

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Monona Grove School District  
Monona, 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 Monona Grove School District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Janesville Office:**  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Milwaukee Office:**  
W229 N1433 Westwood Drive  
Suite 105  
Waukesha, WI 53186  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

## **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 Monona Grove School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, and schedule of net pension liability and schedule of contributions on pages 4-11 and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monona Grove School District's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is 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, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2016 on our consideration of the Monona Grove School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monona Grove School District's internal control over financial reporting and compliance.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
December 10, 2016

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2016

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The discussion and analysis of the financial performance of the Monona Grove School District (District) provides an overview of financial activities for the fiscal year ended June 30, 2016. 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 \$16,152,645 at June 30, 2016.
- Total revenues increased to \$45,122,222 in fiscal year 2016, up from \$44,280,109 in fiscal year 2015, an increase of approximately 1.90%.
- Total expenses increased to \$42,534,760 in fiscal year 2016, up from \$41,161,599 in the fiscal year 2015, an increase of 3.34%.

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

- Total fund balances of the District's governmental funds decreased \$293,638 in fiscal year 2016. This decrease included a \$433,052 decrease in the general fund, a \$16,331 increase in the debt service fund, and a \$123,083 increase in the nonmajor governmental funds.
- The decrease of \$433,052 was due to the District maintaining class sizes and increase in health insurance premiums.
- The fund balance for all governmental funds at June 30, 2016 was \$10,345,590. Of this amount, \$692,468 was nonspendable; \$2,263,777 was restricted for debt service, capital projects, donor restriction, nutrition services, and community service; and \$7,389,345 remains unassigned.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. Those basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information supplementary to the basic financial statements.

**MONONA GROVE SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-wide financial statements**

*District-wide financial statements* report information about the Monona Grove School District as a whole, using accounting methods similar to those used by private sector companies.

The *statement of net position* presents financial information on all of the Monona Grove School District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position.

The *statement of activities* includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's net position and to provide an explanation of material changes that occurred since the prior year.

**Fund financial statements**

The *fund financial statements* provide detailed information about the District's significant funds rather than the Monona Grove School District as a whole. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary. Table 1 summarizes the various features of each of these funds.

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided that explains the relationship between them.
- *Fiduciary funds*—The District serves as a fiduciary for student organizations. The District is also responsible for other assets that can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2016

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Table 1**  
**Major Features of the District-wide and Fund Financial Statements**

	District-wide	Fund Financial Statements	
	<u>Statements</u>	<u>Governmental</u>	<u>Fiduciary</u>
<b>Scope</b>	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	The district acts as trustee or agent for another; e.g other post-employment trusts
<b>Required Financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
<b>Type of asset, deferred inflow/outflow or resources, and liability information</b>	All assets, deferred inflows/outflows of resources, and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
<b>Type of inflow and outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues when cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20-39 of this report

**Other Information**

Required supplementary information (RSI) includes a budget to actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenues and expenditures. In addition, the RSI includes information concerning the District's other post-employment benefits (OPEB) liability.

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2016

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

The District ended its fiscal year with net position of \$16,152,645, of which \$7,458,961 was net investment in capital assets, \$1,125,824 was restricted for debt service, \$83,392 was restricted for capital projects, \$865,313 was restricted for donor restrictions, nutrition services, and community service, and \$6,619,155 was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general District operations.

For governmental activities, current and other assets decreased the value of assets held by the state-wide Wisconsin Retirement System (WRS) decreased significantly. As a result, the WRS is no longer reporting a net pension asset. Capital assets decreased due to current year depreciation exceeding current year capital additions. Deferred outflows of resources and deferred inflows of resources increased due to the District's proportionate share of differences in projected versus actual WRS pension investment income.

**Table 2**  
**Condensed Statement of Net Position**  
*(in thousands of dollars)*

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 18,189	\$ 22,679	-19.80%
Capital assets	58,181	59,356	-1.98%
<b>Total assets</b>	76,370	82,035	-6.91%
<b>DEFERRED OUTFLOWS</b>	12,347	3,471	255.72%
<b>LIABILITIES</b>			
Long-term liabilities	55,558	58,490	-5.01%
Other liabilities	12,525	13,451	-6.88%
<b>Total liabilities</b>	68,083	71,941	-5.36%
<b>DEFERRED INFLOWS</b>	4,481	-	100.00%
<b>NET POSITION</b>			
Net Investment in capital assets	7,459	4,141	80.13%
Restricted	2,075	1,915	8.36%
Unrestricted	6,619	7,509	-11.85%
<b>Total Net Position</b>	<b>\$ 16,153</b>	<b>\$ 13,565</b>	19.08%

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2016

**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

**Changes in Net Position**

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2016 with an increase in net position of \$2,587,462 compared to an increase of \$1,604,413 in fiscal year 2015.

The district received \$45,122,222 in revenue for the fiscal year 2016. The District relies primarily on property taxes (54.7% of total governmental revenues), and state equalization aid (26.0%) to fund governmental activities. The District received approximately 16.2% in the form of specific use state grants, federal aid and direct fees for services.

Individuals who directly participated or benefited from a program paid 8.5% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services.

Federal and state governments subsidized certain programs with grants and awards of \$3,496,301. Operating grants include Title I, IDEA, Transportation Aid, and National School Lunch Programs.

**Table 3**  
**Changes in Net Position from Operating Results**  
*(in thousands of dollars)*

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 3,833	\$ 3,578	7.13%
Operating grants & contributions	3,496	3,390	3.13%
General revenues			
Property taxes	24,680	24,679	0.00%
General Aid	11,741	11,343	3.51%
Other	1,373	1,290	6.43%
<b>Total revenues</b>	<b>45,123</b>	<b>44,280</b>	<b>1.90%</b>
<b>EXPENSES</b>			
Instruction	22,162	21,700	2.13%
Pupil and instructional services	3,138	3,498	-10.29%
Administration and business	11,868	11,501	3.19%
Interest on debt	1,592	4,007	-60.27%
Other	3,776	1,980	90.71%
<b>Total expenses</b>	<b>42,536</b>	<b>42,686</b>	<b>-0.35%</b>
<b>Change in Net Position</b>	<b>\$ 2,587</b>	<b>\$ 1,594</b>	<b>62.30%</b>

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2016

**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

Table 4 presents the cost of district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$42,534,760. Individuals who directly participated or benefited from a program offering paid \$3,833,392 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3,496,301. The net cost of governmental activities \$35,205,067 was financed by \$24,679,582 of property taxes and \$11,741,407 of state equalization aid.

**Table 4**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Total Cost of Services	Net Cost of Services
<b>EXPENSES</b>		
Instruction	\$ 22,162	\$ (16,705)
Pupil and instructional services	3,138	(3,003)
Administration and business	11,868	(10,525)
Interest on debt	1,592	(1,592)
Other	3,776	(3,380)
<b>Total expenses</b>	<b>\$ 42,536</b>	<b>\$ (35,205)</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$10,345,590, down from last year's ending fund balance of \$10,639,228. The District's unassigned fund balance, available for spending at the district's discretion was \$7,389,345.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance decrease of \$433,052.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

While the District's original budget for the general fund anticipated that revenues would equal expenditures. The actual results for the year ended June 30, 2016 had expenditures and other financing uses in excess revenues and other financing sources of \$433,052.

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2016

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the June 30, 2016, the District had \$82,440,405 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$24,259,600. Asset acquisitions for governmental activities totaled \$145,108. The District recognized depreciation expense of \$1,320,138. Detailed information about capital assets can be found in Note 6 to the financial statements.

**Table 5**  
**Capital Assets**  
*(in thousands of dollars)*

	<b>2016</b>	<b>2015</b>
Land	\$ 1,854	\$ 1,854
Buildings	73,887	73,869
Furniture and equipment	6,699	7,139
Accumulated depreciation	(24,260)	(23,506)
Net capital assets	\$ 58,180	\$ 59,356

**Long-term Debt**

At June 30, 2016, the District had \$50,419,000 in general obligation debt outstanding—a decrease of \$4,475,000 from fiscal year 2015. Debt of the District is secured by a tax levy adopted by the Board of Education at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. The District issued general obligation refunding bonds of \$8,110,000 to refinance \$8,375,000 of outstanding debt. Detailed information about the District's long-term obligations is presented in Note 8 to the financial statements.

**Table 6**  
**Outstanding Long-term Obligations**  
*(in thousands of dollars)*

	<b>2016</b>	<b>2015</b>
General obligation debt	\$ 50,419	\$ 54,894
Capital leases	133	503
Other postemployment benefits	5,681	6,503
Compensated absences	1,021	1,006
Net long-term obligations	\$ 57,254	\$ 62,906

**MONONA GROVE SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District is entering into the 2nd year of the State of Wisconsin Budget, the District will be receiving an increase of \$250 in per pupil revenue limit and an increase of \$100 per pupil.
- Moody's Investment Service has maintained a solid A1 rating of the District. Moody's believed that the district's tax base would continue to expand at a healthy rate due to the District's favorable location adjacent to Madison and land available for development in the Township and Village of Cottage Grove. The district will need to continually monitor the student enrollment and reduce budgets accordingly. The District did see a small increase this year in resident enrollment this past September (Official Third Friday Count). The district continues to address concerns with respect to the two communities that are not contiguous to each other and to provide equitable, yet cost efficient, educational offerings. There is approximately eight miles of the City of Madison that separates Monona from Cottage Grove. The District continues to see many non-residents students apply for Open Enrollment into the district. There are more than a triple number of students that attend Monona grove Schools under the Open Enrollment Program, than have requested to leave and attend other districts.
- The District passed a \$2.6 million operating referendum in April 2016 to begin fiscal year 2016-17. The referendum will allow the district to levy \$2.6 million for the next 5 years.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Jerrud Rossing, Director of Business Services, at (608) 316-1916 or [jerrud.rossing@mgschools.net](mailto:jerrud.rossing@mgschools.net).

Additional information about the District and its services can also be found on the District's website at [www.mononagrove.org](http://www.mononagrove.org).

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2016

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,386,900
Accounts receivable	6,604,130
Due from other governments	2,505,703
Prepaid expenses	692,468
Capital assets not being depreciated	1,854,141
Capital assets being depreciated, net	56,326,664
Total assets	76,370,006
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Unamortized loss on refinancing	495,048
Related to pension	11,851,887
Total deferred outflows of resources	12,346,935
<b>LIABILITIES</b>	
Short-term notes payable	3,500,000
Accounts payable and other current liabilities	3,237,486
Accrued interest	193,363
Internal balances	768,179
Unearned revenues	337,946
Long-term debt	
Due within one year	4,487,891
Due in more than one year	46,064,000
Net pension liability	2,127,664
Unamortized premiums	665,001
Other postemployment benefits	5,680,558
Accrued compensated absences	1,020,828
Total liabilities	68,082,916
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension	4,481,380
<b>NET POSITION</b>	
Net investment in capital assets	7,458,961
Restricted	2,074,529
Unrestricted	6,619,155
<b>Total net position</b>	<b>\$ 16,152,645</b>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2016

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>				
Instruction				
Regular instruction	\$ 13,899,568	\$ 2,569,926	\$ 883,139	\$ (10,446,503)
Vocational instruction	1,054,088	15,605	-	(1,038,483)
Physical instruction	922,686	-	-	(922,686)
Special education instruction	4,040,692	44,000	1,943,734	(2,052,958)
Other instruction	2,244,858	-	-	(2,244,858)
<b>Total instruction</b>	<b>22,161,892</b>	<b>2,629,531</b>	<b>2,826,873</b>	<b>(16,705,488)</b>
Support services				
Pupil services	1,648,094	-	-	(1,648,094)
Instructional staff services	1,490,143	-	134,748	(1,355,395)
General administrative services	1,130,540	-	-	(1,130,540)
Building administrative services	2,497,660	-	-	(2,497,660)
Business administrative services	8,240,016	809,006	534,680	(6,896,330)
Central services	977,564	-	-	(977,564)
Insurance and judgments	229,644	-	-	(229,644)
Other support services	2,567,282	394,855	-	(2,172,427)
Interest on debt	1,591,925	-	-	(1,591,925)
<b>Total support services</b>	<b>20,372,868</b>	<b>1,203,861</b>	<b>669,428</b>	<b>(18,499,579)</b>
<b>Total school district</b>	<b>\$ 42,534,760</b>	<b>\$ 3,833,392</b>	<b>\$ 3,496,301</b>	<b>(35,205,067)</b>
<b>GENERAL REVENUES:</b>				
TAXES:				
Property taxes, levied for general purposes				18,686,132
Property taxes, levied for debt service				5,678,200
Property taxes, levied for specific purposes				315,250
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				11,741,407
Other				1,241,126
Interest and investment earnings				14,035
Gain on disposal of assets				3,698
Miscellaneous				112,681
Change in Net Position				2,587,462
Net Position—beginning of year				13,565,183
<b>Net Position—end of year</b>				<b>\$ 16,152,645</b>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**BALANCE SHEET—GOVERNMENTAL FUNDS**  
June 30, 2016

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,732,370	\$ 3,377,366	\$ 1,277,164	\$ 8,386,900
Accounts receivable	6,582,879	-	21,251	6,604,130
Due from other governments	2,451,321	-	54,382	2,505,703
Due from other funds	1,291,671	-	-	1,291,671
Prepaid expenses	688,353	-	4,115	692,468
<b>Total assets</b>	<b>\$ 14,746,594</b>	<b>\$ 3,377,366</b>	<b>\$ 1,356,912</b>	<b>\$ 19,480,872</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Short-term notes payable	\$ 3,500,000	\$ -	\$ -	\$ 3,500,000
Accounts payable	111,515	-	38,340	149,855
Accrued salaries and wages	1,878,133	-	-	1,878,133
Payroll taxes and withholdings	1,167,917	-	41,581	1,209,498
Due to other funds	1,671	2,058,179	-	2,059,850
Unearned revenues	9,660	-	328,286	337,946
<b>Total liabilities</b>	<b>6,668,896</b>	<b>2,058,179</b>	<b>408,207</b>	<b>9,135,282</b>
<b>FUND BALANCES</b>				
Nonspendable	688,353	-	4,115	692,468
Restricted	-	1,319,187	944,590	2,263,777
Unassigned	7,389,345	-	-	7,389,345
<b>Total fund balances</b>	<b>8,077,698</b>	<b>1,319,187</b>	<b>948,705</b>	<b>10,345,590</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,746,594</b>	<b>\$ 3,377,366</b>	<b>\$ 1,356,912</b>	<b>\$ 19,480,872</b>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE DISTRICT-WIDE STATEMENT OF NET POSITION**  
June 30, 2016

Total fund balances - governmental funds		\$ 10,345,590
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 as assets in the governmental funds:		
Cost of capital assets	\$ 82,440,405	
Accumulated depreciation	<u>(24,259,600)</u>	
Net capital assets		58,180,805
The net pension liability is not an available resource and, therefore, is not reported in the funds		
		(2,127,664)
Certain items, including bonds payable, are not due and payable in the current period and therefore are not reported as assets or liabilities in the funds.		
Those liabilities at year-end consist of:		
Bonds, notes payable, and capital lease	(50,551,891)	
Accrued interest payable	(193,363)	
Compensated absences	(1,020,828)	
Deferred outflows related to pension	11,851,887	
Deferred inflows related to pension	(4,481,380)	
Other postemployment benefits	(5,680,558)	
Unamortized debt premium and loss on refinancing	<u>(169,953)</u>	
		<u>(50,246,086)</u>
Total net position - governmental activities		<u>\$ 16,152,645</u>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**  
Year Ended June 30, 2016

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$18,686,132	\$ 5,678,200	\$ 315,250	\$ 24,679,582
Local	656,906	6,885	1,057,880	1,721,671
Interdistrict payments	2,227,612	-	105,240	2,332,852
Intermediate sources	-	-	227,359	227,359
State	14,512,346	-	20,679	14,533,025
Federal	1,076,171	-	435,180	1,511,351
Other sources	102,035	-	10,649	112,684
Total revenues	37,261,202	5,685,085	2,172,237	45,118,524
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	14,504,398	-	46,586	14,550,984
Vocational instruction	1,027,330	-	26,121	1,053,451
Physical instruction	895,525	-	-	895,525
Special education instruction	4,040,400	-	-	4,040,400
Other instruction	2,121,740	-	114,907	2,236,647
Total instruction	22,589,393	-	187,614	22,777,007
Support services				
Pupil services	1,647,187	-	-	1,647,187
Instructional staff services	1,258,242	-	230,509	1,488,751
General administrative services	966,495	-	296	966,791
Building administrative services	2,353,921	-	116,232	2,470,153
Business administrative services	6,013,219	-	1,293,444	7,306,663
Central services	976,591	-	-	976,591
Insurance and judgments	229,644	-	-	229,644
Other support services	1,081,624	-	221,059	1,302,683
Total support services	14,526,923	-	1,861,540	16,388,463
Capital outlay	145,108	-	-	145,108
Debt service				
Principal	370,264	4,210,000	-	4,580,264
Interest and fees	66,264	1,437,335	-	1,503,599
Total expenditures	37,697,952	5,647,335	2,049,154	45,394,441
Excess (deficiency) of revenues over (under) expenditures	(436,750)	37,750	123,083	(275,917)
Other financing sources (uses)				
Face value of refinancing debt issued	-	8,110,000	-	8,110,000
Premium on debt issuance	-	243,581	-	243,581
Debt proceeds paid to escrow agent	-	(8,375,000)	-	(8,375,000)
Proceeds from sale of capital assets	3,698	-	-	3,698
Total other financing sources	3,698	(21,419)	-	(17,721)
<b>Net change in fund balances</b>	(433,052)	16,331	123,083	(293,638)
Fund balances—beginning of year	8,510,750	1,302,856	825,622	10,639,228
<b>Fund balances—end of year</b>	<u>\$ 8,077,698</u>	<u>\$ 1,319,187</u>	<u>\$ 948,705</u>	<u>\$ 10,345,590</u>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2016

Net change in fund balances—total governmental funds		\$ (293,638)
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 the estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 145,108	
Depreciation expense reported in the statement of activities	<u>(1,320,138)</u>	(1,175,030)
Bond, note and capital lease proceeds are reported as financing sources in governmental funds and contribute to the change in fund balance. In the statement of net position issuing debt increases long term liabilities and does not affect the statement of activities.		
		(8,110,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Bonds and notes	12,585,000	
Capital leases	<u>370,264</u>	12,955,264
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Decrease in accrued interest payable	20,504	
Premium on debt issuance	(243,581)	
Amortization of premium and loss on refinancing	(108,830)	
Net decrease in other postemployment benefits	822,292	
Net increase in pension expense	(1,264,599)	
Net increase in compensated absences	<u>(14,920)</u>	<u>(789,134)</u>
Change in net position of governmental activities		<u>\$ 2,587,462</u>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2016

	Private Purpose Trust	Employee Benefit Trust	Agency
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,000	\$ 2,659,172	\$ 265,884
Due from other funds	-	2,058,179	1,671
<b>Total assets</b>	<b>\$ 1,000</b>	<b>\$ 4,717,351</b>	<b>\$ 267,555</b>
<b>LIABILITIES</b>			
Accounts payable	500	-	-
Due to student organizations	-	-	267,555
Due to other funds	-	1,291,671	-
<b>Total liabilities</b>	<b>500</b>	<b>1,291,671</b>	<b>\$ 267,555</b>
<b>NET POSITION</b>			
Restricted	500	3,425,680	
<b>Total liabilities and net position</b>	<b>\$ 1,000</b>	<b>\$ 4,717,351</b>	

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended June 30, 2016

	Private Purpose Trust	Employee Benefit Trust
<b>ADDITIONS</b>		
Contributions	\$ 4,000	\$ 1,375,352
Investment earnings	-	25,179
Total additions	4,000	1,400,531
<b>DEDUCTIONS</b>		
Scholarships	3,500	-
Other postemployment benefits	-	1,337,948
Total deductions	3,500	1,337,948
Change in Net Position	500	62,583
Net Position—beginning of year	-	3,363,097
<b>Net Position—end of year</b>	<b>\$ 500</b>	<b>\$ 3,425,680</b>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Monona Grove School District (“District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

**Reporting Entity**

The Monona Grove School District operates as a common school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected Board of Education, provides elementary, secondary, vocational, and special education services for kindergarten through grade 12, and is comprised of all or parts of six taxing districts.

As discussed in the detail below, the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization’s officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

**Basis of Presentation**

*District-wide Financial Statements*

The statement of net position and statement of activities present financial information about the District as a whole. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely on fees and charges for support. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect costs. 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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

*Fund Financial Statements*

The fund financial statements provide information about the district's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

**General Fund**

The general fund is the general operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**Debt Service Fund**

Debt service funds are used to accumulate resources for the payment of general long-term debt principal, interest, and related costs.

The District reports the following nonmajor governmental funds:

**Capital Projects Fund**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Special Revenue Funds**

Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the School Nutrition Services Fund, the Special Revenue Gift Fund, the Community Service Fund, and the Co-operative Program as special revenue funds.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the District reports the following fund types:

**Private-Purpose Trust Fund**

Private-purpose trust funds are used to account for resources legally held in trust for student scholarships.

**Employee Benefit Trust Fund**

Employee benefit trust funds are used to account for resources legally held in trust for the District's post-retirement health insurance benefits.

**Agency Fund**

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

**Measurement Focus and Basis of Accounting**

The district-wide and fiduciary fund statements (excluding the agency funds) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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. The District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance***

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

The District may invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local governmental investment pool.

**Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. The statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in November on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

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

**Inventories and Prepaid Items**

Inventories are recorded at cost based on the first-in, first-out method using the consumption method of accounting. Inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in the school nutrition services at the fair value when originally donated by the USDA. When used by the schools, the commodities are expensed and the related assets are reduced.

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Capital assets are defined by the District as assets with an initial individual cost of \$2,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Site improvements	7-50
Buildings	7-50
Furniture and equipment	5-20
Computer and related technology	5

**Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2016 related to pension activity.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide financial statements.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 has deferred inflows as of June 30, 2016 related to pension activity.

**Compensated Absences and Other Employee Benefit Amounts**

District employees are granted vacation, compensatory time, and sick leave benefits in varying amounts in accordance with district policies. In the event of retirement, death or resignation of an employee, the District is obligated to pay for unused vacation and sick leave benefits not to exceed a maximum amount. All compensated absences are accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Pension**

WRS: 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.

Stipend: The District provides eligible teachers with 403(b) contributions in an amount and duration based upon the year they first become eligible.

**Long-Term Obligations**

In the district-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums 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.

**Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were not significant claims or judgments at year end.

**Net Position**

In the district-wide financial statements, equity is classified as net position and displayed in three components:

*Net Investment in Capital Assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

*Restricted Net Position*—Consists of net position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fund Balance**

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

*Nonspendable*—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long term receivables.

*Restricted*—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed*—Resources that can only be used for specific purposes as the result of a formal action approval of a resolution, by the Board of Education. Any changes in the constraints imposed require the same formal action, approval of a resolution, by the Board of Education that originally created the commitment.

*Assigned*—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education.

*Unassigned*—Resources that are available for any purpose. Unassigned amounts are only reported in the general fund.

**Use of Restricted Resources**

The District considers restricted amounts to be spent first when both restricted and unrestricted net position is available unless there are legal constraints that prohibit doing this. Additionally the District considers amounts to be spent first out of committed amounts, then assigned and lastly unassigned amounts of restricted fund balance when expenditures are made.

**Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described on page 21.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by Board of Education resolution. Appropriations lapse at year end unless specifically carried over.

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 2—CASH AND CASH EQUIVALENTS**

As of June 30, 2016, cash and cash equivalents consisted of the following:

	Statement Balance	Carrying Value	Risk
Cash on hand	\$ 6,342	\$ 6,342	
Deposits with financial institutions	2,571,457	3,786,536	Custodial Credit and interest rate
Wisconsin Investment Series Cooperative	7,859,266	7,520,078	
	<u>\$ 10,437,065</u>	<u>\$ 11,312,956</u>	

The District's cash and cash equivalents are reported in the financial statements as follows:

Governmental funds	\$ 8,386,900
Private purpose trust	1,000
Employee benefit trust	2,659,172
Agency fund	265,884
	<u>\$ 11,312,956</u>

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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NOTE 2—CASH AND CASH EQUIVALENTS (continued)

5. Securities of an open-end management investment company or investment trust, with certain limitations:
  - a. Bonds or securities issued under the authority of the municipality;  
The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
  - b. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
  - c. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
  - d. Repurchase agreements with public depositories, with certain conditions.

The District has adopted an investment policy which permits all investment authorized under state statutes as described above.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. 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 of fair value losses arising from increasing interest rates. As of June 30, 2016, Wisconsin Investment Series Cooperative (WISC) investments have a maturity of 12 months or less.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would 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 risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District does not have a custodial credit risk policy for investments.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for non-interest bearing accounts. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2016, \$2,071,457 of the District's deposits with financial institutions was uninsured and uncollateralized. The District does not have a custodial risk policy for deposits.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2—CASH AND CASH EQUIVALENTS (continued)**

PMA Financial Network is the administrator and investment manager for the WISC. The WISC is not registered with the Securities and Exchange Commission but invests in funds in accordance with applicable Wisconsin statutes. The WISC is not rated. The WISC has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At June 30, 2016, the District's share of the WISC's assets was substantially equal to the amount reported on page 27. The District is subject to market risk and credit risk through its investment in WISC.

*Concentration of Credit Risk*

The District does not have a policy for concentration of credit risk. No District investment represents 5% or more of the total investments.

**NOTE 3—INTERFUND PAYABLES AND TRANSFERS**

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts the general fund as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Agency Fund	General Fund	\$ 1,671
OPEB Trust Fund	Debt Service Fund	2,058,179
General Fund	OPEB Trust Fund	1,291,671

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 4—UNEARNED REVENUE**

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Student fees	\$ 9,660
Student meal deposits	80,795
Co-operative program	<u>247,491</u>
	<u>\$ 337,946</u>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 5—LIMITATION OF SCHOOL DISTRICT REVENUES**

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either a resolution of the Board of Education or by a referendum prior to August 12, 1993, or referendum on or after August 12, 1993.

**NOTE 6—CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,854,141	\$ -	\$ -	\$ 1,854,141
Capital assets being depreciated				
Building	73,868,992	18,145	-	73,887,137
Equipment	7,139,170	126,963	567,006	6,699,127
Total capital assets being depreciated	81,008,162	145,108	567,006	80,586,264
Less accumulated depreciation	23,506,468	1,320,138	567,006	24,259,600
Total capital assets being depreciated-net	57,501,694	(1,175,030)	-	56,326,664
Capital assets - net	<u>\$ 59,355,835</u>	<u>\$ (1,175,030)</u>	<u>\$ -</u>	<u>\$ 58,180,805</u>

Depreciation expense for governmental activities for the year ended June 30, 2016 was charged to functions as follows:

Regular instruction	\$ 170,876
Vocational instruction	637
Physical instruction	27,161
Special education instruction	292
Other instruction	8,211
Pupil services	907
Instructional staff services	1,392
General administrative services	163,749
Building administrative services	27,507
Business administrative services	918,433
Central services	973
Total depreciation	<u>\$ 1,320,138</u>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 7—SHORT TERM DEBT ACTIVITY**

The District issues short-term notes payable for working capital and operational cash flow needs pending receipt of the District's equalization aid allocations from the state government. A note was issued in October 2015 and matures October 26, 2016, with an interest rate of 1.0%. Interest for the year ended June 30, 2016 was \$41,960.

Short-term notes payable for the year ended June 30, 2016 was as follows:

<u>Balance</u> 6/30/15	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 6/30/16
\$ 3,500,000	\$ 5,000,000	\$ 5,000,000	\$ 3,500,000

**NOTE 8—LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended June 30, 2016 and outstanding debt at June 30, 2016 was as follows:

	<u>Balance</u> 6/30/15	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 6/30/16	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 44,045,000	\$ 8,110,000	\$ 10,030,000	\$ 42,125,000	\$ 1,755,000
General obligation notes	10,849,000	-	2,555,000	8,294,000	2,600,000
Deferred amounts					
Unamortized premium and loss on refinancing	<u>(182,458)</u>	<u>352,411</u>	<u>-</u>	<u>169,953</u>	<u>-</u>
Total general obligation debt	54,711,542	8,462,411	12,585,000	50,588,953	4,355,000
Capital leases	503,155	-	370,264	132,891	132,891
Accrued compensated absences	<u>1,005,908</u>	<u>14,920</u>	<u>-</u>	<u>1,020,828</u>	<u>1,020,828</u>
Total long-term liabilities	<u>\$ 56,220,605</u>	<u>\$ 8,477,331</u>	<u>\$ 12,955,264</u>	<u>\$ 51,742,672</u>	<u>\$ 5,508,719</u>

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2016 was \$1,041,170 and \$1,359,862, respectively.

All general obligation debt is secured by the full faith and credit and taxing powers of the District. Long-term debt will be retired by future property tax levies and resources accumulated in the Debt service fund.

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,914,295,842. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction. The legal debt limit, as of June 30, 2016 was as follows:

Debt limit (10% of \$1,914,295,842)	\$ 191,429,584
Less: long-term debt applicable to debt margin:	<u>50,419,000</u>
Margin of indebtedness:	<u>\$ 141,010,584</u>

The District issued Qualified School Construction Bonds (QSCB) in a prior year. The QSCB program provides the District with an opportunity to save on interest costs associated with financing school renovations and new construction. The Internal Revenue Service provides tax credits to the holders of QSCB bonds in lieu of interest.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 8—LONG-TERM OBLIGATIONS (continued)**

General obligation debt at June 30, 2016 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/16
G.O. notes (QSCB)	9/18/2009	0.00%	9/15/2019	\$ 729,000	\$ 729,000
G.O. refunding bonds	4/1/2011	2.25%-3.50%	5/1/2022	3,795,000	2,755,000
G.O. refunding bonds	3/14/2012	2.50%	5/1/2026	9,995,000	9,525,000
G.O. bonds	3/20/2013	1.00%	5/1/2024	3,860,000	3,655,000
G.O. refunding bonds	3/20/2013	1.00%	5/1/2028	6,135,000	6,135,000
G.O. refunding bonds	5/14/2014	2.00%	5/1/2023	4,270,000	4,175,000
G.O. school improvement bonds	5/14/2014	3.00%	5/1/2034	5,730,000	5,730,000
G.O. notes	4/15/2015	1.00%-2.00%	5/1/2019	10,000,000	7,565,000
G.O. refunding bonds	5/1/2015	3.00%-4.00%	5/1/2035	2,040,000	2,040,000
G.O. refunding bonds	3/29/2016	2.00%	5/1/2022	8,110,000	8,110,000
					<u>\$ 50,419,000</u>

As of June 30, 2016, the District had assets held under several capital lease obligations. The assets included in equipment and valued at \$327,624, less accumulated depreciation of \$196,574 as of June 30, 2016.

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

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Capital Lease Principal	Capital Lease Interest	Total
2017	\$ 4,355,000	\$ 1,111,509	\$ 132,891	\$ 2,626	\$ 5,602,026
2018	4,535,000	1,036,091	-	-	5,571,091
2019	4,625,000	947,023	-	-	5,572,023
2020	4,384,000	855,460	-	-	5,239,460
2021	4,225,000	757,990	-	-	4,982,990
2022-2026	22,175,000	2,446,840	-	-	24,621,840
2027-2031	4,125,000	714,454	-	-	4,839,454
2032-2035	1,995,000	158,996	-	-	2,153,996
	<u>\$ 50,419,000</u>	<u>\$ 8,028,363</u>	<u>\$ 132,891</u>	<u>\$ 2,626</u>	<u>\$ 58,582,880</u>

**NOTE 9—EMPLOYEE'S RETIREMENT SYSTEM**

**General Information about the Pension Plan**

*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 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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NOTE 9—EMPLOYEE'S RETIREMENT SYSTEM (continued)

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

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

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

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

The WRS also provides death and disability benefits for employees.

*Post-Retirement Adjustments.* The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, 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.

*Contributions.* Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$1,261,720 in contributions from the employer which equaled required contributions.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 9—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

At June 30, 2016, the District reported a liability of \$2,217,664 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. The District reported a deferred outflow of \$1,488,606 for change in assumption between the actuarial valuation date and the measurement date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District’s proportion was 0.13093472%, which was an increase of 0.00013045% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,554,400.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 360,299	\$ (4,477,632)
Changes in assumptions	1,488,606	-
Net differences between projected and actual earnings on pension plan investments	8,712,429	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(3,748)
Employer contributions subsequent to the measurement date	<u>1,290,553</u>	<u>-</u>
Total	<u>\$ 11,851,887</u>	<u>\$ (4,481,380)</u>

\$1,290,553 reported as deferred outflows related to pension resulting from Monona Grove School 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, 2017.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 9—EMPLOYEE'S RETIREMENT SYSTEM (continued)

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
2016	\$ 2,742,233	\$ (1,084,522)
2017	2,742,233	(1,084,522)
2018	2,742,233	(1,084,522)
2019	2,287,009	(1,084,455)
2020	47,626	(143,359)
	<u>\$ 10,561,334</u>	<u>\$ (4,481,380)</u>

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

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

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

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 9—EMPLOYEE’S RETIREMENT SYSTEM (continued)

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities	27%	23%	7.6%	4.7%
International equities	24.5	22	8.5	5.6
Fixed income	27.5	37	4.4	1.6
Inflation sensitive assets	10	20	4.2	1.4
Real estate	7	7	6.5	3.6
Private equity/debt	7	7	9.4	6.5
Multi-asset	4	4	6.7	3.8
Total core fund	107%	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%	5.0%

*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 3.57%. 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 Monona Grove School District’s proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents Monona Grove School District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what Monona Grove School 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:

	<u>1% Decrease to Discount Rate (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase to Discount Rate (8.2%)</u>
The District’s proportionate share of net pension liability	\$ 14,923,474	\$ 2,127,664	\$ (7,866,093)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/>.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10—OTHER POST-EMPLOYMENT BENEFITS**

The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree benefit plan that provides postemployment health and life insurance benefits to eligible employees and their spouses. There are 420 active and 95 retired members in the plan as of June 30, 2016. Benefits and eligibility are established and amended by the governing body.

*Funding Policy.* The District has \$3,425,680 of invested plan assets accumulated for payment of future benefits. The employer makes all contributions, and for the year ended June 30, 2016 the District contributed \$1,311,256 to the Monona Grove School District Post-Employment Benefits Trust.

*Annual OPEB Cost and Net OPEB Obligation.* The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 763,715
Interest on net OPEB obligation	325,143
Adjustment to annual required contribution	<u>(599,894)</u>
Annual OPEB cost (expense)	488,964
OPEB payments made	<u>(1,311,256)</u>
Change in net OPEB obligation	(822,292)
Net OPEB obligation - beginning of year	<u>6,502,850</u>
Net OPEB obligation - end of year	<u><u>\$ 5,680,558</u></u>

The District's annual OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2016 for the preceding three years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 488,964	268.17%	\$ 5,680,558
6/30/2015	452,916	288.37%	6,502,850
6/30/2014	1,241,145	105.23%	7,356,019

*Funded Status and Funding Progress.* As of July 1, 2014, the most recent actuarial valuation date, the plan was 13.31% funded. The District's actuarial accrued liability (AAL) for benefits was \$9,175,251 and the actuarial value of assets was \$1,221,027 resulting in an unfunded actuarial accrued liability (UAAL) of \$7,954,224. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2014-15 fiscal year was \$17,033,562 for a ratio of the UAAL to covered payroll of 46.78%

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

In the July 1, 2014, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return and an initial annual healthcare cost trend rate of 7.50 percent, reduced by decrements to an ultimate rate of 5 percent. Both rates include a 3 percent inflation assumption. The UAAL is being amortized on a level dollar basis. The remaining amortization period at July 1, 2014 was 16 years.

NOTE 11—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2016 consist of the following:

Net investment in capital assets	\$ 7,458,961
Restricted	
Debt service	1,125,824
Capital projects	83,392
Donor restrictions	59,178
Nutrition services	359,553
Community Service	<u>446,582</u>
Total restricted	2,074,529
Unrestricted	<u>6,619,155</u>
Total governmental activities net position	<u><u>\$ 16,152,645</u></u>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

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**NOTE 12—GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the financial statements at June 30, 2016 consist of the following:

Nonspendable	
Prepaid expenses	\$ 692,468
Restricted	
Debt service	1,319,187
Capital projects	83,392
Donor restricted	59,178
Nutrition services	356,647
Community service	<u>445,373</u>
Total restricted	2,263,777
Unassigned	<u>7,389,345</u>
Total Governmental Fund Balance	<u><u>\$ 10,345,590</u></u>

**NOTE 13—RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; worker compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were not significant reductions in coverage compared to the prior year.

**NOTE 14—COMMITMENTS AND CONTINGENCIES**

From time to time the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND**  
Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 18,686,132	\$ 18,686,132	\$ 18,686,132	\$ -
Local	572,324	572,324	656,906	84,582
Interdistrict payments	2,153,453	2,153,453	2,183,612	30,159
State	13,395,423	13,395,423	13,226,208	(169,215)
Federal	305,000	305,000	418,575	113,575
Other sources	151,197	151,197	102,035	(49,162)
Total revenues	<u>35,263,529</u>	<u>35,263,529</u>	<u>35,273,468</u>	<u>9,939</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	14,605,633	15,066,237	14,626,846	439,391
Vocational instruction	1,142,908	1,035,105	1,025,375	9,730
Physical instruction	829,000	918,278	895,525	22,753
Other instruction	1,903,700	1,619,043	1,972,083	(353,040)
Total instruction	<u>18,481,241</u>	<u>18,638,663</u>	<u>18,519,829</u>	<u>118,834</u>
Support services				
Pupil services	827,510	885,257	827,702	57,555
Instructional staff services	1,165,277	956,633	901,935	54,698
General administrative services	1,043,565	1,023,949	983,568	40,381
Building administrative services	2,301,902	2,301,902	2,353,921	(52,019)
Business administrative services	6,179,699	6,179,699	5,790,465	389,234
Central services	927,375	1,085,088	968,793	116,295
Insurance and judgments	265,000	269,500	229,644	39,856
Other support services	916,542	522,500	964,112	(441,612)
Total support services	<u>13,626,870</u>	<u>13,224,528</u>	<u>13,020,140</u>	<u>204,388</u>
Debt service				
Principal	257,300	257,300	370,264	(112,964)
Interest and fees	50,000	50,000	66,264	(16,264)
Total expenditures	<u>32,415,411</u>	<u>32,170,491</u>	<u>31,976,497</u>	<u>193,994</u>
Excess of revenues over expenditures	<u>2,848,118</u>	<u>3,093,038</u>	<u>3,296,971</u>	<u>203,933</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	-	3,698	3,698
Transfers in (out)	(3,700,000)	(3,700,000)	(3,733,721)	(33,721)
Total other financing sources (uses)	<u>(3,700,000)</u>	<u>(3,700,000)</u>	<u>(3,730,023)</u>	<u>(30,023)</u>
<b>Net change in fund balances</b>	<b>(851,882)</b>	<b>(606,962)</b>	<b>(433,052)</b>	<b>173,910</b>
Fund balances—beginning of year	<u>8,510,750</u>	<u>8,510,750</u>	<u>8,510,750</u>	<u>-</u>
<b>Fund balances—end of year</b>	<b><u>\$ 7,658,868</u></b>	<b><u>\$ 7,903,788</u></b>	<b><u>\$ 8,077,698</u></b>	<b><u>\$ 173,910</u></b>

See accompanying notes to required supplementary information.

**MONONA GROVE SCHOOL DISTRICT**  
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS  
AND GAAP REVENUES AND EXPENDITURES  
Year Ended June 30, 2016

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**SOURCES/ INFLOWS OF RESOURCES:**

Actual General Fund operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 35,273,468
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>1,987,734</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u>\$ 37,261,202</u>

**USES/ OUTFLOWS OF RESOURCES:**

Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 31,976,497
Reclassifications: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	<u>5,721,455</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u>\$ 37,697,952</u>

See accompanying notes to required supplementary information.

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b ) - ( a )	Funded Ratio ( a / b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( [ b - a ] / c )
7/1/2014	\$ 1,221,027	\$ 9,175,251	\$ 7,954,224	13.31%	\$ 17,003,562	46.78%
7/1/2012	444,851	16,924,533	16,479,682	2.63%	17,311,748	95.19%
7/1/2010	229,563	16,472,612	16,243,049	1.39%	18,468,451	87.95%

See accompanying notes to required supplementary information.

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS**

	2015	2014
The District's proportion of the net pension liability	0.130935%	0.131065%
The District's proportionate share of the net pension liability	\$ 2,127,664	\$ (3,219,319)
The District's covered-employee payroll	\$ 18,533,379	\$ 18,318,844
The District's proportionate share as a percentage of covered payroll	11.48%	17.57%
Plan fiduciary net position as a percentage of the total pension liability	98.20%	1.03%

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

**SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**  
**Last 10 Fiscal Years\***

	2015	2014
Contractually required contributions	\$ 1,261,720	\$ 1,282,542
Contributions in relation to the contractually required contributions	\$ 1,261,720	\$ 1,282,542
The District's covered-employee payroll	\$ 18,533,379	\$ 18,318,844
Contributions as a percentage of covered-employee payroll	6.81%	7.00%

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

See accompanying notes to required supplementary information.

**MONONA GROVE SCHOOL DISTRICT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2016

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NOTE 1—BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 to the financial statements. Reported budget amounts are as amended by Board of Education resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

Excess Expenditures Over Appropriations

The following general fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2016.

<u>Function</u>	<u>Excess Expenditures</u>
Other instruction	353,040
Building administrative services	52,019
Other support services	441,612

NOTE 2—FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary. The District is required to present information for the pension and other postemployment benefit plans for the three most recent actuarial studies.

NOTE 3—PENSION

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

*Changes of assumptions.* The District reported a deferred outflow of \$1,488,606 for change in assumptions.

**OTHER SUPPLEMENTARY INFORMATION**

**MONONA GROVE SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET—GENERAL GOVERNMENTAL FUNDS**  
June 30, 2016

	General Operating Fund	Special Education Fund	Total General Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,920,742	\$ (188,372)	\$ 3,732,370
Accounts receivable	6,582,879	-	6,582,879
Due from other governments	1,825,217	626,104	2,451,321
Due from other funds	1,291,671	-	1,291,671
Prepaid expenditures	564,579	123,774	688,353
<b>Total assets</b>	<b>\$ 14,185,088</b>	<b>\$ 561,506</b>	<b>\$ 14,746,594</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Short-term notes payable	\$ 3,500,000	\$ -	\$ 3,500,000
Accounts payable	90,300	21,215	111,515
Accrued salaries and wages	1,590,693	287,440	1,878,133
Payroll taxes and withholdings	915,066	252,851	1,167,917
Due to other funds	1,671	-	1,671
Unearned revenues	9,660	-	9,660
<b>Total liabilities</b>	<b>6,107,390</b>	<b>561,506</b>	<b>6,668,896</b>
<b>FUND BALANCES</b>			
Nonspendable	564,579	123,774	688,353
Unassigned	7,513,119	(123,774)	7,389,345
<b>Total fund balances</b>	<b>8,077,698</b>	<b>-</b>	<b>8,077,698</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,185,088</b>	<b>\$ 561,506</b>	<b>\$ 14,746,594</b>

**MONONA GROVE SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GENERAL GOVERNMENTAL FUNDS**  
Year Ended June 30, 2016

	General Operating Fund	Special Education Fund	Total General Fund
<b>REVENUES</b>			
Taxes	\$ 18,686,132	\$ -	\$ 18,686,132
Local	656,906	-	656,906
Interdistrict payments	2,183,612	44,000	2,227,612
State	13,226,208	1,286,138	14,512,346
Federal	418,575	657,596	1,076,171
Other sources	102,035	-	102,035
Total revenues	35,273,468	1,987,734	37,261,202
<b>EXPENDITURES</b>			
Instruction			
Regular instruction	14,504,398	-	14,504,398
Vocational instruction	1,025,375	1,955	1,027,330
Physical instruction	895,525	-	895,525
Special education instruction	-	4,040,400	4,040,400
Other instruction	1,972,083	149,657	2,121,740
Total instruction	18,397,381	4,192,012	22,589,393
Support services			
Pupil services	827,702	819,485	1,647,187
Instructional staff services	901,935	356,307	1,258,242
General administrative services	966,495	-	966,495
Building administrative services	2,353,921	-	2,353,921
Business administrative services	5,784,878	228,341	6,013,219
Central services	968,793	7,798	976,591
Insurance and judgments	229,644	-	229,644
Other support services	964,112	117,512	1,081,624
Total support services	12,997,480	1,529,443	14,526,923
Capital Outlay	145,108	-	145,108
Debt service			
Principal	370,264	-	370,264
Interest and fees	66,264	-	66,264
Total expenditures	31,976,497	5,721,455	37,697,952
Excess (deficiency) of revenues over (under) expenditures	3,296,971	(3,733,721)	(436,750)
Other financing sources (uses)			
Proceeds from sale of assets	3,698	-	3,698
Transfers in (out)	(3,733,721)	3,733,721	-
Total other financing sources (uses)	(3,730,023)	3,733,721	3,698
<b>Net change in fund balances</b>	(433,052)	-	(433,052)
Fund balances—beginning of year	8,510,750	-	8,510,750
<b>Fund balances—end of year</b>	<b>\$ 8,077,698</b>	<b>\$ -</b>	<b>\$ 8,077,698</b>

**MONONA GROVE SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2016

	Capital Project Fund	Special Revenue Funds			Co-operative Program	Total Nonmajor Governmental Funds
		Special Revenue	School Nutrition Services	Community Services		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 83,392	\$ 55,302	\$ 463,788	\$ 466,285	\$ 208,397	\$ 1,277,164
Accounts receivable	-	3,876	2,622	-	14,753	21,251
Due from other governments	-	-	9,181	-	45,201	54,382
Prepaid expenditures	-	-	2,906	1,209	-	4,115
<b>Total assets</b>	<b>\$ 83,392</b>	<b>\$ 59,178</b>	<b>\$ 478,497</b>	<b>\$ 467,494</b>	<b>\$ 268,351</b>	<b>\$ 1,356,912</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 127	\$ 18,246	\$ 19,967	\$ 38,340
Payroll taxes and withholdings	-	-	38,022	2,666	893	41,581
Unearned revenues	-	-	80,795	-	247,491	328,286
Total liabilities	-	-	118,944	20,912	268,351	408,207
<b>FUND BALANCES</b>						
Nonspendable	-	-	2,906	1,209	-	4,115
Restricted	83,392	59,178	356,647	445,373	-	944,590
Total fund balances	83,392	59,178	359,553	446,582	-	948,705
<b>Total liabilities and fund balances</b>	<b>\$ 83,392</b>	<b>\$ 59,178</b>	<b>\$ 478,497</b>	<b>\$ 467,494</b>	<b>\$ 268,351</b>	<b>\$ 1,356,912</b>

**MONONA GROVE SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2016

	Capital Project Fund	Special Revenue funds				Total Nonmajor Governmental Funds
		Special Revenue	School Nutrition Services	Community Services	Co-operative Program	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 315,250	\$ -	\$ 315,250
Local	22	171,927	786,188	97,975	1,768	1,057,880
Interdistrict payments with Wisconsin	-	-	-	-	105,240	105,240
Intermediate sources	-	-	-	-	227,359	227,359
State	-	-	20,679	-	-	20,679
Federal	-	-	435,180	-	-	435,180
Other sources	-	-	9,091	232	1,326	10,649
<b>Total revenues</b>	<b>22</b>	<b>171,927</b>	<b>1,251,138</b>	<b>413,457</b>	<b>335,693</b>	<b>2,172,237</b>
<b>EXPENDITURES</b>						
Instruction						
Regular instruction	-	46,586	-	-	-	46,586
Vocational instruction	-	557	-	-	25,564	26,121
Other instruction	-	40,246	-	-	74,661	114,907
<b>Total instruction</b>	<b>-</b>	<b>87,389</b>	<b>-</b>	<b>-</b>	<b>100,225</b>	<b>187,614</b>
Support services						
Instructional staff services	-	3,337	-	-	227,172	230,509
General administrative services	-	-	-	-	296	296
Building administrative services	-	-	-	116,232	-	116,232
Business administrative services	7,381	77,726	1,164,442	35,895	8,000	1,293,444
Insurance and judgments	-	-	-	-	-	-
Other support services	-	-	-	221,059	-	221,059
<b>Total support services</b>	<b>7,381</b>	<b>81,063</b>	<b>1,164,442</b>	<b>373,186</b>	<b>235,468</b>	<b>1,861,540</b>
<b>Total expenditures</b>	<b>7,381</b>	<b>168,452</b>	<b>1,164,442</b>	<b>373,186</b>	<b>335,693</b>	<b>2,049,154</b>
<b>Net change in fund balances</b>	<b>(7,359)</b>	<b>3,475</b>	<b>86,696</b>	<b>40,271</b>	<b>-</b>	<b>123,083</b>
Fund balances—beginning of year	90,751	55,703	272,857	406,311	-	825,622
<b>Fund balances—end of year</b>	<b>\$ 83,392</b>	<b>\$ 59,178</b>	<b>\$ 359,553</b>	<b>\$ 446,582</b>	<b>\$ -</b>	<b>\$ 948,705</b>

**MONONA GROVE SCHOOL DISTRICT**  
 AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 Year Ended June 30, 2016

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
<b>ASSETS</b>				
Cash and cash equivalents	\$ 240,080	\$ 762,093	\$ 736,289	\$ 265,884
Due from other funds	1,280	391	-	1,671
<b>Total assets</b>	<b>\$ 241,360</b>	<b>\$ 762,484</b>	<b>\$ 736,289</b>	<b>\$ 267,555</b>
<b>LIABILITIES</b>				
Due to student organizations	\$ 241,360	\$ 762,484	\$ 736,289	\$ 267,555

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
AND OTHER AUDITORS' REPORTS**

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Number	Accrued or (Deferred) Revenue at 7/1/15	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/16
<b>Department of Agriculture</b>						
Pass-through programs from Wisconsin Department of Public Instruction						
Child Nutrition Cluster						
School Breakfast Program	10.553	A546-00000-133675	\$ -	\$ 90,110	\$ 93,017	\$ 2,907
National School Lunch Program	10.555	A547-00000-133675	-	270,334	276,608	6,274
National School Lunch Program - Food Donation	10.555	A001-00000-133675	-	65,556	65,556	-
Total Child Nutrition Cluster			-	426,000	435,181	9,181
<b>Total Department of Agriculture</b>			-	426,000	435,181	9,181
<b>Department of Education</b>						
Pass-through programs from Wisconsin Department of Public Instruction						
Title I Grants to Local Educational Agencies	84.010	A141-00000-133675	74,461	74,461	203,740	203,740
Special Education Cluster (IDEA)						
Special Education--Grants to States (IDEA, Part B)	84.027	A341-00000-133675	332,833	332,832	688,980	688,981
Special Education--Preschool Grants (IDEA Preschool)	84.173	A347-00000-133675	1,089	1,090	18,017	18,016
Total Special Education Cluster (IDEA)			333,922	333,922	706,997	706,997
Improving Teacher Quality State Grants	84.367	A365-00000-133675	45,137	45,137	41,413	41,413
Pass-through program from Stoughton School District						
English Language Acquisition State Grants	84.365	A391-00000-133675	13,466	13,466	12,810	12,810
Pass-through program from Mount Horeb Area School District						
Career and Technical Education -- Basic Grants to States	84.048		-	-	15,605	15,605
<b>Total Department of Education</b>			466,986	466,986	980,565	980,565
<b>Department of Health and Human Services</b>						
Pass-through program from Wisconsin Medicaid and Badgercare Programs						
Medical Assistance Program	93.778		-	94,484	95,606	1,122
<b>U.S. Department of Labor</b>						
Pass-through program from Workforce Development Board of South Central WI						
WIA Youth in School	17.259		32,342	85,383	74,203	21,162
<b>Total Federal Programs</b>			<b>\$ 499,328</b>	<b>\$ 1,072,853</b>	<b>\$ 1,585,555</b>	<b>\$ 1,012,030</b>

See accompanying notes to schedule of expenditures of federal and state awards.

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2016

State Grantor/ Program Title	State Identifying Number	State Pass- Through Number	Accrued or (Deferred) Revenue at 7/1/15	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/16
<b>Wisconsin Department of Public Instruction</b>						
Special Education and School Age Parents	255.101	133675-100	\$ -	\$ 1,286,138	\$ 1,286,138	\$ -
State School Lunch Aid	255.102	133675-107	-	11,849	11,849	-
Common School Fund Library Aid	255.103	133675-104	-	134,748	134,748	-
General Transportation Aid for Public School Pupils	255.107	133675-102	-	78,821	78,821	-
Equalization Aid	255.201	133675-116	191,421	11,726,378	11,741,407	206,450
Peer Review & Mentoring	255.301	133675-141	25,000	25,000	-	-
State School Breakfast Aid	255.344	133675-108	-	8,829	8,829	-
Financial Literacy Innovation	255.350	133675-139	10,000	10,000	-	-
Per Pupil Aid	255.945	133675-113	-	-	447,000	447,000
Educator effective Eval Sys Grants Public	255.940	133675-154	22,480	22,480	22,480	22,480
Career and Technical Education Incentive Grants	255.950	133675-152	-	7,626	7,626	-
<b>Total Wisconsin Department of Public Instruction</b>			248,901	13,311,869	13,738,898	675,930
<b>Wisconsin Department of Revenue</b>						
Exempt Computer Aid			971,808	971,808	793,678	793,678
<b>Workforce Development Board of South Central Wisconsin</b>						
Youth Apprenticeship			39,306	165,423	150,156	24,039
<b>Total State Programs</b>			<b>\$ 1,260,015</b>	<b>\$ 14,449,100</b>	<b>\$ 14,682,732</b>	<b>\$ 1,493,647</b>

See accompanying notes to schedule of expenditures of federal and state awards.

**MONONA GROVE SCHOOL DISTRICT**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2016

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**NOTE 1—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3—FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, there were no food commodities in inventory at the District.

**NOTE 4—OVERSIGHT AGENCIES**

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

**NOTE 5—ELIGIBLE COSTS FOR SPECIAL EDUCATION**

Eligible costs for special education under project 011 were \$4,958,486 for the year ended June 30, 2016.

**MONONA GROVE SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2016

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No prior audit findings.



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

To the Board of Education  
Monona Grove School District  
Monona, Wisconsin

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

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency,

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is discussed in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003.

**Janesville Office:**  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Milwaukee Office:**  
W229 N1433 Westwood Drive  
Suite 105  
Waukesha, WI 53186  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

## **Response to Findings**

Monona Grove School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Monona Grove School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
December 10, 2016



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

To the Board of Education  
Monona Grove School District  
Monona, Wisconsin

**Report on Compliance for Each Major Federal and Major State Program**

We have audited Monona Grove School District's (District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of the District's major federal and its major state programs for the year ended June 30, 2016. The District's major federal and its major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Monona Grove School District's major federal program and each of its major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 *Guidelines*. Those standards, the Uniform Guidance, and the *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 major state program occurred. An audit includes examining, on a test basis, evidence about Monona Grove School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal and Major State Program***

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance or the *Guidelines* and which are described in the

<b>Janesville Office:</b> 101 E. Milwaukee Street Suite 425 Janesville, WI 53545 P: (608) 756-4020	<b>Baraboo Office:</b> 123 Second Street P.O. Box 150 Baraboo, WI 53913 P: (608) 356-3966 F: (608) 356-2966	<b>Milwaukee Office:</b> W229 N1433 Westwood Drive Suite 105 Waukesha, WI 53186 P: (262) 522-7555 F: (262) 522-7550	<b>Madison Office:</b> 2110 Luann Lane Madison, WI 53713 P: (608) 274-4020 F: (608) 274-0775	<a href="http://www.wegnercpas.com">www.wegnercpas.com</a> <a href="mailto:info@wegnercpas.com">info@wegnercpas.com</a> (888) 204-7665
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accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003. Our opinion on the major federal program and each major state program is not modified with respect to these matters.

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

### ***Report on Internal Control Over Compliance***

Management of Monona Grove School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Monona Grove School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program and each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *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 Monona Grove School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003 which we consider to be significant deficiencies.

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 *Guidelines*. Accordingly, this report is not suitable for any other purpose.

*Wegner CPAs LLP*  
Wegner CPAs, LLP  
Madison, Wisconsin  
December 10, 2016

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2016

**Section I—Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2016

Identification of state major programs:

State Identifying Number	Name of State Program
255.101	Special Education & School Age Parents
255.201	Equalization Aid and Special Adjustment Aid
255.945	Per Pupil Aid

**Section II—Financial Statement Findings**

Significant deficiency

2016-001 Internal control over payroll

Criteria: Employees are required to have an approved timesheet or contract to support wages paid.

Condition: 4 employees were paid without an approved timesheet or contract.

Cause: A new contract was not drafted for a retired employee after resuming employment, a timesheet was not kept for an hourly employee, and an employee contract was not approved by the board.

Effect: An employee may be paid for incorrect time or at an incorrect or unauthorized rate.

Recommendation: All employees should have signed timesheets or contracts prior to receiving wages.

Views of Responsible Officials and Planned Corrective Actions:  
The District will implement a process to ensure there is a signed timesheet or contract for each individual receiving wages.

**Section III—Federal and State Award Findings and Questioned Costs**

2016-002 Special Education Cluster (IDEA)-CFDA Nos. 84.027 and 84.173  
Pass-Through Identifying Number—A341-00000-133675

Condition: As discussed at finding 2016-001, four employees charged to the Special Education Cluster did not have evidence of contracts or timesheets with approval.

Questioned  
Costs

\$ -

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2016

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2016-003 Special Education & School Age Parents—State Identifying Number 255.101  
Pass-Through Identifying Number—133675-100

Criteria: Staff must be appropriately licensed for a special education work assignment listed in state statute in order for their salary and benefits to be eligible for aid.

Condition: The District claimed salary and benefits an employee who was not properly licensed per DPI's special education licensing requirements.

Cause: The District did not follow DPI's instructions regarding special education licensing requirements and allowable costs.

Effect: The District may have charged disallowed costs to project 011. Undetermined

Recommendation: The District should review DPI's report: *Valid Reporting and License Codes for Special Education Staff*.

Views of Responsible Officials and Planned Corrective Actions: The District is currently in the process of looking at process management in the area of payroll. As the District develops more solid processes, the District will be able to identify special education licensing and allowable costs.

**Section IV—Other Issues**

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? 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 No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



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Scott R. Haumersen, CPA

Date of report December 10, 2016