | 318,746 |
| Instructional staff services | 722,180 | 716,947 | 654,106 | 62,841 |
| Operation and maintenance of plant | 1,500 | 1,500 | 518 | 982 |
| Pupil transportation services | 829,017 | 929,317 | 898,438 | 30,879 |
| Total Support Services | 4,133,013 | 4,131,058 | 3,717,610 | 413,448 |
| Non-program | | | | |
| Special education tuition payments | 1,559,000 | 580,267 | 376,057 | 204,210 |
| Total Expenditures | 14,463,026 | 13,661,026 | 12,638,383 | 1,022,643 |
| Excess of Revenues Under Expenditures | (8,889,805) | (8,241,805) | (7,697,398) | 544,407 |
| Other Financing Sources | | | | |
| Transfers in | 8,889,805 | 8,241,805 | 7,697,398 | (544,407) |
| Net Change in Fund Balances | - | - | - | - |
| Fund Balance - Beginning of Year | - | - | - | - |
| Fund Balance - End of Year | \$ - | \$ - | \$ - | \$ - |

The notes to the required supplementary information are an integral part of this statement.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

| | 2017 |
|---|---------------------|
| Total OPEB Liability | |
| Service cost | \$ - |
| Interest | 365,438 |
| Benefit payments | (2,016,574) |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes of assumptions | - |
| Net change in total OPEB liability | (1,651,136) |
| Total OPEB liability - beginning | 9,135,938 |
| Total OPEB liability - ending (a) | <u>\$ 7,484,802</u> |
| Plan Fiduciary Net Position | |
| Contributions - Employer | \$ 2,319,644 |
| Net investment income | 115,790 |
| Benefit payments | (2,016,574) |
| Administrative expenses | - |
| Net change in plan fiduciary net position | 418,860 |
| Plan fiduciary net position - beginning | 2,978,848 |
| Plan fiduciary net position - ending (b) | <u>\$ 3,397,708</u> |
| District's net OPEB liability - ending (a) - (b) | <u>\$ 4,087,094</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 45% |
| Covered-employee payroll | \$ 37,546,638 |
| District's net OPEB liability as a percentage of covered-employee payroll | 11% |

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

The notes to the required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Schedule of Employer Contributions
 Other Postemployment Benefits
 Last 10 Fiscal Years

| | 2017 |
|---|---------------|
| Actuarially determined contribution (ADC) | \$ 680,949 |
| Contributions in relation to the ADC | 680,949 |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered-employee payroll | \$ 37,546,638 |
| Contributions as a percentage of covered-employee payroll | 1.81% |

Key Methods and Assumption Used to Calculate ADC

| | |
|------------------------|---------------------|
| Actuarial cost method | Entry Age Normal |
| Asset valuation method | Market Value |
| Amortization method | 8 year Level Dollar |
| Discount rate | 4.00% |
| Asset Earnings Rate | 4.00% |

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

The notes to the required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT OF БЕЛОIT
 Beloit, Wisconsin
 Schedule of Proportionate Share of the Net Pension Liability (Asset)
 Wisconsin Retirement System
 Last 10 Fiscal Years

| Fiscal Year Ending | Proportion of the Net Pension Liability (Asset) | Proportionate Share of the Net Pension Liability (Asset) | Covered - Employee Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) |
|-----------------------|---|---|----------------------------------|--|--|
| 6/30/15 | 0.30392600% | \$ (7,465,264) | \$ 40,219,358 | 18.56% | 102.74% |
| 6/30/16 | 0.29772012% | 4,837,894 | 42,044,113 | 11.51% | 98.20% |
| 6/30/17 | 0.28572704% | 2,355,073 | 39,495,041 | 5.96% | 99.12% |

Schedule of Contributions
 Wisconsin Retirement System
 Last 10 Fiscal Years

| Fiscal Year Ending | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered - Employee Payroll | Contributions as a Percentage of Covered - Employee Payroll |
|-----------------------|--|---|--|----------------------------------|---|
| 6/30/15 | \$ 2,815,492 | \$ 2,815,492 | \$ - | \$ 40,219,358 | 7.00% |
| 6/30/16 | 2,863,638 | 2,863,638 | - | 42,044,113 | 6.81% |
| 6/30/17 | 2,606,673 | 2,606,673 | - | 39,495,041 | 6.60% |

The notes to the required supplementary information are an integral part of this schedule.

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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

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

NOTE B - WISCONSIN RETIREMENT SYSTEM

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

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

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction (DPI). The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2017.

SCHOOL DISTRICT OF БЕЛОIT
Beloit, Wisconsin
Notes to Required Supplementary Information (Continued)
For the Year Ended June 30, 2017

NOTE C - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a separate budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for funds on a budgetary fund basis and a GAAP basis is summarized below:

| | General Fund | Special Education Fund |
|---|-----------------------------|------------------------------|
| Revenues | | |
| Actual amounts (budgetary basis) | \$ 85,725,374 | \$ 4,940,985 |
| Reclassification of special education | 4,940,985 | (4,940,985) |
| Total Revenues | <u>90,666,359</u> | <u>-</u> |
| Expenditures | | |
| Actual amounts (budgetary basis) | 74,121,935 | 12,638,383 |
| Reclassification of special education | 12,638,383 | (12,638,383) |
| Total Expenditures | <u>86,760,318</u> | <u>-</u> |
| Excess of Revenues Over (Under) Expenditures | | |
| Actual amounts (budgetary basis) | 11,603,439 | (7,697,398) |
| Reclassification of special education | (7,697,398) | 7,697,398 |
| Excess of Revenues Over (Under) Expenditures | <u>3,906,041</u> | <u>-</u> |
| Other Financing Sources (Uses) | | |
| Actual amounts (budgetary basis) | (7,497,761) | 7,697,398 |
| Reclassification of special education | 7,697,398 | (7,697,398) |
| Total Other Financing Sources (Uses) | <u>199,637</u> | <u>-</u> |
| Net Change in Fund Balance | | |
| Actual amounts (budgetary basis) | <u>4,105,678</u> | <u>-</u> |
| Fund Balance - Beginning of Year | | |
| Actual amounts (budgetary basis) | <u>13,569,229</u> | <u>-</u> |
| Fund Balance - End of Year | | |
| Actual amounts (budgetary basis) | <u><u>\$ 17,674,907</u></u> | <u><u>\$ -</u></u> |

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

| | Special Revenue Funds | | | Debt Service | | Total Nonmajor Governmental Funds |
|--|----------------------------------|---------------------|-------------------------|------------------------------------|----------------------------|---|
| | Special Revenue Trust Fund | Food Service | Co-operative Program | Non- Referendum Debt Service | Referendum Debt Service | |
| ASSETS | | | | | | |
| Cash and investments | \$ 226,631 | \$ 2,848,761 | \$ 6,733 | \$ 658,155 | \$ 999,494 | \$ 4,739,774 |
| Receivables | | | | | | |
| Accounts | 100 | 2,877 | 1,490 | 6,625 | - | 11,092 |
| Due from other governments | - | 227,602 | - | - | - | 227,602 |
| Inventory | - | 47,374 | - | - | - | 47,374 |
| TOTAL ASSETS | \$ 226,731 | \$ 3,126,614 | \$ 8,223 | \$ 664,780 | \$ 999,494 | \$ 5,025,842 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 11,990 | \$ 216,790 | \$ 131 | \$ - | \$ - | \$ 228,911 |
| Due to other funds | 3,538 | 270,411 | 8,092 | - | - | 282,041 |
| Unearned revenues | - | 13,564 | - | - | - | 13,564 |
| Total Liabilities | 15,528 | 500,765 | 8,223 | - | - | 524,516 |
| Fund Balances | | | | | | |
| Nonspendable | | | | | | |
| Inventory | - | 47,374 | - | - | - | 47,374 |
| Restricted | | | | | | |
| Debt service | - | - | - | 664,780 | 999,494 | 1,664,274 |
| Donor restricted | 211,203 | - | - | - | - | 211,203 |
| Nutrition service | - | 2,578,475 | - | - | - | 2,578,475 |
| Total Fund Balances | 211,203 | 2,625,849 | - | 664,780 | 999,494 | 4,501,326 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 226,731 | \$ 3,126,614 | \$ 8,223 | \$ 664,780 | \$ 999,494 | \$ 5,025,842 |

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

| | Special Revenue Funds | | | Debt Service | | Total Nonmajor Governmental Funds |
|---|----------------------------------|---------------------|-------------------------|------------------------------------|----------------------------|--|
| | Special Revenue Trust Fund | Food Service | Co-operative Program | Non- Referendum Debt Service | Referendum Debt Service | |
| Revenues | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 833,318 | \$ 4,531,540 | \$ 5,364,858 |
| Other local sources | 226,022 | 86,882 | 12,004 | 44,000 | 12,124 | 381,032 |
| Interdistrict sources | - | - | 40,990 | - | - | 40,990 |
| Intermediate sources | - | - | 5,272 | - | - | 5,272 |
| State sources | - | 95,049 | - | - | - | 95,049 |
| Federal sources | - | 4,887,100 | - | - | - | 4,887,100 |
| Other sources | - | - | - | - | 60,805 | 60,805 |
| Total Revenues | 226,022 | 5,069,031 | 58,266 | 877,318 | 4,604,469 | 10,835,106 |
| Expenditures | | | | | | |
| Instruction | | | | | | |
| Regular instruction | 3,468 | - | - | - | - | 3,468 |
| Vocational instruction | 3,172 | - | 1,875 | - | - | 5,047 |
| Other instruction | 184,047 | - | 62,126 | - | - | 246,173 |
| Total Instruction | 190,687 | - | 64,001 | - | - | 254,688 |
| Support Services | | | | | | |
| Business services | - | 19,460 | - | - | - | 19,460 |
| Operation and maintenance of plant | - | 51,605 | - | - | - | 51,605 |
| Pupil transportation services | 36,243 | - | 10,717 | - | - | 46,960 |
| Food services | - | 4,349,311 | - | - | - | 4,349,311 |
| Total Support Services | 36,243 | 4,420,376 | 10,717 | - | - | 4,467,336 |
| Debt Service | | | | | | |
| Principal | - | - | - | 607,054 | 2,960,000 | 3,567,054 |
| Interest | - | - | - | 287,287 | 1,674,088 | 1,961,375 |
| Total Debt Service | - | - | - | 894,341 | 4,634,088 | 5,528,429 |
| Total Expenditures | 226,930 | 4,420,376 | 74,718 | 894,341 | 4,634,088 | 10,250,453 |
| Excess of Revenues Over (Under) Expenditures | (908) | 648,655 | (16,452) | (17,023) | (29,619) | 584,653 |
| Other Financing Sources | | | | | | |
| Transfers in | - | - | 16,452 | - | - | 16,452 |
| Net Change in Fund Balances | (908) | 648,655 | - | (17,023) | (29,619) | 601,105 |
| Fund Balances - Beginning of Year | 212,111 | 1,977,194 | - | 681,803 | 1,029,113 | 3,900,221 |
| Fund Balances - End of Year | \$ 211,203 | \$ 2,625,849 | \$ - | \$ 664,780 | \$ 999,494 | \$ 4,501,326 |

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Schedule of Changes in Assets and Liabilities
 Pupil Activity Funds
 For the Year Ended June 30, 2017

| | Balance 7/1/16 | Additions | Deletions | Balance 6/30/17 |
|------------------------------|-------------------|-------------------|------------------|--------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 82,946 | \$ 105,985 | \$ 97,532 | \$ 91,399 |
| LIABILITIES | | | | |
| Accounts payable | \$ 5,118 | \$ 9,685 | \$ 5,118 | \$ 9,685 |
| Due to student organizations | | | | |
| Elementary Schools | 5,573 | 207 | 1,604 | 4,176 |
| Middle School | 14,048 | 21,206 | 18,900 | 16,354 |
| High School | 58,207 | 74,887 | 71,910 | 61,184 |
| TOTAL LIABILITIES | \$ 82,946 | \$ 105,985 | \$ 97,532 | \$ 91,399 |

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

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

To the Board of Education
School District of Beloit
Beloit, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Beloit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District of Beloit's basic financial statements, and have issued our report thereon which included emphasis of matter paragraph as indicated on page 2 dated November 28, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

A handwritten signature in black ink, appearing to read "Schuch" followed by a stylized flourish.

Certified Public Accountants
Green Bay, Wisconsin
November 28, 2017

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

To the Board of Education
School District of Beloit
Beloit, Wisconsin

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, School District of Beloit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of School District of Beloit 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 School District of Beloit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of Beloit's internal control over compliance.

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

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

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



Certified Public Accountants
Green Bay, Wisconsin
November 28, 2017

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

| Grantor Agency/Federal Program Title | CFDA Number | Pass-Through Agency | Pass-Through Entity Identifying Number | Revenues | | | Total Expenditures | Subrecipient Payment |
|---|-------------|---------------------|--|-------------------------------------|--------------------------|--------------------------------------|----------------------|----------------------|
| | | | | (Accrued) Deferred Revenue 7/1/2016 | Cash Received (Refunded) | Accrued (Deferred) Revenue 6/30/2017 | | |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | |
| School Breakfast Program | 10.553 | WI DPI | 2017-530413-SB-546 | \$ (189,594) | \$ 1,586,489 | \$ 36,301 | \$ 1,433,196 | \$ - |
| National School Lunch Program | 10.555 | WI DPI | 2017-530413-NSL-547 | (409,002) | 3,111,926 | 73,517 | 2,776,441 | - |
| National School Lunch Program | 10.555 | WI DPI | Unknown | - | 246,583 | - | 246,583 | - |
| National School Lunch Program | 10.555 | WI DPI | 2017-530413-NSL-Snacks-566 | - | 70,386 | - | 70,386 | - |
| Total National School Lunch Program | | | | (409,002) | 3,428,895 | 73,517 | 3,093,410 | - |
| Summer Food Service Program for Children | 10.559 | WI DPI | 2017-530413-SFSP-586 | (59,074) | 172,045 | 66,808 | 179,779 | - |
| Total Child Nutrition Cluster | | | | (657,670) | 5,187,429 | 176,626 | 4,706,385 | - |
| Fresh Fruit and Vegetable Program | 10.582 | WI DPI | 2017-530413-FF&V-376 | (30,337) | 155,703 | 50,975 | 176,341 | - |
| Total U.S. Department of Agriculture | | | | (688,007) | 5,343,132 | 227,601 | 4,882,726 | - |
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | WI DPI | 17-530413-Title I-141 | (488,713) | 2,763,879 | 711,817 | 2,986,983 | - |
| Title I Grants to Local Educational Agencies | 84.010 | WI DPI | 2017-530413-Focus-145 | - | 7,927 | - | 7,927 | - |
| Total Title I Grants to Local Educational Agencies | | | | (488,713) | 2,771,806 | 711,817 | 2,994,910 | - |
| Special Education Cluster (IDEA) | | | | | | | | |
| Special Education Grants to States | 84.027 | WI DPI | 2017-530413-IDEA-341 | (197,265) | 1,395,982 | 320,396 | 1,519,093 | - |
| Special Education Preschool Grants | 84.173 | WI DPI | 17-530413-Pre-S-347 | (24,174) | 76,077 | 19,024 | 70,927 | - |
| Total Special Education Cluster (IDEA) | | | | (221,439) | 1,472,039 | 339,420 | 1,590,020 | - |
| Career and Technical Education – Basic Grants to States | 84.048 | WI DPI | 2017-530413-CP-CTE-400 | (7,861) | 39,995 | 69,212 | 101,346 | - |
| Safe and Drug-Free Schools and Communities National Programs | 84.184L | WI DPI | Unknown | - | 492,901 | 98,576 | 591,477 | - |
| Education for Homeless Children and Youth | 84.196 | WI DPI | 2017-530413-Homeless-335 | (5,985) | 42,888 | 21,196 | 58,099 | - |
| Twenty-First Century Community Learning Centers | 84.287 | WI DPI | 17-530413-367-CLC | (64,380) | 455,014 | 121,691 | 512,325 | - |
| English Language Acquisition State Grants | 84.365 | WI DPI | 17-530413-Title III A-391 | (16,837) | 116,053 | 11,312 | 110,528 | - |
| Improving Teacher Quality State Grants | 84.367 | WI DPI | 17-530413-Title II-365 | (81,238) | 490,494 | 133,007 | 542,263 | - |
| Total U.S. Department of Education | | | | (886,453) | 5,881,190 | 1,506,231 | 6,500,968 | - |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | | |
| Cooperative Agreements to Promote Adolescent Health through School Based HIV/STD Prevention and School-Based Surveillance | 93.079 | WI DPI | 2016-17-530413-WILY-334 | (451) | 4,666 | 1,558 | 5,773 | - |
| Pregnancy Assistance Fund Program | 93.500 | WI DPI | 17-530413-InSPIRE-591 | (11,736) | 49,573 | 46,906 | 84,743 | - |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | WI DHS | Unknown | - | 8,000 | - | 8,000 | - |
| Medicaid Cluster | | | | | | | | |
| Medical Assistance Program | 93.778 | WI DHS | 44200300 | (18,499) | 923,721 | 1,457 | 906,679 | - |
| Total Medicaid Cluster | | | | (18,499) | 923,721 | 1,457 | 906,679 | - |
| Total U.S. Department of Health and Human Services | | | | (30,686) | 985,960 | 49,921 | 1,005,195 | - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | \$ (1,605,146) | \$ 12,210,282 | \$ 1,783,753 | \$ 12,388,889 | \$ - |

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

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Schedule of State Financial Assistance
For the Year Ended June 30, 2017

| Grantor Agency/State Program Title | State I.D. Number | Pass-through Agency | State Identifying Number | Revenues | | | Total Expenditures | Subrecipient Payments |
|---|-------------------------|---------------------|--------------------------------|--|--------------------------------|---|-----------------------|--------------------------|
| | | | | (Accrued) Deferred Revenue 7/1/2016 | Cash Received (Refunded) | Accrued (Deferred) Revenue 6/30/2017 | | |
| DEPARTMENT OF PUBLIC INSTRUCTION | | | | | | | | |
| Special Education and School Age Parents | 255.101 | Direct Program | 530413-100 | \$ - | \$ 2,810,470 | \$ - | \$ 2,810,470 | \$ - |
| State School Lunch Aid | 255.102 | Direct Program | 530413-107 | - | 41,101 | - | 41,101 | - |
| Common School Fund Library Aid | 255.103 | Direct Program | 530413-104 | - | 259,726 | - | 259,726 | - |
| Bilingual Bicultural Aid Lea | 255.106 | Direct Program | 530413-111 | - | 192,960 | - | 192,960 | - |
| General Transportation Aid | 255.107 | Direct Program | 530413-102 | - | 29,026 | - | 29,026 | - |
| Equalization Aids | 255.201 | Direct Program | 530413-116 | (1,131,337) | 63,554,909 | 1,083,459 | 63,507,031 | - |
| High Cost Special Education Aid | 255.210 | Direct Program | 530413-119 | - | 166,931 | - | 166,931 | - |
| Peer Review and Mentoring | 255.301 | Direct Program | 530413-141 | - | 6,806 | 15,425 | 22,231 | - |
| Alcohol and Other Drug Abuse | 255.306 | Direct Program | 530413-143 | - | 900 | - | 900 | - |
| State School Breakfast Aid | 255.344 | Direct Program | 530413-108 | - | 53,948 | - | 53,948 | - |
| Student Achievement Guarantee in Education (SAGE) | 255.504 | Direct Program | 530413-160 | - | 3,323,415 | - | 3,323,415 | - |
| Aid for High Poverty School District | 255.926 | Direct Program | 530413-121 | - | 493,079 | - | 493,079 | - |
| Educator Effective Evaluation System | 255.940 | Direct Program | 530413-154 | (45,879) | 93,399 | - | 47,520 | - |
| Per Pupil Aid | 255.945 | Direct Program | 530413-113 | (1,098,450) | 2,922,450 | - | 1,824,000 | - |
| Career and Technical Education Incentive Grants | 255.950 | Direct Program | 530413-151 | - | 19,223 | - | 19,223 | - |
| Assessments of Reading Readiness | 255.956 | Direct Program | 530413-166 | - | 15,342 | - | 15,342 | - |
| Aid for Special Ed Transition Grant BBL | 255.960 | Direct Program | 530413-168 | - | 1,382 | - | 1,382 | - |
| Total Department of Public Instruction | | | | (2,275,666) | 73,985,067 | 1,098,884 | 72,808,285 | - |
| TOTAL STATE PROGRAMS | | | | \$ (2,275,666) | \$ 73,985,067 | \$ 1,098,884 | \$ 72,808,285 | \$ - |

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

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended June 30, 2017

NOTE A - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Beloit and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has not elected to charge a de minimis indirect cost rate of 10% of modified total direct costs.

NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2016-2017 eligible costs under the State Special Education Program as reported by the District are \$10,906,990.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed.

NOTE D - OVERSIGHT AGENCIES

The U.S. Department of Education has been designated the federal oversight agency for the District. The Wisconsin Department of Public Instruction is the state oversight agency for the District.

NOTE E – PASS THROUGH ENTITIES

Federal awards have been passed through the following agencies:

WI DPI – Wisconsin Department of Public Instruction
WI DHS – Wisconsin Department of Health Services

SCHOOL DISTRICT OF BELOIT
 Beloit, Wisconsin
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Basic Financial Statements

| | |
|---|---------------|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiencies identified? | None reported |
| Noncompliance material to basic financial statements noted? | No |

Federal Awards and State Financial Assistance

| | |
|---|---------------|
| Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiencies identified? | None reported |
| Type of auditors' report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? | No |
| Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ? | No |

Identification of major federal programs:

| CFDA Number | Name of Federal Programs |
|-------------|--------------------------------------|
| | <i>Special Education Cluster</i> |
| 84.027 | Special Education - Grants to States |
| 84.173 | Special Education - Preschool Grants |
| | <i>Medicaid Cluster</i> |
| 93.778 | Medical Assistance |

| State ID Number | Name of State Programs |
|-----------------|--|
| 255.103 | Common School Library Fund |
| 255.201 | Equalization Aids |
| 255.504 | Student Achievement Guarantee in Education Aid |

Audit threshold used to determine between Type A and Type B programs:

| | |
|---------------------------------------|-----------|
| Federal | \$750,000 |
| State | \$250,000 |
| Auditee qualified as low-risk auditee | Yes |

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II - Financial Statement Finding

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2017.

Section III - Federal and State Award Findings and Questioned Costs

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* for the year ended June 30, 2017.

Section IV - Other Issues

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

_____ Yes X No

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

Department of Public Instruction

_____ Yes X No

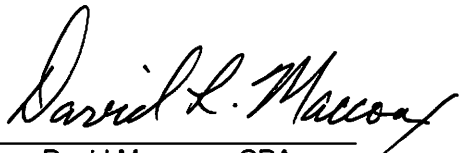
Department of Health Services

_____ Yes X No

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

 X Yes _____ No

Name and signature of shareholder



David Maccoux, CPA

Date of report

November 28, 2017

SCHOOL DISTRICT OF BELOIT
Beloit, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2017

Status of Prior Year Audit Findings

The findings noted in the 2016 Schedule of Findings and Questioned Costs have been reported to the proper state agency. Finding 2016-001 was remedied during the 2016-2017 fiscal year.

Corrective Action Plan for Audit Findings

None Required.