

MONONA GROVE SCHOOL DISTRICT
Monona, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General 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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability (asset) and schedule of contributions, schedule of employer OPEB contributions and schedule of changes in net OPEB liability and related ratios, and schedule of net supplemental pension liability and schedule of changes in net supplemental pension liability on pages 4-11 and 46-52 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 1, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Monona Grove School District's 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 1, 2017

MONONA GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Total net position of the District increased to \$11,537,517 at June 30, 2017.
- Total revenues increased to \$49,121,407 in fiscal year 2017, up from \$45,122,222 in fiscal year 2016, an increase of approximately 8.86%.
- Total expenses increased to \$46,066,835 in fiscal year 2017, up from \$42,534,760 in the fiscal year 2016, an increase of 8.30%.

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

- Total fund balances of the District's governmental funds increased \$218,578 in fiscal year 2017. This increase included a \$58,605 increase in the general fund, a \$66,573 increase in the debt service fund, and a \$93,400 increase in the nonmajor governmental funds.
- The District passed a \$2.6 million operational referendum to override the revenue limit cap for 5 years. The 2016-2017 fiscal year was the first year in which the \$2.6 million was available to the District utilize.
- The fund balance for all governmental funds at June 30, 2017 was \$10,564,168. Of this amount, \$1,283,219 was nonspendable; \$2,419,951 was restricted for debt service, capital projects, donor restriction, nutrition services, and community service; and \$6,860,998 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, 2017

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, 2017

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>
Scope	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
Required Financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset, deferred inflow/outflow or resources, and liability information	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.
Type of inflow and outflow information	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 20-44 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, supplemental pension, and certain details about the District's net pension liability.

MONONA GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The District ended its fiscal year with net position of \$11,537,517, of which \$10,798,427 was net investment in capital assets, \$1,216,833 was restricted for debt service, \$83,590 was restricted for capital projects, \$3,188,871 was restricted for WRS pension, and \$958,515 was restricted for donor restrictions, nutrition services, and community service, and (\$4,708,719) was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general District operations.

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

	Governmental Activities		
	2017	2016	% Change
ASSETS			
Current and other assets	\$ 17,811	\$ 18,189	-2.08%
Capital assets	57,008	58,181	-2.02%
Total assets	74,819	76,370	-2.03%
DEFERRED OUTFLOWS	10,962	12,347	-11.22%
LIABILITIES			
Long-term liabilities	16,218	55,558	-70.81%
Other liabilities	28,169	12,525	124.90%
Total liabilities	44,387	68,083	-34.80%
DEFERRED INFLOWS	4,545	4,481	1.43%
NET POSITION			
Net Investment in capital assets	10,798	7,459	44.76%
Restricted	5,448	2,075	162.55%
Unrestricted	(4,709)	6,619	-171.14%
Total Net Position	\$ 11,537	\$ 16,153	-28.58%

MONONA GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Changes in Net Position

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2017 with an increase in net position of \$3,054,572 compared to an increase of \$2,587,462 in fiscal year 2016.

The district received \$49,121,407 in revenue for the fiscal year 2017. The District relies primarily on property taxes (56.0% of total governmental revenues), and state equalization aid (24.6%) to fund governmental activities. The District received approximately 15.5% 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 8.2% 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 \$3,604,220. Operating grants include Title I, IDEA, National School Lunch Programs, and State Special Education Aid.

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

REVENUES	Governmental Activities		
	2017	2016	% Change
Program revenues			
Charges for services	\$ 4,026	\$ 3,833	5.04%
Operating grants & contributions	3,604	3,496	3.09%
General revenues			
Property taxes	27,499	24,680	11.42%
General Aid	12,106	11,741	3.11%
Other	1,887	1,373	37.44%
Total revenues	49,122	45,123	8.86%
EXPENSES			
Instruction	23,435	22,162	5.74%
Pupil and instructional services	3,569	3,138	13.73%
Administration and business	12,856	11,868	8.32%
Interest on debt	1,127	1,592	-29.21%
Other	5,080	3,776	34.53%
Total expenses	46,067	42,536	8.30%
Change in Net Position	\$ 3,055	\$ 2,587	18.09%

MONONA GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2017

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 \$46,066,835. Individuals who directly participated or benefited from a program offering paid \$4,025,867 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3,604,220. The net cost of governmental activities \$38,436,748 was financed by \$27,499,429 of property taxes and \$12,105,933 of state equalization aid.

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

	Total Cost of Services	Net Cost of Services
EXPENSES		
Instruction	\$ 23,435	\$ (17,432)
Pupil and instructional services	3,569	(3,455)
Administration and business	12,856	(11,440)
Interest on debt	1,127	(1,127)
Other	5,080	(4,983)
Total expenses	\$ 46,067	\$ (38,437)

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 \$10,564,168, up from last year's ending fund balance of \$10,345,590. The District's unassigned fund balance, available for spending at the district's discretion was \$6,860,998.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance increase of \$58,605.

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, 2017 had revenues and other financing sources in excess of expenditures and other financing uses of \$58,605.

MONONA GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the June 30, 2017, the District had \$82,314,976 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$25,306,897. Asset acquisitions for governmental activities totaled \$202,195. The District recognized depreciation expense of \$1,309,396. Detailed information about capital assets can be found in Note 5 to the financial statements.

Table 5
Capital Assets
(in thousands of dollars)

	2017	2016
Land	\$ 1,854	\$ 1,854
Buildings	73,887	73,887
Furniture and equipment	6,574	6,699
Accumulated depreciation	(25,307)	(24,260)
Net capital assets	\$ 57,008	\$ 58,180

Long-Term Debt

At June 30, 2017, the District had \$46,064,000 in general obligation debt outstanding—a decrease of \$4,355,000 from fiscal year 2016. 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. 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)

	2017	2016
General obligation debt	\$ 46,064	\$ 50,419
Capital leases	-	133
Other postemployment benefits	7,227	5,681
Compensated absences	1,030	1,021
Net long-term obligations	\$ 54,321	\$ 57,254

MONONA GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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 the 1st year of the State of Wisconsin Budget, the district will receive an increase of \$200 in Per-Pupil Aid in 2017-2018 and an additional \$204 the following fiscal year.
- The District revenue limit will continue to reflect the \$2.6 million operational referendum for the next 4 years.
- Moody's Investment Service has maintained a solid A1 rating of the District. Moody's believe 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.
- Enrollment continues to be monitored closely as the District continues to experience increased resident enrollment. In addition, as resident enrollment increases, the number of new open enrollment students accepted into the District will be limited. The District continues to receive triple the number of new open enrollment applications than the District receives of students for students wanting to leave the district.
- The District purchased 40 acres of land for the potential expansion in the future.

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.

Additional information about the District and its services can also be found on the District's website at www.mononagrove.org.

MONONA GROVE SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Cash and investments	\$ 7,004,551
Accounts receivable	7,334,657
Due from other governments	2,188,799
Prepaid expenses	1,283,219
Capital assets not being depreciated	1,854,141
Capital assets being depreciated, net	55,153,938
Total assets	74,819,305
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized loss on refinancing	433,273
Related to WRS pension	8,830,528
Related to other postemployment benefits	1,217,278
Related to supplemental pension	480,765
Total deferred outflows of resources	10,961,844
LIABILITIES	
Short-term notes payable	3,500,000
Accounts payable and other current liabilities	3,319,487
Accrued interest	168,927
Unearned revenues	427,571
Unamortized premiums	578,925
Net WRS pension liability	1,096,488
Other postemployment benefits liability	7,227,496
Supplemental pension liability	6,285,504
Accrued compensated absences	1,030,065
Long-term debt	
Due within one year	4,535,000
Due in more than one year	41,529,000
Total liabilities	69,698,463
DEFERRED INFLOWS OF RESOURCES	
Related to WRS pension	4,545,169
NET POSITION	
Net investment in capital assets	10,798,427
Restricted	5,447,809
Unrestricted	(4,708,719)
Total net position	\$ 11,537,517

See accompanying notes.

MONONA GROVE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES:				
Instruction				
Regular instruction	\$ 15,615,924	\$ 2,780,037	\$ 1,019,647	\$ (11,816,240)
Vocational instruction	1,122,236	-	-	(1,122,236)
Physical instruction	1,083,152	-	19,118	(1,064,034)
Special education instruction	4,284,799	-	1,898,314	(2,386,485)
Other instruction	1,328,641	285,300	-	(1,043,341)
Total instruction	23,434,752	3,065,337	2,937,079	(17,432,336)
Support services				
Pupil services	1,786,101	-	-	(1,786,101)
Instructional staff services	1,783,216	-	114,239	(1,668,977)
General administrative services	1,090,266	-	-	(1,090,266)
Building administrative services	2,778,409	-	-	(2,778,409)
Business administrative services	8,987,218	863,242	552,902	(7,571,074)
Central services	1,922,353	-	-	(1,922,353)
Insurance and judgments	311,045	-	-	(311,045)
Other support services	2,846,394	97,288	-	(2,749,106)
Interest on debt	1,127,081	-	-	(1,127,081)
Total support services	22,632,083	960,530	667,141	(21,004,412)
Total school district	\$ 46,066,835	\$ 4,025,867	\$ 3,604,220	(38,436,748)
GENERAL REVENUES:				
TAXES:				
				21,697,838
				5,526,591
				275,000
FEDERAL AND STATE AID NOT RESTRICTED				
				12,105,933
				1,653,548
				43,611
				31,428
				157,371
Change in Net Position				3,054,572
Net Position—beginning of year, as restated				8,482,945
Net Position—end of year				\$ 11,537,517

See accompanying notes.

MONONA GROVE SCHOOL DISTRICT
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,068,568	\$ 1,574,402	\$ 1,361,581	\$ 7,004,551
Accounts receivable	7,332,481	-	2,176	7,334,657
Due from other governments	2,039,249	-	149,550	2,188,799
Due from other funds	188,642	-	-	188,642
Prepaid expenses	1,275,305	-	7,914	1,283,219
Total assets	\$ 14,904,245	\$ 1,574,402	\$ 1,521,221	\$ 17,999,868
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Short-term notes payable	\$ 3,500,000	\$ -	\$ -	\$ 3,500,000
Accounts payable	88,648	-	24,341	112,989
Accrued salaries and wages	2,015,222	-	560	2,015,782
Payroll taxes and withholdings	1,154,252	-	36,464	1,190,716
Due to other funds	-	188,642	-	188,642
Unearned revenues	9,820	-	417,751	427,571
Total liabilities	6,767,942	188,642	479,116	7,435,700
FUND BALANCES				
Nonspendable	1,275,305	-	7,914	1,283,219
Restricted	-	1,385,760	1,034,191	2,419,951
Unassigned	6,860,998	-	-	6,860,998
Total fund balances	8,136,303	1,385,760	1,042,105	10,564,168
Total liabilities and fund balances	\$ 14,904,245	\$ 1,574,402	\$ 1,521,221	\$ 17,999,868

See accompanying notes.

MONONA GROVE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2017

Total fund balances - governmental funds		\$ 10,564,168
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	82,314,976	
Accumulated depreciation	<u>(25,306,897)</u>	
Net capital assets		57,008,079
The net pension liability is not an available resource and, therefore, is not reported in the funds		
WRS pension	(1,096,488)	
Supplemental pension	<u>(6,285,504)</u>	
		(7,381,992)
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	(46,064,000)	
Accrued interest payable	(168,927)	
Compensated absences	(1,030,065)	
Deferred outflows related to WRS pension	8,830,528	
Deferred outflows related to other postemployment benefits	1,217,278	
Deferred outflows related to supplemental pension	480,765	
Deferred inflows related to WRS pension	(4,545,169)	
Other postemployment benefits	(7,227,496)	
Unamortized debt premium and loss on refinancing	<u>(145,652)</u>	
		<u>(48,652,738)</u>
Total net position - governmental activities		\$ 11,537,517

See accompanying notes.

MONONA GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$21,697,838	\$ 5,526,591	\$ 275,000	\$ 27,499,429
Local	581,882	6,335	969,710	1,557,927
Interdistrict payments	2,468,636	-	109,416	2,578,052
Intermediate sources	-	-	355,627	355,627
State	15,282,505	-	21,622	15,304,127
Federal	1,173,366	-	464,080	1,637,446
Other sources	125,286	-	32,085	157,371
Total revenues	41,329,513	5,532,926	2,227,540	49,089,979
EXPENDITURES				
Instruction				
Regular instruction	15,402,534	-	38,989	15,441,523
Vocational instruction	1,058,901	-	62,848	1,121,749
Physical instruction	1,056,093	-	-	1,056,093
Special education instruction	4,284,507	-	-	4,284,507
Other instruction	1,320,380	-	50	1,320,430
Total instruction	23,122,415	-	101,887	23,224,302
Support services				
Pupil services	1,785,194	-	-	1,785,194
Instructional staff services	1,425,487	-	356,876	1,782,363
General administrative services	922,816	-	1,714	924,530
Building administrative services	2,625,265	-	126,031	2,751,296
Business administrative services	6,870,817	-	1,203,799	8,074,616
Central services	1,920,831	-	550	1,921,381
Insurance and judgments	311,045	-	-	311,045
Other support services	1,984,597	-	343,126	2,327,723
Total support services	17,846,052	-	2,032,096	19,878,148
Capital outlay	202,195	-	-	202,195
Debt service				
Principal	132,891	4,355,000	-	4,487,891
Interest and fees	64,308	1,111,510	-	1,175,818
Total expenditures	41,367,861	5,466,510	2,133,983	48,968,354
Excess (deficiency) of revenues over (under) expenditures	(38,348)	66,416	93,557	121,625
Other financing sources (uses)				
Proceeds from sale of capital assets	96,953	-	-	96,953
Transfers in (out)	-	157	(157)	-
Total other financing sources (uses)	96,953	157	(157)	96,953
Net change in fund balances	58,605	66,573	93,400	218,578
Fund balances—beginning of year	8,077,698	1,319,187	948,705	10,345,590
Fund balances—end of year	\$ 8,136,303	\$ 1,385,760	\$ 1,042,105	\$ 10,564,168

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, 2017

Net change in fund balances—total governmental funds		\$ 218,578
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital outlay reported in governmental fund statements	202,195	
Depreciation expense reported in the statement of activities	(1,309,396)	
Net book value of assets disposed of	<u>(65,525)</u>	(1,172,726)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Bonds and notes	4,355,000	
Capital leases	<u>132,891</u>	4,487,891
<p>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.</p>		
Decrease in accrued interest payable	24,436	
Amortization of premium and loss on refinancing	24,301	
Net decrease in other postemployment benefits	913,619	
Net increase in net supplemental pension liability	(23,595)	
Net increase in net WRS pension liability	(1,408,695)	
Net increase in compensated absences	<u>(9,237)</u>	(479,171)
Change in net position of governmental activities		<u>\$ 3,054,572</u>

See accompanying notes.

MONONA GROVE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>	<u>Agency</u>
ASSETS			
Cash and investments	\$ 1,000	\$ 3,102,752	\$ 262,696
LIABILITIES			
Due to student organizations	-	-	\$ 262,696
NET POSITION			
Restricted	<u>\$ 1,000</u>	<u>\$ 3,102,752</u>	

See accompanying notes.

MONONA GROVE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2017

	Private Purpose Trust	Employee Benefit Trust
ADDITIONS		
Contributions	\$ 1,500	\$ 1,477,716
Investment earnings	-	87,998
Total additions	1,500	1,565,714
DEDUCTIONS		
Scholarships	1,000	-
Other postemployment benefits	-	1,888,642
Total deductions	1,000	1,888,642
Change in Net Position	500	(322,928)
Net Position—beginning of year	500	3,425,680
Net Position—end of year	\$ 1,000	\$ 3,102,752

See accompanying notes.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

Effective July 1, 2016, the District implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 defines the net OPEB liability as the difference between the total OPEB liability and the value of assets set aside to pay benefits. A description of the postemployment benefit plan and the impact on the financial statements of the District is provided on page 38.

The District also implemented GASB Statement No. 73, Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68. A description of the supplemental pension and the impact on the financial statements of the District is provided on page 40.

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.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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, 2017

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, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Investments

The District's cash and investments 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, 2017

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, 2017 related to WRS pension, other postemployment benefits, and supplemental 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, 2017 related to WRS 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, 2017

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: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension, and pension expense, information about the fiduciary net position of the supplemental pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. No assets were accumulated in a trust as of the measurement date.

Other Postemployment Benefits Other Than Pensions (OPEB)

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

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.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.”

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 fund balance when expenditures are made.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 22.

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.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2017, cash and investments consisted of the following:

	Statement Balance	Carrying Value	Risk
Cash on hand	\$ 7,842	\$ 7,842	Custodial
Deposits with financial institutions	1,958,826	3,593,978	Credit and interest rate
Investments	1,656,638	1,656,638	Credit and interest rate
Wisconsin Investment Series Cooperative	7,259,124	5,112,541	Credit and interest rate
	<u>\$ 10,882,430</u>	<u>\$ 10,370,999</u>	

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

Governmental funds	\$ 7,004,551
Private purpose trust	1,000
Employee benefit trust	3,102,752
Agency fund	<u>262,696</u>
	<u>\$ 10,370,999</u>

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2—CASH AND INVESTMENTS (continued)

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.
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, 2017, Wisconsin Investment Series Cooperative (WISC) investments have a maturity of 12 months or less.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2—CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, 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, 2017, \$262,562 of the District's deposits with financial institutions was uninsured and uncollateralized. The District does not have a custodial risk policy for deposits.

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, 2017, 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. The District has the following investments that represent 5% or more of the total investments:

Vanguard Ftse Developed Markets ETF	\$ 190,774
Vanguard Index Fds S&P 500 ETF Shs	182,755
Vanguard Index Fds Vanguard Value ETF	138,274
Vanguard Bd Index Fd Inc Short Term Bd ETF	280,593
Vanguard Bd Index Fd Inc Total Bd Market ETF	210,876

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

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2—CASH AND INVESTMENTS (continued)

The district has the following recurring fair value measurements as of June 30, 2017 measured at quoted prices in active markets for identical assets (Level 1):

Fixed income securities	\$	671,118
Equity funds		721,048
Cash equivalents		<u>264,472</u>
 Total investments	 \$	 <u><u>1,656,638</u></u>

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:

Receivable fund	Payable fund	Amount
General fund	Debt Service	<u>\$ 188,642</u>

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.

The following is a schedule of interfund transfers for the year ended June 30, 2017:

Transferred to	Transferred from	Amount
Debt Service Fund	Capital Projects Fund	<u>\$ 157</u>

NOTE 4—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.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5—CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 1,854,141	\$ -	\$ -	\$ 1,854,141
Capital assets being depreciated				
Building	73,887,137	-	-	73,887,137
Equipment	6,699,127	202,195	327,624	6,573,698
Total capital assets being depreciated	80,586,264	202,195	327,624	80,460,835
Less accumulated depreciation	24,259,600	1,309,396	262,099	25,306,897
Total capital assets being depreciated-net	56,326,664	(1,107,201)	(65,525)	55,153,938
Capital assets - net	<u>\$ 58,180,805</u>	<u>\$ (1,107,201)</u>	<u>\$ (65,525)</u>	<u>\$ 57,008,079</u>

Depreciation expense for governmental activities for the year ended June 30, 2017 was charged to functions as follows:

Regular instruction	\$ 174,401
Vocational instruction	487
Physical instruction	27,059
Special education instruction	292
Other instruction	8,211
Pupil services	907
Instructional staff services	853
General administrative services	165,736
Building administrative services	27,113
Business administrative services	903,365
Central services	972
Total depreciation	<u>\$ 1,309,396</u>

NOTE 6—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:

Student fees	\$ 9,820
Student meal deposits	107,604
Community service fees	23,990
Co-operative program	286,157
	<u>\$ 427,571</u>

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 2016 and matures October 26, 2017, with an interest rate of 1.50%. Interest for the year ended June 30, 2017 was \$61,294.

Short-term notes payable for the year ended June 30, 2017 was as follows:

Balance 6/30/16	Additions	Payments	Balance 6/30/17
\$ 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, 2017 and outstanding debt at June 30, 2017 was as follows:

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17	Due Within One Year
General obligation bonds	\$ 42,125,000	\$ -	\$ 1,655,000	\$ 40,470,000	\$ 1,745,000
General obligation notes	8,294,000	-	2,700,000	5,594,000	2,790,000
Deferred amounts					
Unamortized premium and loss on refinancing	169,953	-	24,301	145,652	-
Total general obligation debt	50,588,953	-	4,379,301	46,209,652	4,535,000
Capital leases	132,891	-	132,891	-	-
Accrued compensated absences	1,020,828	9,237	-	1,030,065	1,030,065
Total long-term liabilities	\$ 51,742,672	\$ 9,237	\$ 4,512,192	\$ 47,239,717	\$ 5,565,065

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2017 was \$1,111,509 and \$1,087,073, 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 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,979,164,916. 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, 2017 was as follows:

Debt limit (10% of \$1,979,164,916)	\$ 197,916,492
Less: long-term debt applicable to debt margin:	46,064,000
Margin of indebtedness:	\$ 151,852,492

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, 2017

NOTE 8—LONG-TERM OBLIGATIONS (continued)

General obligation debt at June 30, 2017 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/17
G.O. notes (QSCB)	9/18/2009	0.00%	9/15/2019	\$ 729,000	\$ 629,000
G.O. refunding bonds	4/1/2011	2.25%-3.50%	5/1/2022	3,795,000	2,375,000
G.O. refunding bonds	3/14/2012	2.50%	5/1/2026	9,995,000	9,400,000
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	4,125,000
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	4,965,000
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	7,010,000
					<u>\$ 46,064,000</u>

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

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Total
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	4,235,000	657,203	4,892,203
2023-2027	19,165,000	2,007,440	21,172,440
2028-2032	3,485,000	568,255	4,053,255
2033-2036	1,410,000	87,393	1,497,393
	<u>\$ 46,064,000</u>	<u>\$ 6,916,855</u>	<u>\$ 52,980,855</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the old debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. At June 30, 2017 \$36,555,000 of debt outstanding is considered defeased.

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, 2017

NOTE 9—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9—EMPLOYEE'S RETIREMENT SYSTEM (continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$1,313,488 in contributions from the employer.

Contribution rates as of June 30, 2017 are as follows:

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

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

At June 30, 2017, the District reported a liability of \$1,096,488 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.133030%, which was an increase of 0.00209564% from its proportion measured as of December 31, 2015. For the year ended June 30, 2017, the District recognized pension expense of \$2,803,846.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 418,091	\$ (3,448,359)
Changes in assumptions	1,146,420	-
Net differences between projected and actual earnings on pension plan investments	6,539,078	(1,081,109)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(15,701)
Employer contributions subsequent to the measurement date	726,939	-
Total	\$ 8,830,528	\$ (4,545,169)

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9—EMPLOYEE’S RETIREMENT SYSTEM (continued)

\$726,939 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 2,825,242	\$ (1,375,146)
2018	2,825,242	(1,375,146)
2019	2,363,192	(1,375,079)
2020	88,007	(419,615)
2021	1,906	(183)
	\$ 8,103,589	\$ (4,545,169)

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

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments	2.1%

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

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

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9—EMPLOYEE’S RETIREMENT SYSTEM (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	50%	45%	8.3%	5.4%
Fixed income	24.5	37	4.2	1.4
Inflation sensitive assets	15.5	20	4.3	1.5
Real estate	8	7	6.5	3.6
Private equity/debt	8	7	9.4	6.5
Multi-asset	4	4	6.6	3.7
Total core fund	110%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30	30	8.5	5.6
Total variable fund	100%	100%	7.9%	5.0%

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

Sensitivity of 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	\$ 14,425,000	\$ 1,096,488	\$ (9,167,070)

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
June 30, 2017

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Plan Administration. The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree plan that provides postemployment health insurance benefits to retiree's at least age 55 with a minimum of 10 years of service and subject to the rule of 70 (Upon retirement, the District will contribute the same benefit level and premium percentages of the medical and dental premiums at the time of the retiree's last semester of teaching in the District until age 70). Benefits and eligibility are established and amended by the Board of Education.

Plan Membership. At June 30, 2016, the date of the latest actuarial valuation, there were no active plan members and 94 inactive plan members receiving OPEB benefits. The Plan is closed to new entrants.

Contributions. There is no requirement for any employee or employer contributions for funding of the plan. The employer makes all contributions, and for the year ended June 30, 2017 the District contributed \$1,311,256 to the District Post-Employment Benefits Trust.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Investment rate of return	3.0% based upon all years of projected payments discounted at a 3.0% long-term expected rate of return
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.5%, then by 0.10% per year down to 5.0%, and level thereafter.

The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Discount Rate. The discount rate of 3.00% was used in calculating the District's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.00%). This rate is equivalent to the Bond Buyer GO 20-year AA Bond Index published by the Federal Reserve as of the week of the measurement date. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in the Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2015	\$ 11,598,191	\$ 3,363,098	\$ 8,235,093
Changes for the year:			
Interest	328,838	-	328,838
Contributions - Employer	-	1,311,256	(1,311,256)
Net investment income	-	25,179	(25,179)
Benefit payments	(1,273,853)	(1,273,853)	-
Net changes	(945,015)	62,582	(1,007,597)
Balances at 6/30/2016	<u>\$ 10,653,176</u>	<u>\$ 3,425,680</u>	<u>\$ 7,227,496</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.0 percent) or 1-percentage-point higher (3.0 percent) than the current discount rate:

	1% Decrease to Discount Rate (2.0%)	Current Discount Rate (3.0%)	1% Increase to Discount Rate (4.0%)
Net OPEB liability	\$ 7,718,955	\$ 7,227,496	\$ 6,772,536

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 6,831,234	\$ 7,227,496	\$ 7,645,764

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$303,659. At June 30, 2017, the District reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 1,217,278	\$ -

\$1,217,278 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

NOTE 11—SUPPLEMENTAL PENSION BENEFITS

General Information about the Supplemental Pension Plan

Plan Description. Qualifying Administrators and Teachers are provided with a stipend/supplemental pension. This stipend is a single employer defined benefit pension plan administered by the District. Supplemental pension benefits are funded on a pay as you go basis. There are no assets accumulated in a trust.

Plan Membership. At June 30, 2016, the date of the last actuarial valuation, there were approximately 79 active plan members and 28 inactive plan members currently receiving benefits.

Benefits Provided. The District provided eligible Tier 1 Teachers retiring by the end of 2015-2016 with 403(b) contributions upon their retirement. These contributions were based upon the retiree's highest annual salary amount less their monthly/annual expected Social Security benefit at age 62. The 403(b) contributions are paid out monthly over a number of years based on the retiree's retirement age. A Teacher who retired at age 62 or older did not receive any 403(b) payment/contribution.

Teachers in Tier 2 who are eligible to retire between the 2016-2017 and 2026-2027 school years will receive monthly 403(b) contributions from the District upon retirement in an amount and duration based upon the year they first become eligible to retire. Teachers in Tier 1 who did not retire by the end of the 2015-2016 year will automatically become eligible for the Tier 2 benefit and are guaranteed the maximum benefit amount. Teachers in Tier 2 who do not retire by 2027 are guaranteed the amount for which they were eligible had they retired in Tier 2.

Contributions. Contributions are determined by an annual actuarial valuation. The actuarially determined contribution is comprised of the service cost plus the portion of the net pension liability to be amortized in the valuation year. The District is not contractually required to make a contribution to the Trust. During the reporting period, the District did not make any contributions.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11—SUPPLEMENTAL PENSION BENEFITS (continued)

Changes in Net Supplemental Pension Liability

Balances at 6/30/2015	\$	6,131,022
Changes for the year:		
Service Cost		320,865
Interest		183,495
Benefit payments		<u>(349,878)</u>
Net changes		<u>154,482</u>
Balances at 6/30/2016	\$	<u>6,285,504</u>

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

At June 30, 2017, the District reported a net pension liability of \$6,285,504. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

For the year ended June 30, 2017, the District recognized pension expense of \$504,360. At June 30, 2017, the District reported deferred outflows of resources from the following sources:

		<u>Deferred Outflows of Resources</u>
District contributions subsequent to the measurement date	\$	480,765

\$480,765 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Actuarial Assumptions. The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that the plan would continue to be funded on a pay-as-you-go basis. Based on these assumptions, the 20-year AA municipal bond rate was applied to all periods of projected benefit payments to determine the total pension liability. The assumptions are detailed as follows:

Actuarial Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2016
Actuarial Cost Method:	Entry age normal
Discount Rate:	3.0%

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11—SUPPLEMENTAL PENSION BENEFITS (continued)

Discount Rate. A discount rate of 3.0% was used to measure the supplemental pension liability. This discount rate was based on the Bond Buyer Go 20-year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement period.

Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate. The following presents the District's net pension liability calculated using the discount rate of 3.0 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current rate:

	1% Decrease to Discount Rate (2.0%)	Current Discount Rate (3.0%)	1% Increase to Discount Rate (4.0%)
Net Supplemental Pension Liability	\$ 6,582,867	\$ 6,285,504	\$ 5,992,302

NOTE 12—GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets	\$ 10,798,427
Restricted	
Debt service	1,216,833
Capital projects	83,590
Donor restrictions	73,972
Nutrition services	501,517
Community Service	383,026
WRS pension	3,188,871
Total restricted	5,447,809
Unrestricted	(4,708,719)
Total governmental activities net position	\$ 11,537,517

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 13—GOVERNMENTAL FUND BALANCES

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

Nonspendable	
Prepaid expenses	\$ 1,283,219
Restricted	
Debt service	1,385,760
Capital projects	83,590
Donor restricted	73,972
Nutrition services	495,928
Community service	<u>380,701</u>
Total restricted	2,419,951
Unassigned	<u>6,860,998</u>
Total Governmental Fund Balance	<u><u>\$ 10,564,168</u></u>

NOTE 14—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 15—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.

NOTE 16—PRIOR PERIOD ADJUSTMENT

The Government Accounting Standards Board (GASB) issued Statement No. 73, Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68. Under GASB 73, the District is required to disclose the net supplemental pension liability and related deferred outflows on the statement of net position.

MONONA GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 16—PRIOR PERIOD ADJUSTMENT (continued)

The Government Accounting Standards Board (GASB) issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Under GASB 74 and GASB 75, the District is required to disclose the net OPEB liability and related deferred outflows on the statement of net position.

Certain errors resulting in an overstatement of previously reported deferred outflows related to WRS were discovered during the current year.

As a result of the instances noted above, the following adjustments were recorded:

	Previously Reported	Adjustment	Restated Totals
Net supplemental pension liability	\$ -	\$ (6,131,022)	\$ (6,131,022)
Deferred outflow - supplemental pension	-	349,878	349,878
Net OPEB liability	(5,680,558)	(2,554,535)	(8,235,093)
Deferred outflow - OPEB	-	1,311,256	1,311,256
Deferred outflow - WRS	1,290,553	(645,277)	645,276
Net position	16,152,645	(7,669,700)	8,482,945

NOTE 17—SUBSEQUENT EVENT

On October 4, 2017, the Board of Education approved the purchase of 40 acres of land for a future school building for \$1.6 million.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 21,697,838	\$ 21,697,838	\$ 21,697,838	\$ -
Local	594,750	551,300	581,882	30,582
Interdistrict payments	2,246,500	2,477,500	2,468,636	(8,864)
State	13,947,255	13,993,226	13,981,330	(11,896)
Federal	351,000	406,161	576,227	170,066
Other sources	85,000	115,000	125,286	10,286
Total revenues	38,922,343	39,241,025	39,431,199	190,174
EXPENDITURES				
Instruction				
Regular instruction	15,833,510	15,810,165	15,560,123	250,042
Vocational instruction	1,109,971	1,112,114	1,057,255	54,859
Physical instruction	969,406	1,023,054	1,056,093	(33,039)
Other instruction	1,286,309	1,355,767	1,320,380	35,387
Total instruction	19,199,196	19,301,100	18,993,851	307,249
Support services				
Pupil services	915,250	895,789	901,703	(5,914)
Instructional staff services	1,031,807	1,038,871	1,043,051	(4,180)
General administrative services	1,003,238	873,016	967,422	(94,406)
Building administrative services	2,435,216	2,581,419	2,625,265	(43,846)
Business administrative services	6,400,121	6,485,325	6,531,243	(45,918)
Central services	1,166,595	1,236,155	1,916,563	(680,408)
Insurance and judgments	255,213	268,500	311,045	(42,545)
Other support services	1,829,573	2,361,989	1,677,867	684,122
Total support services	15,037,013	15,741,064	15,974,159	(233,095)
Debt service				
Principal	132,890	132,890	132,891	(1)
Interest and fees	443,266	19,061	64,308	(45,247)
Total expenditures	34,812,365	35,194,115	35,165,209	28,906
Excess of revenues over expenditures	4,109,978	4,046,910	4,265,990	219,080
Other financing sources (uses)				
Proceeds from sale of assets	2,500	-	96,953	96,953
Transfers in (out)	(4,112,478)	(4,046,910)	(4,304,338)	(257,428)
Total other financing sources (uses)	(4,109,978)	(4,046,910)	(4,207,385)	(160,475)
Net change in fund balances	-	-	58,605	58,605
Fund balances—beginning of year	8,077,698	8,077,698	8,077,698	-
Fund balances—end of year	\$ 8,077,698	\$ 8,077,698	\$ 8,136,303	\$ 58,605

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, 2017

SOURCES/ INFLOWS OF RESOURCES:

Actual General Fund operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 39,431,199
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>1,898,314</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u>\$ 41,329,513</u>

USES/ OUTFLOWS OF RESOURCES:

Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 35,165,209
Reclassifications: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	<u>6,202,652</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u>\$ 41,367,861</u>

See accompanying notes to required supplementary information.

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

	2016	2015	2014
The District's proportion of the net pension liability (asset)	0.133030%	0.130935%	0.131065%
The District's proportionate share of the net pension liability (asset)	\$ 1,096,488	\$ 2,127,664	\$ (3,219,319)
The District's covered-employee payroll	\$ 19,901,262	\$ 18,533,379	\$ 18,318,844
The District's proportionate share as a percentage of covered payroll	5.51%	11.48%	17.57%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	98.20%	103.00%

*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*

	2016	2015	2014
Contractually required contributions	\$ 1,313,488	\$ 1,261,720	\$ 1,282,542
Contributions in relation to the contractually required contributions	\$ 1,313,488	\$ 1,261,720	\$ 1,282,542
The District's covered-employee payroll	\$ 19,901,262	\$ 18,533,379	\$ 18,318,844
Contributions as a percentage of covered-employee payroll	6.60%	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
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
Last 10 Fiscal Years*

	2016
Actuarially Determined Contribution (ADC)	\$ 763,715
Contributions in relation to ADC	\$ 1,311,256
Contribution deficiency (excess)	\$ (547,541)
Contributions as a percentage of covered-employee payroll	N/A

*The amounts presented were determined as of a measurement date 12 months prior to year end.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	2016
Total OPEB Liability:	
Interest	\$ 328,838
Benefit payments	(1,273,853)
Net Change in OPEB Liability	(945,015)
Total OPEB liability - beginning	11,598,191
Total OPEB liability - ending (a)	\$ 10,653,176
Total Fiduciary Net Position:	
Contributions - Employer	\$ 1,311,256
Net investment income	25,179
Benefit payments	(1,273,853)
Net change in fiduciary net position	62,582
Fiduciary net position - beginning	3,363,098
Fiduciary net position - ending (b)	\$ 3,425,680
Net OPEB liability - ending (a) - (b)	\$ 7,227,496
Fiduciary net position as a percentage of the total OPEB liability	32.16%
Covered payroll	-
Net OPEB liability as a percentage of covered payroll	N/A

*The amounts presented were determined as of a measurement date 12 months prior to year end.

See accompanying notes to required supplementary information.

MONONA GROVE SCHOOL DISTRICT
SCHEDULE OF NET SUPPLEMENTAL PENSION LIABILITY
Last 10 Fiscal Years

	2016
Net supplemental pension liability	\$ 6,285,504
The District's covered-employee payroll	\$ 4,586,763
Net supplemental pension liability as a percentage of covered-employee payroll	137.04%

*The amounts presented were determined as of a measurement date 12 months prior to year end.

SCHEDULE OF CHANGES IN NET SUPPLEMENTAL PENSION LIABILITY
Last 10 Fiscal Years

	2016
Net supplemental pension liability - beginning	\$ 6,131,022
Changes for the year:	
Service Cost	320,865
Interest	183,495
Benefit payments	(349,878)
Net changes	154,482
Net supplemental pension liability - ending	\$ 6,285,504

*The amounts presented were determined as of a measurement date 12 months prior to year end.

See accompanying notes to required supplementary information.

MONONA GROVE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

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, 2017.

Function	Excess Expenditures
Physical instruction	33,039
Pupil services	5,914
Instructional staff services	4,180
General administrative services	94,406
Building administrative services	43,846
Business administrative services	45,918
Central services	680,408

NOTE 2—SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM

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

Changes of Assumptions. There were no changes in assumptions.

NOTE 3—SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Changes of Benefit Terms. There were no changes of benefit terms.

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

NOTE 4—SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Methods and assumptions used to determine OPEB contribution rates:

Actuarial Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2016
Actuarial Cost Method:	Entry age normal
Asset Valuation Method:	Fair Market Value
Amortization Method:	16 year Level \$
Amortization Growth Rate:	3.0%
Discount Rate:	5.0%
Inflation:	3.0%

MONONA GROVE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 5—SCHEDULE OF NET SUPPLEMENTAL PENSION LIABILITY

Changes of Benefit Terms. There were no changes of benefit terms.

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

There are no assets accumulated in a trust.

OTHER SUPPLEMENTARY INFORMATION

MONONA GROVE SCHOOL DISTRICT
COMBINING BALANCE SHEET—GENERAL GOVERNMENTAL FUNDS
June 30, 2017

	General Operating Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$ 4,185,336	\$ (116,768)	\$ 4,068,568
Accounts receivable	7,332,481	-	7,332,481
Due from other governments	1,515,898	523,351	2,039,249
Due from other funds	188,642	-	188,642
Prepaid expenditures	1,109,422	165,883	1,275,305
Total assets	\$ 14,331,779	\$ 572,466	\$ 14,904,245
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Short-term notes payable	\$ 3,500,000	\$ -	\$ 3,500,000
Accounts payable	67,939	20,709	88,648
Accrued salaries and wages	1,710,507	304,715	2,015,222
Payroll taxes and withholdings	907,210	247,042	1,154,252
Unearned revenues	9,820	-	9,820
Total liabilities	6,195,476	572,466	6,767,942
FUND BALANCES			
Nonspendable	1,109,422	165,883	1,275,305
Unassigned	7,026,881	(165,883)	6,860,998
Total fund balances	8,136,303	-	8,136,303
Total liabilities and fund balances	\$ 14,331,779	\$ 572,466	\$ 14,904,245

MONONA GROVE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General Operating Fund	Special Education Fund	Total General Fund
REVENUES			
Taxes	\$ 21,697,838	\$ -	\$ 21,697,838
Local	581,882	-	581,882
Interdistrict payments	2,468,636	-	2,468,636
State	13,981,330	1,301,175	15,282,505
Federal	576,227	597,139	1,173,366
Other sources	125,286	-	125,286
Total revenues	39,431,199	1,898,314	41,329,513
EXPENDITURES			
Instruction			
Regular instruction	15,402,534	-	15,402,534
Vocational instruction	1,057,255	1,646	1,058,901
Physical instruction	1,056,093	-	1,056,093
Special education instruction	-	4,284,507	4,284,507
Other instruction	1,320,380	-	1,320,380
Total instruction	18,836,262	4,286,153	23,122,415
Support services			
Pupil services	901,703	883,491	1,785,194
Instructional staff services	1,043,051	382,436	1,425,487
General administrative services	922,816	-	922,816
Building administrative services	2,625,265	-	2,625,265
Business administrative services	6,531,243	339,574	6,870,817
Central services	1,916,563	4,268	1,920,831
Insurance and judgments	311,045	-	311,045
Other support services	1,677,867	306,730	1,984,597
Total support services	15,929,553	1,916,499	17,846,052
Capital Outlay	202,195	-	202,195
Debt service			
Principal	132,891	-	132,891
Interest and fees	64,308	-	64,308
Total expenditures	35,165,209	6,202,652	41,367,861
Excess (deficiency) of revenues over (under) expenditures	4,265,990	(4,304,338)	(38,348)
Other financing sources (uses)			
Proceeds from sale of assets	96,953	-	96,953
Transfers in (out)	(4,304,338)	4,304,338	-
Total other financing sources (uses)	(4,207,385)	4,304,338	96,953
Net change in fund balances	58,605	-	58,605
Fund balances—beginning of year	8,077,698	-	8,077,698
Fund balances—end of year	\$ 8,136,303	\$ -	\$ 8,136,303

MONONA GROVE SCHOOL DISTRICT
COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Capital Project Fund	Special Revenue Funds			Co-operative Program	Total Nonmajor Governmental Funds
		Special Revenue Gift	School Nutrition Services	Community Services		
ASSETS						
Cash and investments	\$ 83,590	\$ 73,972	\$ 577,233	\$ 406,713	\$ 220,073	\$ 1,361,581
Accounts receivable	-	-	1,135	591	450	2,176
Due from other governments	-	-	57,042	-	92,508	149,550
Prepaid expenditures	-	-	5,589	2,325	-	7,914
Total assets	\$ 83,590	\$ 73,972	\$ 640,999	\$ 409,629	\$ 313,031	\$ 1,521,221
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 331	\$ 1,082	\$ 22,928	\$ 24,341
Accrued salaries and wages	-	-	560	-	-	560
Payroll taxes and withholdings	-	-	30,987	1,531	3,946	36,464
Unearned revenues	-	-	107,604	23,990	286,157	417,751
Total liabilities	-	-	139,482	26,603	313,031	479,116
FUND BALANCES						
Nonspendable	-	-	5,589	2,325	-	7,914
Restricted	83,590	73,972	495,928	380,701	-	1,034,191
Total fund balances	83,590	73,972	501,517	383,026	-	1,042,105
Total liabilities and fund balances	\$ 83,590	\$ 73,972	\$ 640,999	\$ 409,629	\$ 313,031	\$ 1,521,221

MONONA GROVE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	Capital Project Fund	Special Revenue Gift	Special Revenue Funds			Total Nonmajor Governmental Funds
			School Nutrition Services	Community Services	Co-operative Program	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 275,000	\$ -	\$ 275,000
Local	355	64,369	807,653	97,333	-	969,710
Interdistrict payments with Wisconsin	-	-	-	(45)	109,461	109,416
Intermediate sources	-	-	-	-	355,627	355,627
State	-	-	21,622	-	-	21,622
Federal	-	-	464,080	-	-	464,080
Other sources	-	-	2,974	125	28,986	32,085
Total revenues	355	64,369	1,296,329	372,413	494,074	2,227,540
EXPENDITURES						
Instruction						
Regular instruction	-	37,718	-	1,271	-	38,989
Vocational instruction	-	1,493	-	-	61,355	62,848
Other instruction	-	50	-	-	-	50
Total instruction	-	39,261	-	1,271	61,355	101,887
Support services						
Instructional staff services	-	82	-	-	356,794	356,876
General administrative services	-	-	-	-	1,714	1,714
Building administrative services	-	800	-	125,231	-	126,031
Business administrative services	-	9,432	1,154,365	30,852	9,150	1,203,799
Central services	-	-	-	-	550	550
Other support services	-	-	-	278,615	64,511	343,126
Total support services	-	10,314	1,154,365	434,698	432,719	2,032,096
Total expenditures	-	49,575	1,154,365	435,969	494,074	2,133,983
Excess (deficiency) of revenues over (under) expenditures	355	14,794	141,964	(63,556)	-	93,557
Other financing sources						
Transfers in (out)	(157)	-	-	-	-	(157)
Net change in fund balances	198	14,794	141,964	(63,556)	-	93,400
Fund balances—beginning of year	83,392	59,178	359,553	446,582	-	948,705
Fund balances—end of year	\$ 83,590	\$ 73,972	\$ 501,517	\$ 383,026	\$ -	\$ 1,042,105

MONONA GROVE SCHOOL DISTRICT
AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2017

	Balance 7/1/16	Additions	Deductions	Balance 6/30/17
ASSETS				
Cash and investments	\$ 265,884	\$ 723,156	\$ 726,344	\$ 262,696
Due from other funds	1,671	-	1,671	-
Total assets	<u>\$ 267,555</u>	<u>\$ 723,156</u>	<u>\$ 728,015</u>	<u>\$ 262,696</u>
LIABILITIES				
Due to student organizations	<u>\$ 267,555</u>	<u>\$ 723,156</u>	<u>\$ 728,015</u>	<u>\$ 262,696</u>

**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, 2017

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Number	Accrued or (Deferred) Revenue at 7/1/16	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/17
Department of Agriculture						
Pass-through programs from Wisconsin Department of Public Instruction						
Child Nutrition Cluster						
School Breakfast Program	10.553	2017-133675-SB-546	\$ 2,907	\$ 84,637	\$ 97,182	\$ 15,452
National School Lunch Program	10.555	2017-133675-NSL-547	6,274	245,639	280,955	41,590
National School Lunch Program - Food Commodities	10.555	2017-133675-NSL-547	-	85,943	85,943	-
Total Child Nutrition Cluster			9,181	416,219	464,080	57,042
Total Department of Agriculture			9,181	416,219	464,080	57,042
U.S. Department of Labor						
Pass-through program from Workforce Development Board of South Central WI						
WIA Youth Activities	17.259		21,162	137,525	179,280	62,917
Department of Education						
Pass-through programs from Wisconsin Department of Public Instruction						
Title I Grants to Local Educational Agencies						
	84.010	17-133675-Title I-141	203,740	203,740	236,665	236,665
Special Education Cluster						
Special Education--Grants to States	84.027	2017-133675-IDEA-341	688,980	688,980	593,769	593,769
Special Education--Preschool Grants	84.173	17-133675-Pre-S-347	18,017	18,017	13,578	13,578
Total Special Education Cluster			706,997	706,997	607,347	607,347
Career and Technical Education -- Basic Grants to States	84.048	2017-133675-CP-CTE-400	15,605	15,605	19,118	19,118
English Language Acquisition State Grants	84.365	17-133675-Title III A-391	12,685	12,685	12,646	12,646
Improving Teacher Quality State Grants	84.367	17-133675-Title II-365	41,413	41,413	41,773	41,773
Total Department of Education			980,440	980,440	917,549	917,549
Department of Health and Human Services						
Pass-through program from Wisconsin Medicaid and Badgercare Programs						
Medical Assistance Program	93.778		1,122	256,940	255,818	-
Total Federal Programs			\$ 1,011,905	\$ 1,791,124	\$ 1,816,727	\$ 1,037,508

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, 2017

State Grantor/ Program Title	State Identifying Number	State Pass- Through Number	Accrued or (Deferred) Revenue at 7/1/16	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/17
Wisconsin Department of Public Instruction						
Special Education and School Age Parents	255.101	133675-100	\$ -	\$ 1,300,945	\$ 1,300,945	\$ -
State School Lunch Aid	255.102	133675-107	-	12,261	12,261	-
Common School Fund Library Aid	255.103	133675-104	-	114,239	114,239	-
General Transportation Aid for Public School Pupils	255.107	133675-102	-	67,200	67,200	-
Equalization Aids	255.201	133675-116	206,450	12,105,850	12,105,933	206,533
State School Breakfast Aid	255.344	133675-108	-	9,361	9,361	-
Per Pupil Aid	255.945	133675-113	447,000	1,209,500	762,500	-
Educator effective Eval Sys Grants Public	255.940	133675-154	22,480	22,480	24,480	24,480
Career and Technical Education Incentive Grants	255.950	133675-152	-	14,097	14,097	-
Assessments of Reading Readiness	255.956	133675-166	-	1,833	1,833	-
Aid for Special Education Transition Grant BBL	255.960	133675-168	-	230	230	-
Total Wisconsin Department of Public Instruction			675,930	14,857,996	14,413,079	231,013
Wisconsin Department of Revenue						
Exempt Computer Aid			793,678	793,678	890,563	890,563
Workforce Development Board of South Central Wisconsin						
Youth Apprenticeship			24,039	170,795	176,346	29,590
Total State Programs			<u>\$ 1,493,647</u>	<u>\$ 15,822,469</u>	<u>\$ 15,479,988</u>	<u>\$ 1,151,166</u>

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, 2017

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, 2017. 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 or changes in net position 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, 2017, 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 \$5,626,633 for the year ended June 30, 2017.

MONONA GROVE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Finding 2016-001

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

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

Current Status: The recommendation was adopted during the year ended June 30, 2017.

Finding 2016-002

Information on the Federal Program: Department of Education, CFDA Nos. 84.027 and 84.173, Special Education Cluster (IDEA), Passed through the Wisconsin Department of Public Instruction, Pass-Through Identifying Number—A341-00000-133675, Year ended June 30, 2016

Current Status: The discussion for Finding 2016-001 also applies to this finding.

Finding 2016-003

Information on the State Program: Wisconsin Department of Public Instruction, State Identifying Number 255.101, Pass-Through Identifying Number—133675-100, Year ended June 30, 2016

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

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

Current Status: The finding has been resolved.



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, 2017, 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 1, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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 1, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND 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 programs and its major state program for the year ended June 30, 2017. The District's major federal 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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 programs and its major state program 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 program and the 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 programs and its major state program for the year ended June 30, 2017.

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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 each major federal program and its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and its 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 1, 2017

MONONA GROVE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition 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? No

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major state programs: Unmodified

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

Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*? No

Identification of major state programs:

State Identifying Number	Name of State Program
255.201	Equalization Aid and Special Adjustment Aid

Section II—Financial Statement Findings

None noted.

Section III—Federal and State Award Findings and Questioned Costs

None noted.

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 

Scott R. Haumersen

Date of report December 1, 2017