

WILLIAMS BAY SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

JUNE 30, 2017

WILLIAMS BAY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Williams Bay School District
Williams Bay, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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 discussion and analysis and required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017 on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 22, 2017

**WILLIAMS BAY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDING JUNE 30, 2017**

The Williams Bay School District is located on northern part of Geneva Lake and includes the Village of Williams Bay and parts of the Townships of Delavan, Geneva, Linn, and Walworth. The district is a Four-Year-Old Kindergarten through Twelfth Grade school district with a student population of approximately 715 students. The Williams Bay School District is a public educational institution, which is overseen by a five-person elected School Board. The School Board holds its regularly scheduled Board meetings the second Monday of each month at 7:00 p.m. in the Middle/High School Board Room. The Williams Bay School District currently has an annual operating budget of \$8,886,000 with a Fund Equity of \$2,024,140. The Williams Bay High School has a strong academic record and is consistently ranked as one of the best high schools in the State of Wisconsin.

In November 2014 voters were asked to pass a \$19.9 million-dollar referendum to build a new elementary school building to replace the 100-year-old elementary building. The referendum was successful, and the elementary school building was started in the summer of 2015. The building was being built as an attachment to the existing middle/high school to share services and reduce costs. Now the district has both schools located on the same property.

Included in the 19.9 million-dollar referendum was about \$450,000 to remove the old building and return the land to green space if it did not sell. The building did sell so the School Board will not be using that \$450,000 for removal so the School Board has made the decision to return the \$450,000 to the tax payer in the 2017 taxing year.

FINANCIAL HIGHLIGHTS

One of the most important questions asked about the school district's finances is, "Is the school district as a whole better off than last year?" The Statement of Net Position and the Statement of Activities about the school district as a whole and its activities are ways to help answer this question. These statements include all assets and liabilities using accrual basis of account, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

Two statements report the school district's net position and changes. You can think of the school district's net position – (the difference between assets and liabilities) – as one way to measure the school district's financial health, or financial position. The school district experienced a decrease in net position by \$289,241 in fiscal year 2017 because of the new elementary addition being completed and the unallocated depreciation increase by \$866,413. Total assets and deferred outflows of the district were \$32,279,185. Total liabilities and deferred inflows were \$25,411,083. The total net position at the close of fiscal year was \$6,868,102 as shown on Table one.

The district's long-term liabilities are from the following three refunding bonds and two general obligation notes; the first original refunding source was issued in May of 1995 to build the new Junior/Senior High School. The School was completed in June of 1996, with the last payment made April 1, 2015.

The second refunding bond was in June 2010, the district refinanced a loan from the State Trust Fund to pay off its Wisconsin Retirement unfunded liability of \$435,000 with Taxable G.O. Refunding Bonds. The decision to refinance the State Trust Fund loan for the unfunded liability was made to save the district money in interest costs. The interest rate dropped from 5.25% to 1.35%. The maturity of this loan has accelerated from March 15, 2025 to April 1, 2017.

The third refunding bond was in May 2008, when the district borrowed \$550,000.00 in anticipation notes for constructing and equipping a building to provide locker rooms, restrooms, concessions, and storage for the school's athletic fields. The district refinanced the anticipation notes with a twenty-year State Trust Fund Loan in September 2009, at an interest rate of 4.75%. In June 2010, the District paid off the State Trust Fund Loan with G.O. Refunding Bonds. By refinancing the notes in June, the district was able to restructure the district's long-term debt by paying off the higher interest loans first and shortening the district's long-term debt obligations.

On May 1, 2014, the School Board adopted a resolution to enter into an Energy Saving Performance Contracting Service agreement with H&H Energy Services to make energy saving improvements to the district's Middle/High School. The School Board borrowed \$3,180,000 in General Obligation Promissory notes, which allows the district to tax outside the revenue limit for payments of notes.

On November 4, 2014, the Williams Bay School District electors passed a \$19.9 million-dollar building referendum to construct a new elementary school connected to the existing middle/high school. This borrowing was two-fold, the first general obligation school building bonds in the amount of \$5,220,000 was dated December 29, 2014 and the second school building bonds in the amount of \$14,680,000 was dated April 1, 2015.

As demonstrated in Note F, the district maintains a margin of available indebtedness and has \$78,864,085 available of its bonding authority.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the district's basic financial statements. The district's financial statements have three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present different views of the district's financial activities.

The district-wide financial statements are the statement of net position and the statement of activities. These statements provide information on a district-wide basis and present an aggregate view of the district's finances. District-wide statements contain useful long-term information, as well as information for the just-completed fiscal year. The remaining statements are fund financial statements that focus on individual funds of the district. Fund statements report operations in greater detail than the district-wide statements.

The notes to the financial statements provide further explanation and provide additional disclosures so statement users have a complete picture of the district's financial activities and position.

The major features of the district's financial statements, including the activities reported and the type of information contained, is shown in the following table.

	District -Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire district (except fiduciary funds)	The activities of the district are not proprietary or fiduciary, such as instructional, support services, and community services	Activities the district operates similar to private business.	Assets held by the district on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flow	Statement of fiduciary net position Statement of changes in fiduciary net position
Basis of accounting and measurement focus	Accrual accounting Economic resources focus	Modified accrual accounting Current financial resources focus	Accrual accounting Economic resources focus	Accrual accounting Economic resources focus
Type of asset and liability information	All assets 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 are included.	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term. These funds currently do not contain any capital assets.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions or deductions during the year, regardless of when cash is received and paid

DISTRICT-WIDE FINANCIAL STATEMENTS

The district-wide statements report financial information about the district. 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 statement of net position presents information on all the district's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the district's net position changed during the most recent fiscal year. This statement reports the cost of government functions and how those functions were financed for the fiscal year.

In the distinct-wide financial statements, activities are divided into two categories:

1. Governmental fund types - Most of the district's basic services are included in this category, such as regular and special education, transportation, support services, debt service, food service, and administration. Property taxes and state formula aid finance most of these activities.
2. Business-type funds - Funds in this category are intended to be self-supporting and meet certain accounting criteria. Currently the district does not have any of these types of funds. The criteria for these funds are the charging of district fees and receiving federal and state reimbursements to cover the cost of operation.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the district's funds. These statements focus on major funds, not the district. Funds are accounting devices the district uses to keep track of sources of funding and spending on programs and to illustrate compliance with the many regulatory requirements. State law requires some funds. The district establishes other funds through the WUFAR accounting system to control and manage money for purposes (such as repaying its long-term debt).

There are two fund financial statements, the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The focus of the fund financial statements is more limited than that of the district-wide statements. The funds of the district can be divided into three categories.

1. Governmental Funds - The district's basic services are included in governmental funds, which generally focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for funding future basic services. Governmental fund statements provide a detailed short-term picture that helps determine whether there are more or fewer financial resources that can be spent in the future to finance the district's programs. Information on long-term commitments is not shown on the Governmental fund statements. District-wide statements are a better source to identify long-term commitments.
2. Proprietary funds - The district currently does not have this type of fund.
3. Fiduciary funds - The district serves as a trustee for student and parent organizations as well as for private purpose trust funds. The assets of these organizations are not part of the district. The responsibility of the district is to ensure that the assets reported in these funds are used only for their intended purposes and only by those to whom they belong. Because the district is only a trustee for such funds and cannot use these funds to finance operations, they are excluded from the district-wide financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

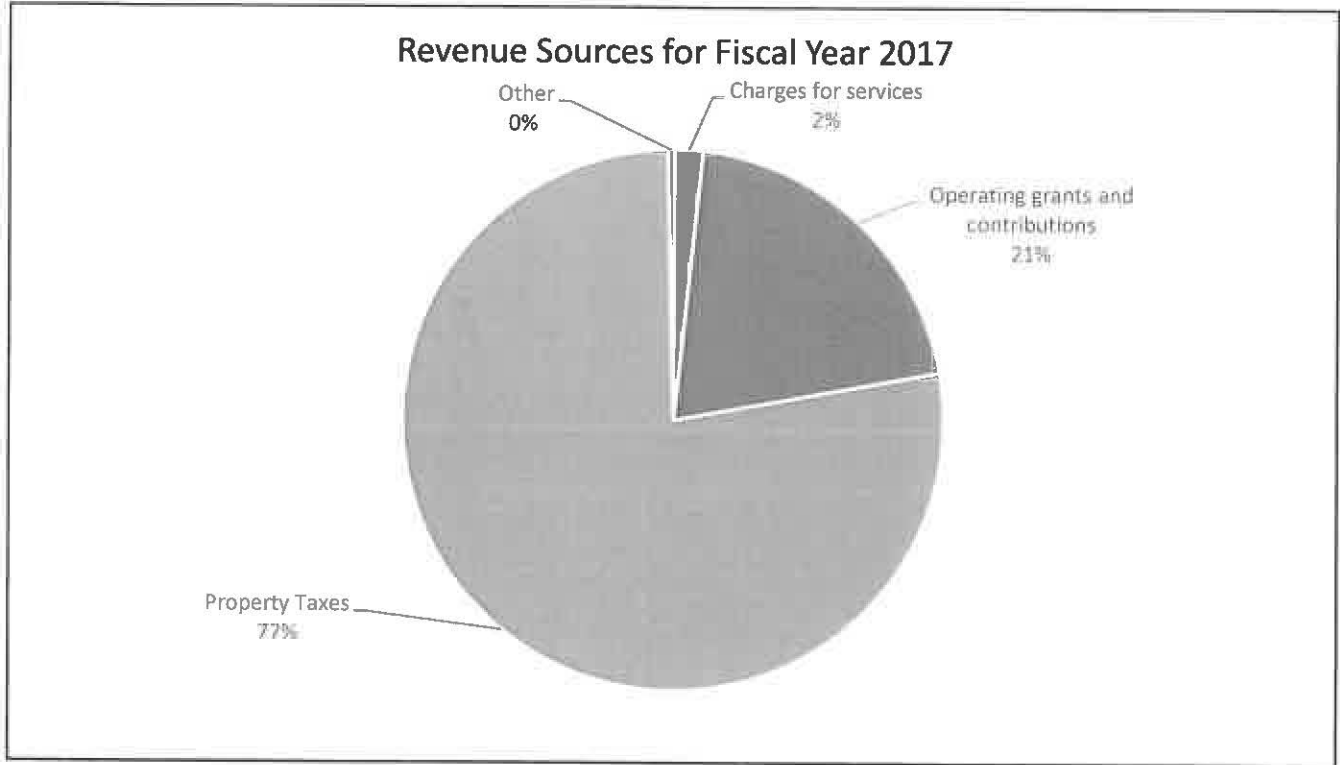
Table 1 provides a comparison summary of the district's net position as of June 30, 2017 in comparison to the year ended June 30, 2016.

Table 1	Governmental	
	Activities	
	2017	2016
Current assets	5,958,411	9,641,052
Capital assets	26,143,562	23,741,920
Total Assets	32,101,973	33,382,972
Deferred outflows related to pensions	177,212	1,779,205
Total current liabilities	3,657,853	4,273,784
Long-term debt outstanding	21,171,394	22,504,295
Total Liabilities	24,829,247	26,778,079
Deferred inflows of resources		
Deferred inflows related to pensions	203,365	821,250
Unamortized debt issuance costs	378,471	405,505
Total Deferred Inflows of Resources	581,836	1,226,755
Net Position		
Invested in capital assets	4,743,562	1,176,920
Restricted net position	1,266,248	5,094,798
Unrestricted net position	858,292	885,625
Total Net Position	6,868,102	7,157,343

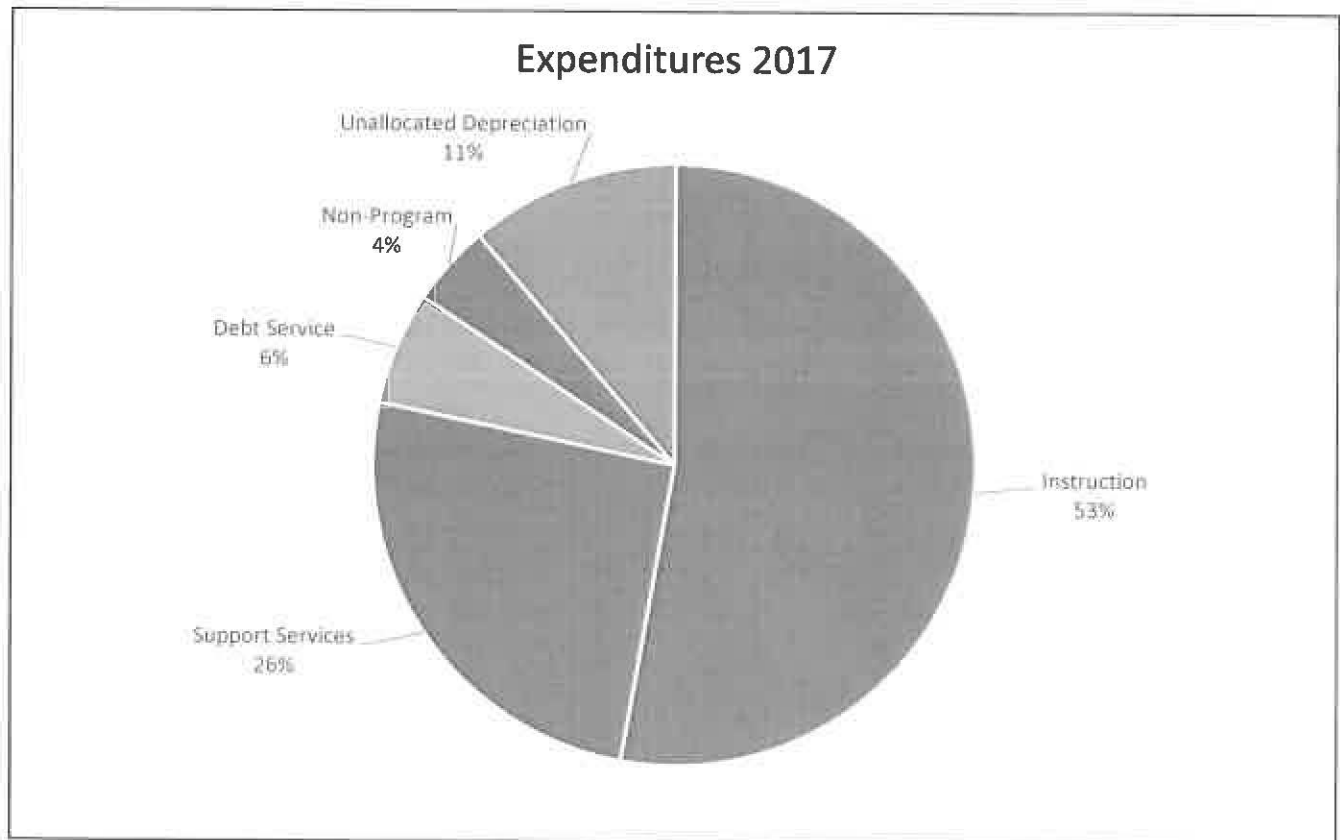
Table 2 shows the changes in net position for the fiscal year ended June 30, 2017 in comparison to the year ended June 30, 2016.

Table 2	Governmental Activities	
	2017	2016
Revenues:		
Program Revenues		
Charges for services	179,726	170,845
Operating grants & contributions	2,216,677	1,759,991
General Revenues		
Property Taxes	8,386,731	8,122,979
Other	41,849	72,850
Total Revenues	10,824,983	10,126,665
Expenditures:		
Instruction	5,867,673	5,207,650
Support Services	2,832,199	2,716,512
Debt Service	674,967	566,759
Non-Program	486,555	474,822
Unallocated Depreciation	1,252,830	366,417
Total Expenditures	11,114,224	9,332,160
Change in Net Position	(289,241)	794,505
Net Position - Beginning of Year	7,157,343	6,362,838
Net Position - End of Year	6,868,102	7,157,343

Revenues



Expenses



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund

In fiscal year 2017 approximately 78% of revenues came from property taxes, 2% state sources, 2% federal sources, 1% from local sources and 17% coming from open enrollment revenue. The school board certifies the tax levy to the municipal clerks by early November each year. The clerks pay the village and townships' proportional share of collections in January and February. The balance of the taxes then is paid to the county by July 31 and remitted to the school district in August.

The state aids are paid out in scheduled payments over the fiscal year. As of June 30, 2017, tax receivable totaled \$2,932,672. Temporary borrowing in August 2016 for cash flow purposes was \$1,700,000, with a maturity date of August 28, 2017. The district has an ending fund balance of \$2,024,140 which was an increase of \$236,924 over fiscal year 2016. The School Board has built up the general fund balance because of the 100-year-old elementary building – they wanted to make sure if something went wrong they had a fund balance to be able to support the expenditure. Now that the new elementary project has been completed and the old school building has been sold, the board will be making decisions soon regarding use some of the fund balance for capital expenditures.

Special Education Fund

The special education fund does not carry a fund balance. Since only about thirty percent of special education expenditures are funded by federal and state aids, the general fund must subsidize the remainder, which appears as an operating transfer of \$403,732.

Debt Service Fund

The debt service fund had a balance of \$408,357 at year-end. This balance consisted of money from the 2016 tax levy that will be used to make an interest payment on October 1, 2017. The fund balance is restricted and can only be used for debt service payments. Our current debt is \$21,400,000, which leaves a margin of indebtedness of \$78,864,085.

Food Service Fund

The food service fund has a fund balance of \$16,238. In fiscal year 2017 operating revenues were \$271,439 and expenditures were \$264,947. In 2001-02 the district hired a food service management company to operate the food service program. At that time the district was subsidizing the food service operation by about \$70,000 annually through general fund transfers. In 2013-14 the district entered into a catering agreement with Fontana School District to provide the district with breakfast and lunch meals, which means the general fund no longer subsidizes the food service fund.

Capital Projects Fund

The capital projects fund has a fund balance of \$841,653 which will fund the new maintenance building and return \$450,000.00 to the tax payers on the 2017 tax levy. The end of fiscal year 2018 all projects will have been completed and this fund will have a zero-fund balance.

Community Service Fund

The Community Service Fund as a fund balance of \$400,010 which will be used for expenses of staffing and supplies for the school district's fitness center which is open to the community.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The school district requires staff contribute 10% towards health insurance premiums. The staff also contributes the employee portion of the required Wisconsin Retirement System.

The State of Wisconsin has an open enrollment law which allows students to attend the school district of their choice. The State adjusts each district's general state aid payment based on the number of students that transfer. The District actively has encouraged attendance by non-resident students through open enrollment and strives to keep resident students by offering a varied and complete curriculum. Two hundred and thirteen students from other school districts enrolled to Williams Bay Schools, compared with seventy-one Williams Bay students choosing to enroll in other districts. In dollars, this translates to \$1,556,338.00 in revenue and \$543,203.00 in expenses with a net gain to the district of \$1,013,135.00. It is important for the District to maintain a quality instructional program and attractive physical plant to maintain a competitive advantage in attracting open enrollment pupils.

The State of Wisconsin has a history of budget deficits. Since the state budget currently funds two thirds of the cost of K-12 education, local school districts, including Williams Bay, are concerned that future funding levels may be negatively impacted.

One of the most important variables in the district's financial future is the cost of health insurance for its employees. The cost of health benefits for all district employees is increasing annually. The district has entered a five-school district insurance consortium to bid out insurance as one large group to insure lower rates. The district with the consortium's help negotiated a single digit (1%) increase in health insurance premiums for the 2017-18 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This 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 Dr. Wayne Anderson, Superintendent, at Williams Bay School District, (262) 245-1575.

WILLIAMS BAY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,698,073
Property taxes receivable	2,932,672
Accounts receivable	30,286
Prepaid supplies	74,567
Due from other governments	222,813
Capital assets:	
Nondepreciable	3,806,142
Depreciable, net of accumulated depreciation	22,337,420
TOTAL ASSETS	32,101,973
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	177,212
<u>LIABILITIES</u>	
Accounts payable	105,258
Accrued wages and related items	434,423
Accrued interest payable	192,242
Short term notes payable	1,700,000
Current portion of vested employee benefits	15,930
Current portion of long term obligations	1,210,000
Noncurrent liabilities:	
Net pension liability	201,522
Post employment benefits	115,974
Noncurrent portion of long term obligations	20,190,000
Vested employee benefits	663,898
TOTAL LIABILITIES	24,829,247
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unamortized premium on debt	378,471
Deferred inflows related to pensions	203,365
TOTAL DEFERRED INFLOWS OF RESOURCES	581,836
<u>NET POSITION</u>	
Net investment in capital assets	4,743,562
Restricted for debt service	408,357
Restricted for capital projects	841,653
Restricted for food service	16,238
Unrestricted net position	858,292
TOTAL NET POSITION	\$ 6,868,102

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Program Activities	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Current	\$ 5,867,673	\$ 57,180	\$ 1,782,731	\$ (4,027,762)
Support Service				
Current	2,832,199	122,546	433,946	(2,275,707)
Debt Service	674,967	-	-	(674,967)
Nonprogram				
Current	486,555	-	-	(486,555)
Unalloacted Depreciation	1,252,830			(1,252,830)
TOTAL GOVERNMENTAL ACTIVITIES	11,114,224	179,726	2,216,677	(8,717,821)
<u>GENERAL REVENUES</u>				
Property taxes, levied for general purposes				6,553,208
Property taxes, levied for debt service				1,833,523
Amortization of bond premium				27,034
Net loss on sale of property				(40,559)
Premium on short term debt				16,592
Miscellaneous				4,651
Investment income				34,131
TOTAL GENERAL REVENUES				8,428,580
CHANGE IN NET POSITION				(289,241)
NET POSITION - BEGINNING OF YEAR				7,157,343
NET POSITION - END OF YEAR				\$ 6,868,102

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Debt Service	Capital Projects	Other Gov't Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 1,063,142	\$ 404,712	\$ 950,994	\$ 373,623	\$ 2,792,471
Taxes receivable	2,932,672	-	-	-	2,932,672
Accounts receivable	19,511	-	-	10,775	30,286
Prepaid insurance and supplies	74,567	-	-	-	74,567
Due from other governments	98,940	-	-	123,873	222,813
Due from other funds	102,970	3,645	3,939	38,400	148,954
TOTAL ASSETS	<u>4,291,802</u>	<u>408,357</u>	<u>954,933</u>	<u>546,671</u>	<u>6,201,763</u>
<u>LIABILITIES</u>					
Cash deficit	-	-	-	94,398	94,398
Short-term notes payable	1,700,000	-	-	-	1,700,000
Accounts payable	63,657	-	10,310	31,291	105,258
Accrued salaries / related items	434,423	-	-	-	434,423
Due to other funds	41,250	-	102,970	4,734	148,954
Accrued interest payable	28,332	-	-	-	28,332
TOTAL LIABILITIES	<u>2,267,662</u>	<u>-</u>	<u>113,280</u>	<u>130,423</u>	<u>2,511,365</u>
<u>FUND BALANCES</u>					
Restricted	-	408,357	841,653	16,238	1,266,248
Assigned	-	-	-	400,010	400,010
Unassigned	2,024,140	-	-	-	2,024,140
TOTAL FUND BALANCES	<u>2,024,140</u>	<u>408,357</u>	<u>841,653</u>	<u>416,248</u>	<u>3,690,398</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,291,802</u>	<u>\$ 408,357</u>	<u>\$ 954,933</u>	<u>\$ 546,671</u>	<u>\$ 6,201,763</u>

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,690,398

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds as assets.

Capital assets	31,952,550	
Accumulated depreciation	(5,808,988)	
	26,143,562	26,143,562

The District's proportionate share of the WRS net pension liability is reported on the statement of net position, but is not reported in the governmental funds. (201,522)

Deferred outflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental funds. 177,212

Deferred inflows of resources related to pensions are applicable to future periods and therefore are not reported in the governmental funds. (203,365)

Long-term debt and related items are not due and payable in the current period and therefore are not reported in the governmental funds.

Long-term liabilities at year end consist of:

Notes and bonds payable	(21,400,000)	
Compensated absences	(679,828)	
Other post-employment benefits	(115,974)	
Unamortized premium	(378,471)	
	(22,574,273)	(22,574,273)

Accrued interest payable on debt is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. (163,910)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 6,868,102

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Debt Service	Capital Projects	Other Gov't Funds	Total Governmental Funds
<u>REVENUES</u>					
Local	\$ 6,640,474	\$ 1,839,155	\$ 5,168	\$ 126,290	\$ 8,611,087
Interdistrict	1,470,299	-	-	125,853	1,596,152
State	192,153	-	-	88,536	280,689
Federal	109,780	-	-	219,557	329,337
Other	21,243	-	-	-	21,243
TOTAL REVENUES	<u>8,433,949</u>	<u>1,839,155</u>	<u>5,168</u>	<u>560,236</u>	<u>10,838,508</u>
<u>EXPENDITURES</u>					
Instruction - current	4,622,712	-	-	408,230	5,030,942
Instruction - capital outlay	210,369	-	-	-	210,369
Support service - current	2,294,678	-	-	513,046	2,807,724
Support service - capital outlay	303,620	-	3,264,500	-	3,568,120
Debt service - principal	-	1,165,000	-	-	1,165,000
Debt service - interest	-	681,410	-	-	681,410
Nonprogram - current	445,373	-	-	41,182	486,555
TOTAL EXPENDITURES	<u>7,876,752</u>	<u>1,846,410</u>	<u>3,264,500</u>	<u>962,458</u>	<u>13,950,120</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>557,197</u>	<u>(7,255)</u>	<u>(3,259,332)</u>	<u>(402,222)</u>	<u>(3,111,612)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Sale of property	83,459	-	-	-	83,459
Operating transfers in	-	-	-	403,732	403,732
Operating transfers out	(403,732)	-	-	-	(403,732)
NET OTHER FINANCING SOURCES (USES)	<u>(320,273)</u>	<u>-</u>	<u>-</u>	<u>403,732</u>	<u>83,459</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	236,924	(7,255)	(3,259,332)	1,510	(3,028,153)
FUND BALANCES - BEGINNING OF YEAR	<u>1,787,216</u>	<u>415,612</u>	<u>4,100,985</u>	<u>414,738</u>	<u>6,718,551</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,024,140</u>	<u>\$ 408,357</u>	<u>\$ 841,653</u>	<u>\$ 416,248</u>	<u>\$ 3,690,398</u>

See accompanying independent auditors' report.

See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,028,153)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense is as follows:

Depreciation expense	(1,252,830)	
Capital outlays	<u>3,778,489</u>	
		2,525,659

In the statement of activities, losses on the sale of capital assets are shown, whereas in the governmental funds only the proceeds on the sale (if any) are shown	
Net gain (loss) on sale of capital assets	(124,018)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, has no effect on net position. This amount is the net effect of the differences in the treatment of long-term debt.	
	1,165,000

The amortization of premium on bonds issued is recorded as a revenue in the governmental funds, but are capitalized on the statement of net position.	
	27,034

Compensated absences are reported in the governmental funds when amounts are paid. However, the statement of activities reports the amount earned during the year.	
	(66,593)

Post employment benefit obligations are reported in the governmental funds when amounts are paid. However, the statement of activities reports the amount earned during the year.	
	1,516

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. However, governmental funds expenditures for pension expense are measured by the amount of financial resources used.	
Cost of benefits net of employee contributions	(1,038,087)
District pension contributions	<u>241,957</u>
	(796,130)

Accrued interest reported in the governmental funds are reported as expenditure when paid. However, in the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due.	
	<u>6,444</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (289,241)</u>
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See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
STATEMENT OF NET POSITION FIDUCIARY FUNDS
JUNE 30, 2017

	Phyllis Erikson Fund	Agency Fund	Totals
<u>ASSETS</u>			
Cash and investments	\$ 71,955	\$ 85,242	\$ 157,197
Accounts receivable	-	-	-
TOTAL ASSETS	<u>71,955</u>	<u>85,242</u>	<u>157,197</u>
<u>LIABILITIES</u>			
Due to student organizations	-	77,052	77,052
Accounts payable	-	8,190	8,190
TOTAL LIABILITIES	<u>-</u>	<u>85,242</u>	<u>85,242</u>
<u>NET POSITION</u>			
Reserved	<u>71,955</u>	<u>-</u>	<u>71,955</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 71,955</u>	<u>\$ 85,242</u>	<u>\$ 157,197</u>

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2017

	Phyllis Erikson Fund
<u>ADDITIONS</u>	
Contributions	\$ 1,825
Interest income	625
TOTAL ADDITIONS	2,450
 <u>DEDUCTIONS</u>	
Scholarships	14,657
TOTAL DEDUCTIONS	14,657
 CHANGE IN NET POSITION	(12,207)
 NET POSITION - BEGINNING OF YEAR	84,162
 NET POSITION - END OF YEAR	\$ 71,955

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note A - Summary of Significant Accounting Policies

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

a) Reporting Entity

The Williams Bay School District is organized as a common school district. The District, governed by a five-member elected school board, operates grades 4K through 12 and is comprised of all or parts of five taxing districts. The District is fiscally independent with taxing and borrowing powers.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the District for which it exercises oversight responsibility are included. The oversight responsibility includes, but is not limited to, financial interdependency between the District and the governmental entity; control by the District over selection of the entity's governing authority or designation of management; the ability of the District to significantly influence operations of the entity; and whether the District is responsible for the accountability for fiscal matters.

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

b) Basis of Presentation

District-Wide Financial Statements

The statement of net position and statement of activities present financial information about the District's governmental activities. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District has no business type activities that rely, to a significant degree, on fees and charges for support.

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

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note A - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. The fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, the latter are excluded from the District-wide financial statements. Since the resources in the fiduciary funds cannot be used for District operations they are not included in the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated and reported as Nonmajor funds.

The District reports the following major governmental funds:

General Fund – The general fund is the District’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Capital Projects Fund – The District accounts for resources to be used for the acquisition or construction of capital facilities.

Nonmajor Governmental Funds

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The District uses the following Special Revenue Funds:

Special Education Fund – Used to account for the District’s special education and transportation program.

Food Service Fund – Used to account for the District’s food service program.

Community Service Fund – Used to account for the District’s community service program.

Fiduciary Funds

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s Agency Fund is the Student Activity Fund.

Expendable Trust Fund – The Expendable Trust Fund accounts for scholarships and other donations where both the principal and interest may be spent. Expendable Trust funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note A - Summary of Significant Accounting Policies (continued)

c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Amounts reported as program revenues include 1) charges for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes and other revenues.

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

d) Cash, Cash Equivalents, and Investments

Cash and investments include amounts in non-interest and interest bearing demand and time deposits and local government pooled investment funds. They are stated at cost, which approximates fair value. Cash deposits and highly liquid investments with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

e) Receivables and Payables

Property taxes are recognized as revenues in the year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past November 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Walworth County purchases the outstanding property taxes of the District in August of each year. This 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.

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

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note A - Summary of Significant Accounting Policies (continued)

f) Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from/to other funds on the balance sheet as appropriate.

g) Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

h) Capital Assets

Capital assets, which include land, buildings, and furniture and equipment are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Land Improvements, building, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Life</u>
Land Improvements	15-20 years
Buildings and Improvements	20-50 years
Equipment and Furniture	5-15 years

i) Deferred Inflows / Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to the net pension liability which are explained in more detail in Note E.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to the net pension liability which are explained in more detail in Note E.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note A - Summary of Significant Accounting Policies (continued)

j) Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and addition 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. See Note E for more detailed information.

k) Long Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bond issuance costs are expensed in the current period.

In the governmental fund financial statements, bond premiums, discounts, and bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments of principal, interest and issuance costs are reported as debt service expenditures.

l) Compensated Absences & Other Obligations

The District's policy allows certified staff (teachers) to earn accumulated sick leave at a rate of the last annual salary dollars divided by 190 days multiplied by the number of sick leave days accumulated during employment by the Williams Bay School District. The maximum accumulation is 152 days. Upon retirement, staff members who have thirty (30) years teaching experience and have been employed by the District a minimum of ten (10) years are entitled to receive the accumulated amount. The District will make health insurance premium payments from this amount until the money attributed to the employee is exhausted. A penalty of seven (7) percent of the total sick leave payout per year will apply for each year of payout under the age of 55. No penalty will apply if the early retiree waits until age 55 for payout.

Several teachers have met some of the requirements to qualify for this plan, but it cannot be determined at this date whether they will eventually meet all of the requirements. In the event that all current teachers do remain in the District until retirement with thirty (30) years teaching experience and (10) years of employment with District, the District would have an obligation to pay each teacher for the sick leave accumulated during that time (up to the maximum of 152 days per teacher). As of June 30, 2017, \$679,828 has been recorded as a long-term obligation for these vested benefits. Benefits of \$53,038 were paid during the year ended June 30, 2017.

m) Net Position and Fund Balances

District-Wide Financial Statements – The District classifies net position in the government wide financial statements as follows:

Net Investment in Capital Assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted net position – Consists of net position that is subject to restrictions that are imposed by creditors, grantors, or laws or regulations of other governments.

See accompanying independent auditors' report.

WILLIAMS BAY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

Note A - Summary of Significant Accounting Policies (continued)

Unrestricted net position – All other net positions not classified as previous two categories.

The District applies restricted resources first when expense is incurred for purposes for which both a restricted and unrestricted net position is available, then unrestricted resources as they are needed.

Governmental Fund Financial Statements – Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of the fund classifications:

Restricted fund balance – includes amounts that have constraints placed upon the use of the resources either by an external party such as creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District’s highest level of decision-making authority. This formal action is a school board resolution. Commitments may only be established, modified or rescinded through resolutions approved by the School Board.

Nonspendable fund balance – includes amounts that cannot be spent because they are not in a spendable form and cannot be converted to cash or because they are legally or contractually required to remain intact.

Assigned fund balance – includes amounts that are constrained by the District’s intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the school board pursuant to authorization established by the school board.

Unassigned fund balance – the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District’s general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

n) Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
Special Education	General	\$ 403,732	Operating subsidy

See accompanying independent auditors’ report.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note A - Summary of Significant Accounting Policies (continued)

o) Use of Estimates

The preparation of the District's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported periods. Actual results could differ from those estimates.

p) Budget

Budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes, using the same basis of accounting for each fund as described in Note A(c). The budgeted amounts presented include the original budget and amended budgets approved by a resolution from the board of education. There was no budget prepared for the trust and agency fund.

Note B - Cash and Investments

The Debt Service Fund and Capital Projects Fund account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the Trust and Agency Funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

Deposits

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for demand deposits and \$250,000 for time deposits. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

At year-end, the carrying amount of the District's deposits was \$2,851,319 and the bank balance was \$3,008,283. The difference is comprised of outstanding checks. Of the bank balance, \$254,537 was covered by FDIC Insurance, \$400,000 was covered by the State Guarantee Fund and the remaining \$2,353,746 was collateralized by Advia Credit Union pledging Federal Securities as collateral for balances exceeding the amount guaranteed by the Federal Deposit Insurance Corporation.

Investments

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the Wisconsin Investment Board. Investments in the LGIP are not rated. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported as reported in these statements.

State Statute 66.0603 restricts investment of District funds. Permitted investments for the District include any of the following.

- Time deposits maturing in three years or less in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to do business in Wisconsin.

WILLIAMS BAY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

Note B - Cash and Investments (continued)

- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- Any security which matures seven years or less of the acquisition date and having the highest or second highest rating category of a nationally recognized rating agency.
- Repurchase agreements with public depositories, with certain conditions.
- Securities of open-end management companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.

Cash, cash equivalents, and investments as shown on the District's Statement of Net Position are subject to the following risks:

	Amount	Risks
Cash and Cash Equivalents		
Petty cash	\$ 208	
Demand deposits	2,846,574	Custodial
Time deposits	4,537	Custodial
Local Government Investment Pool	3,951	Custodial
Total Cash and Cash Equivalents	\$ 2,855,270	

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

Per Statement of Net Position	
Cash and investments	\$ 2,698,073
Per Statement of Fiduciary Net Position	
Phyllis Erikson Fund	71,955
Agency Fund	85,242
Total Cash & Cash Equivalents	\$ 2,855,270

Custodial Risk – Deposits: Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District.

Custodial Risk – Investments: Is the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk: Is the risk of fair value losses arising from rising interest rates.

Credit Risk: Is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note C – Short-Term Debt

Short-term debt activity for the year ended June 30, 2017 was as follows:

	Balance 6/30/2016	Issued	Redeemed	Balance 6/30/2017
Tax and revenue anticipation notes 6/30/2016	\$ 1,400,000	\$ -	\$ 1,400,000	\$ -
Tax and revenue anticipation notes 6/30/2017	-	1,700,000	-	1,700,000
Totals	\$ 1,400,000	\$ 1,700,000	\$ 1,400,000	\$ 1,700,000

The note was issued on August 30, 2016 with a final maturity date of August 28, 2017, with an interest rate of 2.0%. Total interest expense on short-term debt for the year totaled \$29,802. The note was issued for general operations of the District.

Note D – Capital Assets

A summary of changes in capital assets follows.

	Balances 6/30/2016	Additions	Disposals	Balances 6/30/2017
Land	\$ 352,500	\$ -	\$ -	\$ 352,500
Buildings and improvements	8,424,153	18,654,741	975,731	26,103,163
Machinery and equipment	1,630,571	388,490	-	2,019,061
Vehicles	24,184	-	-	24,184
Construction in Progress	18,718,384	-	15,264,742	3,453,642
	29,149,792	19,043,231	16,240,473	31,952,550
Less: accumulated depreciation	(5,407,872)	(1,252,830)	851,713	(5,808,989)
Net Capital Assets	\$ 23,741,920	\$ 17,790,401	\$ 17,092,186	\$ 26,143,561

Depreciation expense of \$1,252,830 was charged to unallocated depreciation on the statement of activities.

Note E – Employee Retirement Plans

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

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note E – Employee Retirement Plans (continued)

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

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

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	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

See accompanying independent auditors' report.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note E – Employee Retirement Plans (continued)

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

During the reporting period, the WRS recognized \$241,957 in contributions from the employer.

Contribution rates as of June 30, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
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 \$201,522 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District’s proportion was 0.02444941%, which was an increase of 0.00047989% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,038,087.

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

Differences between expected and actual experience	\$ 29,477	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	198,695
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,670
Employer contributions subsequent to the measurement date	147,735	-
	<u>\$ 177,212</u>	<u>\$ 203,365</u>

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note E – Employee Retirement Plans (continued)

\$147,735 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflow of Resources	Deferred Inflow of Resources
2017	\$ 519,317	\$ 255,041
2018	519,317	255,041
2019	434,354	255,041
2020	16,175	77,824
Thereafter	350	55

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

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

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

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

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

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note E – Employee Retirement Plans (continued)

Retirement Funds

Asset Allocation Targets and Expected Returns

As of December 31, 2016

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Nominal Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20%	4.3%	1.5%
Real Estate	8%	7%	6.5%	3.6%
Private Equity/Debt	8%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
US Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

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

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

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

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

See accompanying independent auditors' report.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note E – Employee Retirement Plans (continued)

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 2,651,145	\$ 201,522	\$ (1,684,799)

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://ctf.wi.gov/publications/cafr.htm>.

Note F - Long-Term Debt

Long-term obligations of the District are as follows:

	Balances 7/1/2016	Additions	Reductions	Balances 6/30/2017	Amounts Due Within One Year
Type					
G.O. Promissory Note	\$ 2,855,000	\$ -	\$ 330,000	\$ 2,525,000	\$ 340,000
G.O. Refunding Bonds	5,855,000	-	70,000	5,785,000	75,000
G.O. Building Bonds	13,855,000	-	765,000	13,090,000	795,000
Post employment benefits	117,490	16,703	18,219	115,974	-
Vested Employee Benefits	613,235	119,631	53,038	679,828	-
Total	\$ 23,295,725	\$ 136,334	\$ 1,236,257	\$ 22,195,802	\$ 1,210,000

Total interest paid on long-term obligations during the year aggregated \$681,410.

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2017, is comprised of the following issues:

Description	Issue Dates	Interest Rates	Dates of Maturity	Balance 06/30/17
Building Bond	4/1/2015	1.00-4.00%	04/01/31	\$ 13,090,000
Refunding Bond	12/29/14	3.125-3.50%	04/01/34	5,220,000
Refunding Bond	06/01/10	3.30-4.00%	04/01/24	565,000
Promissory Note	05/01/14	1.85-2.35%	04/01/24	2,525,000
Total General Obligation Debt				\$ 21,400,000

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,002,640,849. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows.

Debt limit (10% of \$1,002,640,849)	\$ 100,264,085
Deduct long-term debt applicable to debt margin	21,400,000
Margin of indebtedness	\$ 78,864,085

See accompanying independent auditors' report.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note F - Long-Term Debt (continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2017 follow.

Year Ended June 30	Principal	Interest	Total
2018	\$ 1,210,000	\$ 655,639	\$ 1,865,639
2019	1,250,000	621,664	1,871,664
2020	1,300,000	594,826	1,894,826
2021	1,340,000	558,264	1,898,264
2022	1,380,000	512,404	1,892,404
2023-2027	6,085,000	1,946,476	8,031,476
2028-2032	6,040,000	1,076,950	7,116,950
2033-2037	2,795,000	147,700	2,942,700
Totals	<u>\$ 21,400,000</u>	<u>\$ 6,113,923</u>	<u>\$ 27,513,923</u>

In addition, the District expects to pay vested employee benefits of approximately \$65,729 in the year ending June 30, 2018.

Note G – Other Postemployment Benefits

Plan Description. The District operates a single-employer retiree benefit plan that provides postemployment health, dental, and life insurance benefits to eligible employees and their spouses. There are 44 active and 11 retired members in the plan as of June 30, 2017. Benefits and eligibility for teachers and food service workers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health and dental coverage. Benefits and eligibility for administrators, secretaries and general support staff are established and amended by the governing body.

The District plan covers implicit rate subsidy only. Implicit rate subsidy exists when an employer's retirees and current employees are covered together as a group wherein the premium rate or premium equivalent rate paid by the retirees may be lower than they would be if the retirees were rated separately. The final GASB statements declare that even if the retirees pay 100% of the premium, without a contribution from the employer, the employer is required to treat the implicit rate subsidy as another post employment benefit (OPEB) liability.

Funding Policy. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payments of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note G – Other Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation. The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the district’s annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District’s net OPEB obligation.

	Government Activities
Annual required contribution	\$ 18,494
Interest on net OPEB	4,019
Adjustments	(5,810)
Annual OPEB cost (expense)	16,703
Contributions made	18,219
Change in net OPEB obligation	(1,516)
OPEB Obligation - beginning of year	117,490
OPEB Obligation - end of year	\$ 115,974

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two year’s were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 18,494	109.08%	\$ 115,974
6/30/2016	\$ 18,494	73.15%	117,490
6/30/2015	\$ 18,494	24.96%	113,005

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the District’s unfunded actuarial accrued liability (UAAL) was \$131,653.

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

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

WILLIAMS BAY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

Note G – Other Postemployment Benefits (continued)

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a rate of 5.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10% for medical and 4% for dental, reduced by decrements to an ultimate rate of 5.0% for medical after 5 years. Mortality, disability and retirement rates are from the Wisconsin Retirement System 2000-2002 Experience Study for public schools. The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at June 30, 2017 was 30 years.

Note H – Due From/To Other Funds

Amounts due from/to other funds at June 30, 2017 are as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 102,970	\$ 41,250
Debt Service Fund	3,645	-
Capital Projects Fund	3,939	102,970
Community Service Fund	38,400	4,734
	\$ 148,954	\$ 148,954

Note I – Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues a school district may derive from general school aids and property taxes. The annual revenue increase from these sources is limited by the higher of the rate of inflation or the CPI-adjusted dollar amount on the prior year per pupil amount unless a higher amount has been approved by a referendum.

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

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

Note J – Fund Balances

Portions of fund balances are restricted or assigned and are not available for current appropriation or expenditure as follows:

Debt Service Fund - Restricted		
For future debt payments	\$	408,357
Capital Projects Fund - Restricted		
For future capital projects	\$	841,653
Food Service Fund - Restricted		
For future food service expenditures	\$	16,238
Community Service Fund - Assigned		
For future community service projects	\$	400,010

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note K – Risk Management

The District is exposed to various risks of loss related to torts; theft of; damage to, or destruction of assets; errors and omissions; worker's compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. There has been no reduction in insurance coverage in the prior year. Settled claims have not exceeded the commercial coverage during the year ended June 30, 2017.

Note L - Commitments and Contingencies

From time to time the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies.

Note M – Excess of Actual Expenditures over Budget in Individual Funds

The following objects/funds had an excess of actual expenditures over budget for the year ended June 30, 2017:

<u>General Fund:</u>	
Business administration	\$ 9
Debt service	16,592

Note N – Subsequent Events

Subsequent events have been evaluated through November 22, 2017, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

REQUIRED SUPPLEMENTARY INFORMATION

WILLIAMS BAY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<u>REVENUES</u>				Positive (Negative)
Taxes	\$ 6,307,421	\$ 6,556,209	\$ 6,553,208	\$ (3,001)
Non-Capital Sales/Resale	1,000	3,860	3,860	-
School Activity Income	20,000	14,570	14,570	-
Interest on Investments	8,500	19,582	19,586	4
Fees & Rentals	28,000	29,960	29,960	-
Gifts, Contributions	-	10,500	10,500	-
Rent From Property	6,300	8,790	8,790	-
Open Enrollment	1,504,165	1,470,299	1,470,299	-
Transportation Aid	5,000	5,760	5,760	-
Library Aid	20,000	17,055	17,055	-
Other General Aid	134,500	136,000	136,000	-
Equalization Aid	24,500	23,934	23,934	-
Special Project Grants	-	6,112	6,112	-
Computer Aid	3,716	3,292	3,292	-
Title II-A, I-D, IV-A	10,000	13,720	13,720	-
Titel I-A	95,131	96,060	96,060	-
Premium on short term debt	-	-	16,592	16,592
Insurance Adjustments	-	4,651	4,651	-
TOTAL REVENUES	8,168,233	8,420,354	8,433,949	13,595
<u>EXPENDITURES</u>				
Undifferentiated Curriculum	2,133,400	2,111,830	2,111,830	-
Regular Curriculum	2,159,315	2,155,220	2,155,220	-
Vocational Curriculum	334,468	324,962	324,962	-
Physical Curriculum	158,169	146,628	146,628	-
Co-Curricular Activities	82,801	94,439	94,439	-
Pupil Services	158,033	162,450	162,450	-
Instructional Staff Services	204,957	200,456	200,456	-
General Administartion	379,797	365,976	365,976	-
Building Administartion	521,564	532,843	532,843	-
Business Administration	977,082	1,151,421	1,151,430	(9)
Central Services	27,003	12,182	12,182	-
Insurance & Judgments	79,032	82,169	82,169	-
Debt Service	12,000	13,210	29,802	(16,592)
Retirement Benefits	67,604	60,992	60,992	-
Instructional Service Payments	440,451	445,373	445,373	-
TOTAL EXPENDITURES	7,735,676	7,860,151	7,876,752	(16,601)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	432,557	560,203	557,197	(3,006)
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of property	-	83,459	83,459	-
Operating transfers out	(597,954)	(403,732)	(403,732)	-
	(597,954)	(320,273)	(320,273)	-
NET CHANGE IN FUND BALANCE	\$ (165,397)	\$ 239,930	\$ 236,924	\$ (3,006)
FUND BALANCES - BEGINNING OF YEAR			1,787,216	
FUND BALANCES - END OF YEAR			\$ 2,024,140	

See accompanying independent auditors' report.
 See notes to required supplementary information.

WILLIAMS BAY SCHOOL DISTRICT
 SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS-OPEB
 YEAR ENDED JUNE 30, 2017

Schedule of Funding Progress - OPEB
 As of June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)- Unprojected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	\$ -	\$ 220,411	\$ 220,411	0.0%	NA	0.00%
7/1/2014	\$ -	\$ 131,653	\$ 131,653	0.0%	NA	0.00%

Schedule of Employers Contributions - OPEB
 For the Year Ended June 30, 2017

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 18,494	24.96%
2016	\$ 18,494	73.15%
2017	\$ 18,494	109.08%

See accompanying independent auditors' report.
 See notes to required supplementary information.

WILLIAMS BAY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Wisconsin Retirement System
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.02444941%	0.02396952%
District's proportionate share of the net pension liability	201,522	389,500
District's covered-employee payroll	3,666,018	3,416,708
Net pension liability as a percentage of covered-employee payroll	5.50%	11.40%
Plan fiduciary net position as a percentage of total pension liability	99.12%	98.20%

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

*GASB Pronouncements 67 and 68 require the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented for this schedule.

See accompanying independent auditors' report.
See notes to required supplementary information.

WILLIAMS BAY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS

Wisconsin Retirement System
Last 10 Fiscal Years*

	2016	2015
Contractually required contributions	241,957	232,294
Contributions in relation to the contractually required contributions	241,957	232,294
Contributions deficiency (excess)	-	-
District's covered-employee payroll	3,666,018	3,416,708
Contributions as a percentage of covered-employee payroll	6.60%	6.80%

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

*GASB Pronouncements 67 and 68 require the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented for this schedule.

See accompanying independent auditors' report.
See notes to required supplementary information.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Note 1 – Budgetary Accounting and Control

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the object level in the general fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution. There was no budget prepared for the trust and agency fund.

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

- Based upon requests from District staff, District administration recommends budget proposals to the school board.
- The school board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the school board may make alterations to the proposed budget.
- Once the school board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire school board.
- Appropriations lapse at year end unless authorized as a carryover by the school board. The portion of fund balance representing carryover appropriations is reported as a reserved fund balance.

Note 2 – Schedules of Funding Progress and Employer Contributions

Data in the schedules of funding progress was taken from the report issued by the actuary for OPEB and pension benefits.

Note 3 – Wisconsin Retirement System Pension (WRS)

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

The district is required to present the last ten fiscal years of data, however accounting standards allow the district to present as many years as are available until ten years are presented.

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

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

OTHER SUPPLEMENTARY INFORMATION

WILLIAMS BAY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Special Revenue			Totals
	Special Education	Food Service	Community Service	
ASSETS				
Cash	\$ -	\$ 7,279	\$ 366,344	\$ 373,623
Accounts receivable	-	10,775	-	10,775
Due from other governments	123,626	247	-	123,873
Due from other funds	-	-	38,400	38,400
TOTAL ASSETS	<u>123,626</u>	<u>18,301</u>	<u>404,744</u>	<u>546,671</u>
 LIABILITIES				
Cash deficit	94,398	-	-	94,398
Accounts payable	29,228	2,063	-	31,291
Due to other funds	-	-	4,734	4,734
TOTAL LIABILITIES	<u>123,626</u>	<u>2,063</u>	<u>4,734</u>	<u>130,423</u>
 FUND BALANCES				
Restricted	-	16,238	-	16,238
Assigned	-	-	400,010	400,010
TOTAL FUND BALANCES	<u>-</u>	<u>16,238</u>	<u>400,010</u>	<u>416,248</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 123,626</u>	<u>\$ 18,301</u>	<u>\$ 404,744</u>	<u>\$ 546,671</u>

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue			Totals
	Special Education	Food Service	Community Service	
<u>REVENUES</u>				
Local	\$ -	\$ 119,749	\$ 6,541	\$ 126,290
Interdistrict	58,163	67,690	-	125,853
State	85,000	3,536	-	88,536
Federal	139,093	80,464	-	219,557
TOTAL REVENUES	<u>282,256</u>	<u>271,439</u>	<u>6,541</u>	<u>560,236</u>
<u>EXPENDITURES</u>				
Instruction	408,230	-	-	408,230
Support service	236,576	264,947	11,523	513,046
Non-program	41,182	-	-	41,182
TOTAL EXPENDITURES	<u>685,988</u>	<u>264,947</u>	<u>11,523</u>	<u>962,458</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(403,732)	6,492	(4,982)	(402,222)
<u>OTHER FINANCING SOURCES</u>				
Operating transfers in	<u>403,732</u>	<u>-</u>	<u>-</u>	<u>403,732</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	-	6,492	(4,982)	1,510
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>9,746</u>	<u>404,992</u>	<u>414,738</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 16,238</u>	<u>\$ 400,010</u>	<u>\$ 416,248</u>

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 STUDENT ORGANIZATION FUNDS
 JUNE 30, 2017

	Balance 6/30/2016	Receipts	Disbursements	Balance 6/30/2017
<u>ASSETS</u>				
Cash and Investments	\$ 83,170	\$ 136,238	\$ 134,166	\$ 85,242
 <u>LIABILITIES</u>				
Due to student organizations	\$ 83,170	\$ 136,238	\$ 134,166	\$ 85,242

See accompanying independent auditors' report.
 See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Administering Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-through Entity Number	Accrued Receivable 7/1/2016	Receipts Grantor Reimbursement	Expenditures	Accrued Receivable 6/30/2017
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>						
Passed through Wisconsin Department of Public Instruction:						
<i>Child Nutrition Cluster</i>						
Donated Commodities	10.555	N/A	\$ -	\$ 9,502	9,502	\$ -
Special Milk Program	10.556	2017-646482-SMP-548	16	1,430	1,426	12
National School Lunch Program	10.555	2017-646482-NSL-547	643	66,916	66,508	235
<i>Total Child Nutrition Cluster</i>			<u>659</u>	<u>77,848</u>	<u>77,436</u>	<u>247</u>
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE			<u>659</u>	<u>77,848</u>	<u>77,436</u>	<u>247</u>
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>						
Passed through Wisconsin Department of Public Instruction						
<i>Special Education Cluster</i>						
IDEA Flow Through	84.027	2017-646482-IDEA-341	51,162	81,169	137,248	107,241
IDEA Preschool Entitlement	84.173	17-646482-Pre-S-347	-	1,844	3,688	1,844
<i>Total Special Education Cluster</i>			<u>51,162</u>	<u>83,013</u>	<u>140,936</u>	<u>109,085</u>
Title I-A	84.010	17-646482-Title I-141	104,602	104,602	96,060	96,060
Title II-A Teacher/Principal Training	84.367	17-642044-Title II-365	13,927	13,927	13,720	13,720
TOTAL UNITED STATES DEPARTMENT OF EDUCATION			<u>169,691</u>	<u>201,542</u>	<u>250,716</u>	<u>218,865</u>
TOTAL FEDERAL AWARDS			<u>\$ 170,350</u>	<u>\$ 279,390</u>	<u>\$ 328,152</u>	<u>\$ 219,112</u>

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2017

<u>Administering Agency/ Pass-Through Agency/ Award Description</u>	<u>State I.D. Number</u>	<u>Pass- through Entity Number</u>	<u>Accrued Receivable 7/1/2016</u>	<u>State Receipts</u>	<u>State Disbursements/ Expenditures</u>	<u>Accrued Receivable 6/30/2017</u>
<u>Entitlement Programs</u>						
Wisconsin Department of Public Instruction						
Special Education and						
School Age Parents	255.101	646842-100	\$ -	\$ 85,000	\$ 85,000	\$ -
Pupil Transportation	255.107	646842-102	-	5,760	5,760	-
Common School Fund Library Aid	255.103	646842-104	-	17,055	17,055	-
State School Lunch Aid	255.102	646842-107	-	2,169	2,169	-
WI School Day Milk Program	255.109	646842-109	-	1,367	1,367	-
Per Pupil Aid	255.945	646842-113	80,550	216,550	136,000	-
Educator Effective Eval Sys Grant	255.940	646842-154	4,640	9,520	4,880	-
Assessments of Reading Readiness	255.956	646842-166	-	1,232	1,232	-
Equalization aids	255.201	646842-116	438	23,934	23,905	409
Total Wisconsin Department of Public Instruction			<u>85,628</u>	<u>362,587</u>	<u>277,368</u>	<u>409</u>
<u>Other Awards</u>						
Computer Aid	N/A	N/A	<u>3,707</u>	<u>3,707</u>	<u>3,292</u>	<u>3,292</u>
Total Other Awards			<u>3,707</u>	<u>3,707</u>	<u>3,292</u>	<u>3,292</u>
TOTAL STATE AWARDS			<u>\$ 89,335</u>	<u>\$ 366,294</u>	<u>\$ 280,660</u>	<u>\$ 3,701</u>

See accompanying independent auditors' report.
See notes to financial statements.

WILLIAMS BAY SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
JUNE 30, 2017

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards represent the activity of all federal and state financial awards programs of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

Note B – Basis of Accounting

The accompanying schedule of expenditures of Federal and State Awards is presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. The District applies all GASB pronouncements in accounting and reporting.

Note C – Special Education and School-Age Parents Program

The 2016-2017 eligible costs under the state special education program are \$431,707.

Note D – Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

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

Board of Education
Williams Bay School District
Williams Bay, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Williams Bay School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Williams Bay School District's Response to Findings

Williams Bay School District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Williams Bay School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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.



Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 22, 2017

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

Board of Education
Williams Bay School District
Williams Bay, Wisconsin

Report on Compliance for Each Major State Program

We have audited Williams Bay School District (District)'s compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2017. The District's major state programs are identified in the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of testing based on requirements of the *Wisconsin Public School District Manual*. Accordingly, this report is not suitable for any other purpose.



Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 22, 2017

WILLIAMS BAY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

B. Financial Statement Findings

2016-001, Material Audit Adjustments

Condition – One or more audit adjustments were necessary to prevent the District’s financial statements from being materially misstated.

Criteria – Prior to the issuance of SAS 112, since superseded by SAS 115, *Communicating Internal Control Related Matters Identified in an Audit*, the District was able to rely on the external auditors to assist with recording certain financial transactions.

Cause – Required entries to record accrued payroll and scholarships paid by the expendable trust fund to keep the financial statements from being materially misstated.

Effect – Interim financial information reported to management may be incomplete or inaccurate.

Questioned Costs – None

Recommendation – The District should provide training opportunities to its accounting personnel that would enable them to become more familiar with generally accepted accounting principles. Should the District decide, due to cost/benefit implications, to take no action, they should rely on its direct knowledge of the entity’s operations and continue to appoint a member of senior management to make management decisions including oversight as well as approving and taking responsibility for all audit adjustments prior to their posting in District accounting records.

Management’s Response / Corrective Action Plan – Contact: Coe Reynolds, Administrative Asst. for Business. Completion Date: NA. Response: The District will continue to provide oversight from a senior member of management, and will make all management decisions and review and approve all adjusting journal entries prior to their being posted to the District’s accounting records

Current Status – There were no material audit adjustments in current year.

2016-002, Lack of Segregation of Duties

Condition – A deficiency in the internal control component of the District’s activities currently affects the District’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. The District has not segregated the financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting.

Criteria – The District is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions consistent with the District’s assertions embodied in the financial statements.

WILLIAMS BAY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

Cause – The auditee is not in a financial position to be able to hire enough staff to ensure adequate segregation of duties. In addition, the size of the organization does not warrant hiring additional staff members.

Effect – The condition is not associated with any known questioned cost, only the fact that a questioned cost could occur. Also, the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Questioned Costs – None

Recommendation – Management should rely on its direct knowledge of the District’s operations and have day-to-day contact with employees to control and safeguard assets. In addition, the District should adopt and implement sound accounting policies to mitigate the deficiency.

Management’s Response / Corrective Action Plan – Contact: Coe Reynolds, Administrative Asst. for Business. Completion Date: NA. Response: The District will continue to monitor all functions of personnel on a timely basis to prevent the possibility of theft or misappropriation of assets.

Current Status – There have been no changes to this finding, Sec 2017-001.

2016-003, Financial Statement Preparation

Condition – The District relies on the external auditors to prepare and ensure its financial statements are in accordance with generally accepted accounting principles.

Criteria – In May 2006, a new auditing standard, Statement on Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS112), was issued. This standard, since superseded by Statement on Auditing Standard No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, provides guidance that if an entity is unable to draft its own financial statements, there is a significant deficiency. External auditors cannot be part of the District’s internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence. The limited number of accounting employees prevents the entity from preparing its own financial statements.

Cause – Prior to the issuance of SAS 112, the District was able to rely on the external auditors to assist with recording certain financial transactions and with the preparation of the financial statements without being subject to control deficiencies. Currently, the auditee is not in a financial position to be able to hire enough staff to prepare the financial statements. In addition, the size of the District does not warrant hiring additional staff members.

Effect – The condition is not associated with any known questioned cost, only the fact that a questioned cost could occur. However, relying on external auditors to prepare and ensure its financial statements are in accordance with generally accepted accounting principles means the District is considering the external auditors a part of its internal controls over the preparation of the financial statements.

WILLIAMS BAY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2017

Questioned Costs – None

Recommendation – The District should provide training opportunities to its accounting personnel that would enable them to become more familiar with generally accepted accounting principles as well as general disclosure requirements. Should the District decide, due to cost/benefit implications, to take no action, they should rely on its direct knowledge of the entity's operations and continue to appoint a member of senior management to make management decisions including oversight as well as approving and taking responsibility of the financial statements prior to their release.

Management's Response / Corrective Action Plan – Contact: Coe Reynolds, Administrative Asst. for Business. Completion Date: NA. Response: The District will continue to provide oversight from a senior member of management, and will make all management decisions and review and approve all financial statements prior to their release.

Current Status – There have been no changes to this finding, See 2017-002

WILLIAMS BAY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

1. Type of auditor's report issued	Unmodified
2. Internal Control over Financial Reporting	
a. Material weaknesses identified	No
b. Significant deficiency(s) identified that are not considered to be material weaknesses	Yes
3. Noncompliance material to financial statements	No

State Awards

4. Type of opinion issued on compliance for major programs	Unmodified
5. Internal Control over Financial Reporting	
a. Material weaknesses identified	No
b. Significant deficiency(s) identified that are not considered to be material weaknesses	No
6. Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Guidelines?	No

Identification of Major State Program

7. <u>CFDA Number</u>	<u>Name of State Program</u>
255.101	Special Education and School-Age Parents
255.107	Pupil Transportation
255.201	Equalization Aid

WILLIAMS BAY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
FOR THE YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

2017-001, Lack of Segregation of Duties

Condition – A deficiency in the internal control component of the District’s activities currently affects the District’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. The District has not segregated the financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity’s objectives with regard to reliability of financial reporting.

Criteria – The District is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions consistent with the District’s assertions embodied in the financial statements.

Cause – The auditee is not in a financial position to be able to hire enough staff to ensure adequate segregation of duties. In addition, the size of the organization does not warrant hiring additional staff members.

Effect – The condition is not associated with any known questioned cost, only the fact that a questioned cost could occur. Also, the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Questioned Costs – None

Recommendation – Management should rely on its direct knowledge of the District’s operations and have day-to-day contact with employees to control and safeguard assets. In addition, the District should adopt and implement sound accounting policies to mitigate the deficiency.

Management’s Response / Corrective Action Plan – Contact: Coe Reynolds, Administrative Asst. for Business. Completion Date: NA. Response: The District will continue to monitor all functions of personnel on a timely basis to prevent the possibility of theft or misappropriation of assets.

WILLIAMS BAY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (continued)
FOR THE YEAR ENDED JUNE 30, 2017

2017-002, Financial Statement Preparation

Condition – The District relies on the external auditors to prepare and ensure its financial statements are in accordance with generally accepted accounting principles.

Criteria – In May 2006, a new auditing standard, Statement on Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS112), was issued. This standard, since superseded by Statement on Auditing Standard No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, provides guidance that if an entity is unable to draft its own financial statements, there is a significant deficiency. External auditors cannot be part of the District's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence. The limited number of accounting employees prevents the entity from preparing its own financial statements.

Cause – Prior to the issuance of SAS 112, the District was able to rely on the external auditors to assist with recording certain financial transactions and with the preparation of the financial statements without being subject to control deficiencies. Currently, the auditee is not in a financial position to be able to hire enough staff to prepare the financial statements. In addition, the size of the District does not warrant hiring additional staff members.

Effect – The condition is not associated with any known questioned cost, only the fact that a questioned cost could occur. However, relying on external auditors to prepare and ensure its financial statements are in accordance with generally accepted accounting principles means the District is considering the external auditors a part of its internal controls over the preparation of the financial statements.

Questioned Costs – None

Recommendation – The District should provide training opportunities to its accounting personnel that would enable them to become more familiar with generally accepted accounting principles as well as general disclosure requirements. Should the District decide, due to cost/benefit implications, to take no action, they should rely on its direct knowledge of the entity's operations and continue to appoint a member of senior management to make management decisions including oversight as well as approving and taking responsibility of the financial statements prior to their release.

Management's Response / Corrective Action Plan – Contact: Coe Reynolds, Administrative Asst. for Business. Completion Date: NA. Response: The District will continue to provide oversight from a senior member of management, and will make all management decisions and review and approve all financial statements prior to their release.

Section III - Federal and State Award Findings and Questioned Costs.

There are no questioned costs.

November 22, 2017

To the Board of Education
Williams Bay School District
P.O. Box 1410
Williams Bay, Wisconsin 53191

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Williams Bay School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Williams Bay School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimates of post-employment benefits, pension benefits and the useful life of fixed assets are based on contractual obligations and past experience. We evaluated the key factors and assumptions used to develop the estimates of post-employment benefits, pension benefits and the useful life of fixed assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 22, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings and Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information as listed in the table of contents, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Sincerely,

Sitzberger & Company, S.C.

Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 22, 2017



CPAs and Business Advisors

www.sitzbergercpas.com

Board of Education
Williams Bay School District
Williams Bay, Wisconsin

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williams Bay School District as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Williams Bay School District's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be a significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the following deficiencies in the District's internal control to be significant deficiencies:

Preparation of Financial Statements

The District has the ultimate responsibility for the Districts financial statements and accompanying disclosures. The District currently engages its auditors to assist in preparing its financial statements and accompanying disclosures. It is acceptable to outsource various accounting functions; however, the responsibility for control over the financial statements being prepared in conformity with accounting principles generally accepted in the United States of America remains with the District's management. The District should design and implement a review procedure to ensure that the financial statements and disclosures are complete and accurate. These review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the Districts activities and operations.

Segregation of Duties

Under ideal conditions, there are many procedures and controls designed to limit the access of any one individual to all phases of a transaction. Many entities the size of Williams Bay School District do not have a large enough administrative staff to adequately segregate the various procedures from any one individual. Management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Because the overlapping responsibilities exist, you need to rely on your direct knowledge of the District operations and trust in and have contact with employees to control and safeguard assets. The lack of segregation of duties could result in errors or irregularities that are not detected on a timely basis.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

Implementation of GASB Statement No. 75

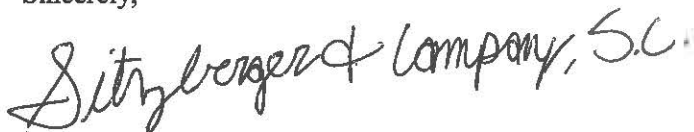
GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions is effective for fiscal years beginning after June 15, 2017. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (Net OPEB Liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employee's past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation.

For small governments, the Governmental Accounting Standards Board (GASB) permits an Alternative Measurement Method (AMM) in lieu of performing an actuarial valuation of the future OPEB costs and liabilities. GASB considered the cost of performing an actuarial valuation, prepared and certified by a credentialed actuary in accordance with actuarial standards of practice, and concluded that it needed to provide a low-cost alternative for small governments. The governmental employer is eligible to utilize the AMM if the employer has less than 100 employees. GASB prepared a sample spreadsheet to assist small governments with the AMM. Utilizing the AMM does not require the engagement of an actuary, which could be a substantial cost savings for the District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

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

Sincerely,



Sitzberger & Company, S.C.
Lake Geneva, Wisconsin
November 22, 2017