

EVANSVILLE COMMUNITY SCHOOL DISTRICT
Evansville, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2017

CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet—Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the District-Wide Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	17
Statement of Net Position—Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Net Position—Proprietary Funds	19
Statement of Cash Flows—Proprietary Funds.....	20
Statement of Fiduciary Net Position.....	21
Notes to Financial Statements.....	22
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual— General Fund.....	44
Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures	45
Schedule of Funding Progress – Other Post Employment Benefits.....	46

Schedule of Net Pension Liability	47
Schedule of Contributions	48
Notes to Required Supplementary Information	48
Other Supplementary Information	
Combining Balance Sheet—General Governmental Funds.....	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—General Governmental Funds	51
Combining Balance Sheet—Nonmajor Governmental Funds.....	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	53
Agency Funds—Schedule of Changes in Assets and Liabilities	54
Schedule of Expenditures of Federal and State Awards.....	56
Notes to Schedules of Expenditures of Federal and State Awards	58
Summary Schedule of Prior Audit Findings.....	59
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditor’s Report on Compliance for Each Major Federal Program and Major State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and the <i>State Single Audit Guidelines</i>	62
Schedule of Findings and Questioned Costs.....	64



INDEPENDENT AUDITOR'S REPORT

To the School Board
Evansville Community School District
Evansville, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Evansville Community School 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's discussion and analysis, budgetary comparison information, schedule of funding progress – other post employment benefits, and the schedule of the net pension liability, schedule of contributions and notes to required supplementary information on pages 4-11 and 44-48 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 Evansville Community School District's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Guidelines, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017 on our consideration of the Evansville Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Evansville Community School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 15, 2017

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

FINANCIAL HIGHLIGHTS

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

- Total net position of the District increased to \$15,997,147 or 14.94% at June 30, 2017. The majority is attributable to the refinancing of long term debt in the 2015-2016 fiscal year.
- Total governmental activity revenues increased to \$25,377,310 in fiscal year 2017, up from \$24,373,522 in fiscal year 2016, an increase of approximately 4.1%.
- Total business-type activity revenues of \$697,617 remained consistent in fiscal year 2017, compared to \$640,804 in fiscal year 2016.

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

- Total fund balances of the District's governmental funds increased \$191,803 in fiscal year 2017. This increase included a \$215,373 increase in the general fund, a \$27,186 decrease in the debt service fund and a \$3,616 increase in the nonmajor governmental funds. Increase in the District's general fund balance is the result of lower than expected expenses in the area of special education and employee benefits during the fiscal year 2016-2017.
- The fund balance for all governmental funds at June 30, 2017 was \$3,022,237. Of this amount, \$142,213 was restricted for debt service; \$189,744 was donor restricted; \$114,561 was restricted for capital projects; and \$2,575,719 remains unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

District-Wide Financial Statements

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

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. 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 activities includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's net position and to provide an explanation of material changes that occurred since the prior year.

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activity). The governmental activities of the District include the general operations, special education, debt service, and capital project. The District reports nutrition services as a business-type activity.

Fund Financial Statements

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

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

**EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42 of this report.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Other Information

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

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The District ended its fiscal year with net position of \$15,997,147 of which \$11,639,259 was net investment in capital assets, \$82,010 was restricted for debt service, \$189,744 was donor restricted, \$2,004,401 was restricted for WRS pension, \$117,638 was restricted to school nutrition services and \$1,849,534 was unrestricted. Unrestricted net position represents the amount of discretionary resources that can be used to fund general District operations.

For governmental activities, capital assets decreased due to current year depreciation exceeding current year capital additions. Noncurrent liabilities decreased due to normal scheduled debt payment.

For the business-type activity, capital assets decreased due to current year depreciation exceeding current year capital additions.

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

	Governmental Activities		Business-Type Activity		Total		% Change
	2017	2016	2017	2016	2017	2016	
ASSETS							
Current and other assets	\$ 7,056	\$ 6,605	\$ 134	\$ 84	\$ 7,190	\$ 6,689	7.49%
Capital assets	22,369	22,774	11	17	22,381	22,791	-1.80%
Total assets	29,425	29,379	145	101	29,571	29,480	0.31%
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows	5,151	6,706	-	-	5,151	6,706	
LIABILITIES							
Long-term liabilities	10,129	13,095	-	-	10,129	13,095	-22.65%
Other liabilities	5,706	6,124	28	25	5,734	6,149	-6.75%
Total liabilities	15,835	19,219	28	25	15,863	19,244	-17.57%
DEFERRED OUTFLOWS OF RESOURCES							
Deferred inflows	2,862	3,024	-	-	2,862	3,024	
NET POSITION							
Net investment in capital assets	11,639	8,928	12	18	11,652	8,946	30.25%
Restricted	2,391	3,245	106	58	2,497	3,303	-24.40%
Unrestricted	1,850	1,274	-	-	1,850	1,274	45.21%
Total net position	\$ 15,880	\$ 13,447	\$ 118	\$ 76	\$ 15,999	\$ 13,523	18.31%

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Changes in Net Position

Governmental Activities

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2017 with an increase in net position of \$2,037,590, compared to an increase of \$1,987,910 in fiscal year 2016.

The district received \$25,377,310 in revenue for the fiscal year 2017. The District relies primarily on property taxes (32.8% of total governmental revenues), and state equalization aid (52.9%) to fund governmental activities. The District received approximately 12.0% in the form of specific use state grants, federal aid and direct fees for services.

Individuals who directly participated or benefited from a program paid 2.3% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services.

Federal and state governments subsidized certain programs with grants and awards of \$2,946,703. Operating grants include Title I, IDEA, and State Special Education Aid.

Business-Type Activity

Individuals who directly benefited from services paid 65.2% of the cost. Fees charged to students and adults for meals are included as charges for services. Federal and state governments subsidized certain programs with grants of \$242,676. Operating grants include State and National School Lunch Programs.

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

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>		
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>% Change</u>
REVENUES							
Program revenues							
Charges for services	\$ 594	\$ 565	\$ 455	\$ 409	\$ 1,049	\$ 974	7.70%
Operating grants	2,459	2,077	243	232	2,702	2,309	17.02%
General revenues							
Property taxes	8,328	8,936	-	-	8,328	8,936	-6.80%
General aid	13,413	12,411	-	-	13,413	12,411	8.07%
Other	584	384	-	-	584	384	52.08%
Total revenues	25,378	24,373	698	641	26,076	25,014	4.25%
EXPENSES							
Instruction	13,112	12,549	-	-	13,112	12,549	4.49%
Pupil and instructional	1,645	1,648	-	-	1,645	1,648	-0.18%
Administration and business	5,397	5,083	-	-	5,397	5,083	6.18%
Interest on debt	208	698	-	-	208	698	-70.20%
Other	2,978	2,450	656	599	3,634	3,049	19.19%
Total expenses	23,340	22,428	656	599	23,996	23,027	4.21%
Change in net position	\$ 2,038	\$ 1,945	\$ 42	\$ 42	\$ 2,080	\$ 1,987	4.68%

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2017

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

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

The cost of all governmental activities this year was \$23,339,720. Individuals who directly participated or benefited from a program offering paid for \$593,840 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$2,459,353. The net cost of governmental activities, \$20,286,527, was financed by \$8,327,558 of property taxes and \$13,899,618 of federal and state unrestricted aid.

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

	Total Cost of Services	Net Cost of Services
EXPENSES		
Instruction	\$ 13,112	\$ (10,159)
Pupil and instructional services	1,645	(1,581)
Administration and business	5,397	(5,360)
Interest on debt	208	(208)
Other	2,978	(2,978)
Total expenses	\$ 23,340	\$ (20,286)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$3,022,237, up from last year's ending fund balance of \$2,830,434. The District's unassigned fund balance, available for spending at the district's discretion was \$2,575,719.

Proprietary Funds

The District's proprietary funds provide the same type of information found in the District-wide financial statements, but in more detail. The District completed the year with restricted net position of \$117,638, up from last year's ending restricted net position of \$75,562. Other factors concerning the finances of this fund have already been addressed in the discussion of the District's business-type activity.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the June 30, 2017, the District had \$40,887,932 in capital assets for its governmental and business-type activity, including land, construction in progress, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$18,506,978. Asset acquisitions for governmental activities totaled \$576,022. The District recognized depreciation expense of \$981,076. Detailed information about capital assets can be found in Note 5 to the financial statements.

Table 5
Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 192	\$ 192	\$ -	\$ -	\$ 192	\$ 192
Construction in progress	330	-	-	-	-	-
Buildings	36,066	35,861	-	-	36,066	35,861
Furniture and equipment	4,041	4,036	260	260	4,301	4,296
Accumulated depreciation	(18,260)	(17,315)	(248)	(242)	(18,508)	(17,557)
Net capital assets	<u>\$ 22,369</u>	<u>\$ 22,774</u>	<u>\$ 12</u>	<u>\$ 18</u>	<u>\$ 22,051</u>	<u>\$ 22,792</u>

Long-Term Debt

At June 30, 2017, the District had \$10,030,000 in general obligation debt outstanding—a decrease of \$2,955,000 from fiscal year 2016. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. Detailed information about the District's long-term obligations is presented in Note 7 to the financial statements.

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

	2017	2016
General obligation debt	\$ 10,030	\$ 12,985
Capital leases	99	110
Compensated absences	198	135
Total	<u>\$ 10,327</u>	<u>\$ 13,230</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

While the District's original budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$704, the actual results for the year ended June 30, 2017, had revenues and other financing sources in excess of expenditures and other financing uses by \$215,373.

FACTORS BEARING ON THE DISTRICT'S FUTURE

During the 2016-2017 fiscal year, the District began a concerted effort to reduce costs, and improve its financial strength by growing their general fund balance. The effort began with significant reductions in health care costs by shifting a greater portion of the cost to participating employees for the upcoming fiscal year. Additionally, efforts were made to more efficiently control costs of personnel salaries by jointly working with certified staff to create an equitable salary compensation model.

In addition to increasing educational opportunities by reducing costs, the District began to work towards a potential building and operational referendum in 2018. Various committees and study groups were formed.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Steve Swanson, Business Manager at (608) 882-3383 or swansons@evansville.k12.wi.us.

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-Type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 4,490,953	\$ 129,035	\$ 4,619,988
Accounts receivable	2,274,634	-	2,274,634
Due from other governments	290,635	3,883	294,518
Capital assets not being depreciated	522,001	-	522,001
Capital assets being depreciated, net	<u>21,846,537</u>	<u>12,416</u>	<u>21,858,953</u>
Total assets	29,424,760	145,334	29,570,094
DEFERRED OUTFLOWS OF RESOURCES			
Related to WRS pension	5,151,210	-	5,151,210
LIABILITIES			
Short-term notes payable	3,000,000	-	3,000,000
Accounts payable and other current liabilities	1,030,854	9,410	1,040,264
Accrued interest	60,203	-	60,203
Unearned revenues	3,131	18,286	21,417
Other postemployment benefits	528,280	-	528,280
Accrued compensated absences	197,905	-	197,905
Net WRS pension liability	613,307	-	613,307
Unamortized premiums	271,893	-	271,893
Long-term debt			
Due within one year	2,939,752	-	2,939,752
Due in more than one year	<u>7,189,459</u>	<u>-</u>	<u>7,189,459</u>
Total liabilities	15,834,784	27,696	15,862,480
DEFERRED INFLOWS OF RESOURCES			
Related to WRS pension	2,533,502	-	2,533,502
Unamortized gain on refinancing	<u>328,175</u>	<u>-</u>	<u>328,175</u>
Total deferred inflows of resources	2,861,677	-	2,861,677
NET POSITION			
Net investment in capital assets	11,639,259	12,416	11,651,675
Restricted	2,390,716	105,222	2,495,938
Unrestricted	<u>1,849,534</u>	<u>-</u>	<u>1,849,534</u>
Total net position	<u>\$ 15,879,509</u>	<u>\$ 117,638</u>	<u>\$ 15,997,147</u>

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activity	Business- Type Activities	Total
GOVERNMENTAL ACTIVITIES:						
Instruction						
Regular instruction	\$ 8,653,730	\$ 593,840	\$ 1,133,139	\$ (6,926,751)	\$ -	\$ (6,926,751)
Vocational instruction	825,133	-	-	(825,133)	-	(825,133)
Physical instruction	633,065	-	-	(633,065)	-	(633,065)
Special education instruction	2,436,052	-	1,225,914	(1,210,138)	-	(1,210,138)
Other instruction	564,226	-	-	(564,226)	-	(564,226)
Total instruction	13,112,206	593,840	2,359,053	(10,159,313)	-	(10,159,313)
Support services						
Pupil services	922,932	-	-	(922,932)	-	(922,932)
Instructional staff services	722,214	-	63,900	(658,314)	-	(658,314)
General administrative services	621,528	-	-	(621,528)	-	(621,528)
Building administrative services	1,045,077	-	-	(1,045,077)	-	(1,045,077)
Business administrative services	3,730,040	-	36,400	(3,693,640)	-	(3,693,640)
Central services	724,944	-	-	(724,944)	-	(724,944)
Insurance and judgments	202,654	-	-	(202,654)	-	(202,654)
Other support services	2,050,365	-	-	(2,050,365)	-	(2,050,365)
Interest on debt	207,760	-	-	(207,760)	-	(207,760)
Total support services	10,227,514	-	100,300	(10,127,214)	-	(10,127,214)
Total governmental activities	23,339,720	593,840	2,459,353	(20,286,527)	-	(20,286,527)
BUSINESS-TYPE ACTIVITIES:						
School nutrition service	656,054	454,941	242,676	-	41,563	41,563
Total school district	\$ 23,995,774	\$ 1,048,781	\$ 2,702,029	(20,286,527)	41,563	(20,244,964)
GENERAL REVENUES:						
TAXES:						
Property taxes, levied for general purposes				5,096,817	-	5,096,817
Property taxes, levied for debt service				3,230,741	-	3,230,741
FEDERAL AND STATE AID NOT RESTRICTED						
General (equalization aid)				13,412,268	-	13,412,268
Other				487,350	-	487,350
Interest and investment earnings				49,412	-	49,412
Gain on disposal of assets				7,426	-	7,426
Miscellaneous				40,103	513	40,616
Change in net position				2,037,590	42,076	2,079,666
Net position—beginning of year				13,841,919	75,562	13,917,481
Net position—end of year				\$ 15,879,509	\$ 117,638	\$ 15,997,147

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,044,435	\$ 142,213	\$ 304,305	\$ 4,490,953
Accounts receivable	2,274,634	-	-	2,274,634
Due from other governments	290,635	-	-	290,635
Total assets	<u>\$ 6,609,704</u>	<u>\$ 142,213</u>	<u>\$ 304,305</u>	<u>\$ 7,056,222</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Short-term notes payable	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000
Accounts payable	482,836	-	-	482,836
Accrued salaries and wages	66,188	-	-	66,188
Payroll taxes and withholdings	481,830	-	-	481,830
Unearned revenues	3,131	-	-	3,131
Total liabilities	4,033,985	-	-	4,033,985
FUND BALANCES				
Restricted	-	142,213	304,305	446,518
Unassigned	2,575,719	-	-	2,575,719
Total fund balances	<u>2,575,719</u>	<u>142,213</u>	<u>304,305</u>	<u>3,022,237</u>
Total liabilities and fund balances	<u>\$ 6,609,704</u>	<u>\$ 142,213</u>	<u>\$ 304,305</u>	<u>\$ 7,056,222</u>

See accompanying notes.

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

Total fund balances - governmental funds		\$ 3,022,237
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
Cost of capital assets	40,628,252	
Accumulated depreciation	<u>(18,259,714)</u>	
Net capital assets		22,368,538
The net pension liability is not an available resource and, therefore, is not reported in the funds.		
		(613,307)
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. those liabilities at year-end consist of;		
Bonds and notes payable	(10,129,211)	
Accrued interest payable	(60,203)	
Compensated absences	(197,905)	
Deferred outflows related to pension	5,151,210	
Deferred inflows related to pension	(2,533,502)	
Other postemployment benefits	(528,280)	
Unamortized gain on refinancing	(328,175)	
Unamortized debt premium	<u>(271,893)</u>	
Total long-term debt liabilities		<u>(8,897,959)</u>
Total net position - governmental activities		<u><u>\$ 15,879,509</u></u>

See accompanying notes.

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

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 5,112,504	\$ 3,230,741	\$ -	\$ 8,343,245
Local	109,093	3,729	476,100	588,922
Interdistrict payments	518,535	-	-	518,535
Intermediate sources	3,520	-	-	3,520
State	15,248,011	-	-	15,248,011
Federal	607,040	-	-	607,040
Other sources	60,611	-	-	60,611
Total revenues	21,659,314	3,234,470	476,100	25,369,884
EXPENDITURES				
Instruction				
Regular instruction	8,367,867	-	223,455	8,591,322
Vocational instruction	820,565	-	4,568	825,133
Physical instruction	632,784	-	281	633,065
Special education instruction	2,436,052	-	-	2,436,052
Other instruction	446,494	-	117,732	564,226
Total instruction	12,703,762	-	346,036	13,049,798
Support services				
Pupil services	922,932	-	-	922,932
Instructional staff services	705,792	-	8,992	714,784
General administrative services	587,781	-	753	588,534
Building administrative services	956,991	-	88,086	1,045,077
Business administrative services	2,805,201	-	28,617	2,833,818
Central services	680,515	-	-	680,515
Insurance and judgments	202,654	-	-	202,654
Other support services	1,232,527	-	-	1,232,527
Total support services	8,094,393	-	126,448	8,220,841
Capital outlay	576,022	-	-	576,022
Debt service				
Principal	42,721	2,955,000	-	2,997,721
Interest and fees	61,469	306,656	-	368,125
Total expenditures	21,478,367	3,261,656	472,484	25,212,507
Excess (deficiency) of revenues over (under) expenditures	180,947	(27,186)	3,616	157,377
Other financing sources				
Long term debt issued	27,000	-	-	27,000
Proceeds from sale of capital assets	7,426	-	-	7,426
Total other financing sources	34,426	-	-	34,426
Net change in fund balances	215,373	(27,186)	3,616	191,803
Fund balances—beginning of year	2,360,346	169,399	300,689	2,830,434
Fund balances—end of year	\$ 2,575,719	\$ 142,213	\$ 304,305	\$ 3,022,237

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Net change in fund balances—total governmental funds		\$ 191,803
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	576,022	
Depreciation expense reported in the statement of activities	<u>(981,076)</u>	(405,054)
Bond, note and capital lease proceeds are reported as financing sources in governmental funds and contribute to the change in fund balance. In the statement of net position issuing debt increases long-term liabilities and does not affect the statement of activities.		(27,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Bonds and notes	2,955,000	
Capital leases	<u>37,397</u>	2,992,397
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Decrease in accrued interest payable	15,205	
Amortization of gain on refinancing	82,044	
Amortization of debt premium	68,441	
Net decrease in other postemployment benefits	28,346	
Net increase in pension liability	(846,184)	
Net increase in compensated absences	<u>(62,408)</u>	<u>(714,556)</u>
Change in net position of governmental activities		<u>\$ 2,037,590</u>

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION—PROPRIETARY FUNDS
June 30, 2017

	School Nutrition Services
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 129,035
Due from other governments	3,883
Total current assets	132,918
NONCURRENT ASSETS	
Furniture and equipment	259,680
Accumulated depreciation	(247,264)
Total noncurrent assets	12,416
Total assets	145,334
LIABILITIES	
Accounts payable	6,626
Accrued salaries and wages	973
Payroll taxes and withholdings	1,811
Unearned revenues	18,286
Total liabilities	27,696
NET POSITION	
Net investment in capital assets	12,416
Restricted	105,222
Total net position	\$ 117,638

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION—PROPRIETARY FUNDS
Year Ended June 30, 2017

	School Nutrition Services
REVENUES	
Food sales	\$ 454,941
State sources	8,797
Federal sources	233,879
Other sources	513
Total operating revenues	698,130
OPERATING EXPENSES	
Salaries and wages	169,013
Benefits	20,756
Supplies and materials	460,463
Depreciation	5,822
Total operating expenses	656,054
Change in net position	42,076
Net position—beginning of year	75,562
Net position—end of year	\$ 117,638

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
Year Ended June 30, 2017

	School Nutrition Services
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 457,476
Received from government payments	193,320
Payments to and on behalf of employees	(188,490)
Payments to suppliers for goods and services	(415,648)
Net cash provided by operating activities	46,658
Cash—beginning of year	82,377
Cash—end of year	\$ 129,035
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net position	\$ 42,076
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation	5,822
Change in assets and liabilities:	
Due from other governments	(3,883)
Accounts payable	(1,171)
Accrued salaries and wages	973
Payroll taxes and withholdings	306
Unearned revenues	2,535
Net cash provided by operating activities	\$ 46,658

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2017

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	<u>\$ 6,349</u>	<u>\$ 35,585</u>
LIABILITIES		
Due to student organizations	<u>-</u>	<u>\$ 35,585</u>
NET POSITION		
Restricted	<u>\$ 6,349</u>	

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Basis of Presentation

District-Wide Financial Statements

The statement of net position and statement of activities present financial information about the District as a whole. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from the business-type activity, which relies on fees and charges for support.

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

General Fund

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

Debt Service Fund

Debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The District reports the following major proprietary fund

School Nutrition Services Fund

The School Nutrition Services fund is used to account for the districts food service, generally the school breakfast and lunch programs.

The District reports the following nonmajor governmental funds:

Capital Projects Fund

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

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the Special Revenue Gift Fund as a special revenue fund.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the District reports the following fund types:

Private-Purpose Trust Fund

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

Agency Fund

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

Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principle ongoing operation. The principle operating revenue is charges to students for meals. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

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

Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds. At June 30, 2017, there were no outstanding lending arrangements between funds.

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

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

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Capital assets are defined by the District as assets with an initial individual cost of \$5,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Site improvements	20
Buildings	45
Furniture and equipment	5-20
Computer and related technology	5

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2017 related to pension activity.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows as of June 30, 2017 related to pension activity.

Compensated Absences and Other Employee Benefit Amounts

District employees are granted vacation and sick leave benefits in varying amounts in accordance with district policies. In the event of retirement, death or resignation of an employee, the District is obligated to pay for all unused sick leave up to a maximum vested amount of 110 days or contribute to a non-elective tax shelter annuity through the Wisconsin Educators Association, depending on the class of employee and years of service. All vacation pay and sick pay is accrued when incurred in the district-wide financial statements. A liability for sick leave is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Vacation pay does not vest.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Obligations

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

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

Claims and Judgments

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

Net Position

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

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

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

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

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

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

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

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

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

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

Use of Restricted Resources

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

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described on page 24.

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

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2—CASH AND CASH EQUIVALENTS

Generally, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association, which is authorized to transact business in the state, if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
 - a. Bonds or securities issued under the authority of the municipality;
 - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
 - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
 - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
 - e. Repurchase agreements with public depositories, with certain conditions.

As of June 30, 2017, cash and cash equivalents consist of the following:

	Fair Value	Carrying Value	Risk
Cash on hand	\$ 2,239	\$ 2,239	
Deposits with financial institutions	4,770,458	4,575,041	Custodial
Wisconsin Local Government Investment Pool	70,039	84,642	Credit and interest rate
	\$ 4,842,736	\$ 4,661,922	

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2—CASH AND CASH EQUIVALENTS (continued)

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

Statement of net position	
Governmental activities	\$ 4,490,953
Business-type activities	129,035
Statement of fiduciary net position	
Private purpose trust	6,349
Agency fund	<u>35,585</u>
	<u>\$ 4,661,922</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603. The District has adopted an investment policy which permits all investment authorized under state statutes as described on page 29.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. As of June 30, 2017, money market and Wisconsin Local Government Investment Pool (LGIP) investments have a maturity of 12 months or less.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District does not have a custodial credit risk policy for investments.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2017, \$4,521,092 of the District's deposits with financial institutions was uninsured and uncollateralized. The District does not have a custodial risk policy for deposits.

The District voluntarily invests excess funds in the LGIP, an external investment pool. The LGIP is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2—CASH AND CASH EQUIVALENTS (continued)

Board. 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. The SIF is not rated. 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 on page 30.

Concentration of Credit Risk

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

NOTE 3—UNEARNED REVENUE

At the end of the current fiscal year, the components of unearned revenue reported in the governmental funds and the proprietary fund were as follows:

	<u>Unearned</u>
Student meal deposits	<u>\$ 18,286</u>

NOTE 4—INTERFUND ADVANCES AND TRANSFERS

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

For the statement of net position, the interfund balances which are owed within the governmental activities are netted and eliminated.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5—CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 330,127	\$ -	\$ 330,127
Land	191,874	-	-	191,874
Total capital assets not being depreciated	191,874	330,127	-	522,001
Capital assets being depreciated				
Building	35,860,880	204,656	-	36,065,536
Equipment	4,035,812	41,239	36,336	4,040,715
Total capital assets being depreciated	39,896,692	245,895	36,336	40,106,251
Less accumulated depreciation	17,314,974	981,076	36,336	18,259,714
Total capital assets being depreciated-net	22,581,718	(735,181)	-	21,846,537
Governmental activity capital assets-net	<u>\$ 22,773,592</u>	<u>\$ (405,054)</u>	<u>\$ -</u>	<u>\$ 22,368,538</u>
Business-type activity				
Capital assets being depreciated				
Equipment	\$ 259,680	\$ -	\$ -	\$ 259,680
Less accumulated depreciation	241,442	5,822	-	247,264
Business-type activity capital assets-net	<u>\$ 18,238</u>	<u>\$ (5,822)</u>	<u>\$ -</u>	<u>\$ 12,416</u>

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

Central services	\$ 44,430
General administrative services	32,994
Instructional staff services	7,430
Business administrative services	896,222
Total depreciation of governmental activities:	<u>\$ 981,076</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6—SHORT TERM DEBT ACTIVITY

The District issued a tax anticipation note in advance of property tax collections. The note matures on October 20, 2017, with an interest rate of 2%. Interest for the year ended June 30, 2017, was \$61,469. Short-term debt activity for the year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Additions	Payments	Balance 6/30/2017
Tax anticipation note	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000

NOTE 7—LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due Within One Year
General obligation bonds	\$ 12,985,000	\$ -	\$ 2,955,000	\$ 10,030,000	\$ 2,900,000
Deferred amounts					
Unamortized bond premium and gain on refinancing	750,553	-	150,485	600,068	150,485
Total general obligation debt	13,735,553	-	3,105,485	10,630,068	3,050,485
Capital leases	109,608	27,000	37,397	99,211	39,752
Accrued compensated absences	135,497	62,408	-	197,905	30,202
Total long-term liabilities	\$ 13,980,658	\$ 89,408	\$ 3,142,882	\$ 10,927,184	\$ 3,120,439

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

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2017, was \$371,980 and \$356,776, respectively.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7—LONG-TERM OBLIGATIONS

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

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2017
G.O. refunding bonds	8/5/2010	3.0-5.25	4/1/2021	\$ 1,140,000	\$ 485,000
G.O. refunding bonds	2/9/2016	2.00%	10/1/2021	22,570,000	9,545,000
					<u>\$ 10,030,000</u>

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$701,490,115. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property.

Debt limit (10% of \$701,490,115)	\$ 70,149,012
Less: long-term debt applicable to debt margin:	<u>10,030,000</u>
Margin of indebtedness:	<u>\$ 60,119,012</u>

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

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Capital Lease Principal	Capital Lease Interest	Total
2018	\$ 3,025,000	\$ 244,825	\$ 39,752	\$ 2,430	\$ 3,312,007
2019	3,110,000	181,044	23,548	349	3,314,941
2020	1,960,000	85,213	35,911	186	2,081,310
2021	1,935,000	41,300	-	-	1,976,300
	<u>\$ 10,030,000</u>	<u>\$ 552,382</u>	<u>\$ 99,211</u>	<u>\$ 2,965</u>	<u>\$ 10,684,558</u>

Capital Lease - Included in fixed assets are copiers and a van financed through a capital lease as of June 30, 2017.

Equipment	\$ 463,579
Less: accumulated depreciation	<u>212,164</u>
	<u>\$ 251,415</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8—EMPLOYEE'S RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 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. EFT 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.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

The core and variable annuity adjustments granted during the recent years are as follows:

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$727,821 in contributions from the employer. Contribution rates as of June 30, 2017 are:

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

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

At June 30, 2017, Evansville Community School District reported a liability of \$613,307 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. Evansville Community School District’s proportion of the net pension liability was based on Evansville Community School District’s share of contributions to the pension plan relative to the contributions of all participating employers.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At December 31, 2016, Evansville Community School District’s proportion was 0.07440887%, which was a decrease of 0.00202211% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2017, Evansville Community School District recognized pension expense of \$1,587,530. At June 30, 2017, Evansville Community School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 233,854	\$ (1,928,797)
Changes in assumptions	641,236	-
Net differences between projected and actual earnings on pension plan investments	3,657,551	(604,705)
Changes in proportion and differences between employer contributions and proportionate share of contributions	147,184	-
Employer contributions subsequent to the measurement date	471,385	-
Total	<u>\$ 5,151,210</u>	<u>\$ (2,533,502)</u>

\$471,385 reported as deferred outflows related to pension resulting from Evansville Community School District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,626,177	\$ (766,972)
2018	1,626,177	(766,972)
2019	1,358,731	(766,972)
2020	66,921	(232,586)
2021	1,819	-
	<u>\$ 4,679,825</u>	<u>\$ (2,533,502)</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

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

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

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

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

Sensitivity of Evansville Community School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents Evansville Community School District’s proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what Evansville Community School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
The District's proportionate share of net pension liability	\$ 8,068,443	\$ 613,307	\$ (5,127,486)

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree benefit plan that provides postemployment health and life insurance benefits to eligible employees and their spouses. There are 165 active and 26 retired members in the plan as of June 30, 2017. Benefits and eligibility are established and amended by the governing body.

Funding Policy. The District does not have invested plan assets accumulated for payment of future benefits. The District’s policy is to fund other post-employment benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (continued)

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution	\$ 255,746
Interest on net OPEB obligation	22,265
Adjustment to annual required contribution	<u>(31,680)</u>
Annual OPEB cost (expense)	246,331
OPEB payments made	<u>(274,677)</u>
Decrease in net OPEB obligation	(28,346)
Net OPEB obligation - beginning of year	<u>556,626</u>
Net OPEB obligation - end of year	<u><u>\$ 528,280</u></u>

The District's annual OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017, and the preceding two years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 246,331	111.51%	\$ 528,280
6/30/2016	245,842	111.73%	556,626
6/30/2015	243,609	154.21%	585,461

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the District's actuarial accrued liability (AAL) for benefits was \$2,501,475 and the unfunded actuarial accrued liability (UAAL) was \$2,501,475. The annual payroll for active employees covered by the plan in the actuarial valuation was \$8,742,495 for a ratio of the UAAL to covered payroll of 28.61%.

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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

In the July 1, 2014, actuarial valuation, the entry age normal-level percent of salary actuarial cost method was used. The actuarial assumptions included a 7.50 percent investment rate of return and an initial annual healthcare cost trend rate of 10 percent, reduced by decrements to an ultimate rate of 5 percent. Both rates include a 3 percent inflation assumption. The UAAL is being amortized on a level dollar basis. The remaining amortization period at July 1, 2014 was 20 years.

NOTE 10—GOVERNMENTAL ACTIVITIES NET POSITION

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

Governmental Activities	
Net investment in capital assets	\$ 11,639,259
Restricted	
Capital projects	114,561
Donor restrictions	189,744
WRS pension liability	2,004,401
Debt service	<u>82,010</u>
Total restricted	2,390,716
Unrestricted	<u>1,849,534</u>
Total governmental activities net position	<u><u>\$ 15,879,509</u></u>

NOTE 11—GOVERNMENTAL FUND BALANCES

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

Restricted	
Capital projects	\$ 114,561
Donor restrictions	189,744
Debt service	<u>142,213</u>
Total restricted	446,518
Unassigned	<u>2,575,719</u>
Total governmental fund balance	<u><u>\$ 3,022,237</u></u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 12—LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either 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 13—RISK MANAGEMENT

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

NOTE 14—COMMITMENTS AND CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL—GENERAL OPERATING FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,162,176	\$ 5,118,768	\$ 5,112,504	\$ (6,264)
Local	81,000	81,000	109,093	28,093
Interdistrict payments	459,357	523,508	518,535	(4,973)
Intermediate sources	3,632	4,345	3,520	(825)
State	14,207,486	14,406,222	14,444,583	38,361
Federal	203,945	204,989	184,554	(20,435)
Other sources	233,000	73,000	60,007	(12,993)
Total revenues	20,350,596	20,411,832	20,432,796	20,964
EXPENDITURES				
Current:				
Instruction				
Regular instruction	8,629,057	8,567,783	8,367,867	199,916
Vocational instruction	828,236	847,422	820,565	26,857
Physical instruction	638,665	638,665	632,784	5,881
Other instruction	455,051	455,051	446,494	8,557
Total instruction	10,551,009	10,508,921	10,267,710	241,211
Support services				
Pupil services	446,197	410,660	411,008	(348)
Instructional staff services	612,184	616,204	574,671	41,533
General administrative services	607,342	607,342	587,781	19,561
Building administrative services	934,947	934,947	935,993	(1,046)
Business administrative services	3,291,808	3,291,808	3,298,847	(7,039)
Central services	680,980	680,980	680,515	465
Insurance and judgments	200,744	200,744	202,654	(1,910)
Other support services	276,685	276,685	246,991	29,694
Total support services	7,050,887	7,019,370	6,938,460	80,910
Non program services	723,622	918,208	900,832	17,376
Debt service	80,799	80,799	104,190	(23,391)
Total expenditures	18,406,317	18,527,298	18,211,192	316,106
Excess of revenues over expenditures	1,944,279	1,884,534	2,221,604	337,070
Other financing sources (uses)				
Long term debt issued	-	-	27,000	27,000
Proceeds from sale of assets	-	-	7,426	7,426
Transfers in (out)	(2,284,813)	(2,284,813)	(2,040,657)	244,156
Total other financing sources (uses)	(2,284,813)	(2,284,813)	(2,006,231)	278,582
Net change in fund balances	(340,534)	(400,279)	215,373	615,652
Fund balances—beginning of year	2,360,346	2,360,346	2,360,346	-
Fund balances—end of year	\$ 2,019,812	\$ 1,960,067	\$ 2,575,719	\$ 615,652

EVANSVILLE COMMUNITY SCHOOL DISTRICT
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
Year Ended June 30, 2017

SOURCES/ INFLOWS OF RESOURCES:

Actual General Fund Operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 20,432,796
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>1,226,518</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u>\$ 21,659,314</u>

USES/ OUTFLOWS OF RESOURCES:

Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 18,211,192
Reclassification: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	<u>3,267,175</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u>\$ 21,478,367</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 2,501,475	\$ 2,501,475	0.00%	\$ 8,742,495	28.61%
7/1/2012	5,098	2,066,587	2,061,489	0.00%	9,727,649	21.19%
7/1/2010	5,096	5,519,990	5,514,894	0.00%	8,910,467	61.89%

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

	2016	2015	2014
The District's proportion of the net pension liability	0.074409%	0.076431%	0.078688%
The District's proportionate share of the net pension liability (asset)	\$ 613,307	\$ 1,241,989	\$ (1,932,789)
The District's covered-employee payroll	\$ 11,027,475	\$ 10,727,281	\$ 9,985,239
The District's proportionate share as a percentage of covered payroll	5.56%	11.58%	19.36%
Plan fiduciary net position as a percentage of the total pension liability	99.12%	98.20%	102.74%

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

SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	2016	2015	2014
Contractually required contributions	\$ 727,821	\$ 729,461	\$ 700,502
Contributions in relation to the contractually required contributions	\$ 727,821	\$ 729,461	\$ 700,502
The District's covered-employee payroll	\$ 11,027,475	\$ 10,727,281	\$ 9,985,239
Contributions as a percentage of covered-employee payroll	6.60%	6.80%	7.02%

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1—BUDGETARY INFORMATION

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

Excess Expenditures Over Appropriations

The general fund functions had no material excess of actual expenditures over appropriations for the year ended June 30, 2017.

NOTE 2—FUNDING PROGRESS DATA

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

The District is required to present information for the pension and other postemployment benefit plans for the three most recent actuarial studies. Three have been completed to date. Duplicate information for intervening years is not repeated.

NOTE 3 – EMPLOYEE’S RETIREMENT CONTRIBUTIONS

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET—GENERAL GOVERNMENTAL FUNDS
June 30, 2017

	General Operating Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and cash equivalents	\$ 3,992,723	\$ 51,712	\$ 4,044,435
Accounts receivable	2,274,634	-	2,274,634
Due from other governments	290,635	-	290,635
Total assets	<u>\$ 6,557,992</u>	<u>\$ 51,712</u>	<u>\$ 6,609,704</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Short-term notes payable	\$ 3,000,000	\$ -	\$ 3,000,000
Accounts payable	482,836	-	482,836
Accrued salaries and wages	64,045	2,143	66,188
Payroll taxes and withholdings	432,261	49,569	481,830
Unearned revenues	3,131	-	3,131
Total liabilities	3,982,273	51,712	4,033,985
FUND BALANCES			
Unassigned	<u>2,575,719</u>	<u>-</u>	<u>2,575,719</u>
Total liabilities and fund balances	<u>\$ 6,557,992</u>	<u>\$ 51,712</u>	<u>\$ 6,609,704</u>

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

	General Operating Fund	Special Education Fund	Total General Fund
REVENUES			
Taxes	\$ 5,112,504	\$ -	\$ 5,112,504
Local	109,093	-	109,093
Interdistrict payments	518,535	-	518,535
Intermediate sources	3,520	-	3,520
State	14,444,583	803,428	15,248,011
Federal	184,554	422,486	607,040
Other sources	60,007	604	60,611
Total revenues	20,432,796	1,226,518	21,659,314
EXPENDITURES			
Instruction			
Regular instruction	8,367,867	-	8,367,867
Vocational instruction	820,565	-	820,565
Physical instruction	632,784	-	632,784
Special education instruction	-	2,436,052	2,436,052
Other instruction	446,494	-	446,494
Total instruction	10,267,710	2,436,052	12,703,762
Support services			
Pupil services	411,008	511,924	922,932
Instructional staff services	574,671	131,121	705,792
General administrative services	587,781	-	587,781
Building administrative services	935,993	20,998	956,991
Business administrative services	2,722,825	82,376	2,805,201
Central services	680,515	-	680,515
Insurance and judgments	202,654	-	202,654
Other support services	246,991	39,150	286,141
Total support services	6,362,438	785,569	7,148,007
Non program services	900,832	45,554	946,386
Capital Outlay	576,022	-	576,022
Debt service			
Principal	42,721	-	42,721
Interest and fees	61,469	-	61,469
Total expenditures	18,211,192	3,267,175	21,478,367
Excess (deficiency) of revenues over (under) expenditures	2,221,604	(2,040,657)	180,947
Other financing sources (uses)			
Long term debt issued	27,000	-	27,000
Proceeds from sale of assets	7,426	-	7,426
Transfers in (out)	(2,040,657)	2,040,657	-
Total other financing sources (uses)	(2,006,231)	2,040,657	34,426
Net change in fund balances	215,373	-	215,373
Fund balances—beginning of year	2,360,346	-	2,360,346
Fund balances—end of year	\$ 2,575,719	\$ -	\$ 2,575,719

EVANSVILLE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	<u>\$ 114,561</u>	<u>\$ 189,744</u>	<u>\$ 304,305</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES	\$ -	\$ -	\$ -
FUND BALANCES			
Restricted	<u>114,561</u>	<u>189,744</u>	<u>304,305</u>
Total liabilities and fund balances	<u>\$ 114,561</u>	<u>\$ 189,744</u>	<u>\$ 304,305</u>

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

	Capital Projects	Special Revenue	Total Nonmajor Governmental Funds
REVENUES			
Local	\$ -	\$ 476,100	\$ 476,100
EXPENDITURES			
Instruction			
Regular instruction	-	223,455	223,455
Vocational instruction	-	4,568	4,568
Physical instruction	-	281	281
Other instruction	-	117,732	117,732
Total instruction	-	346,036	346,036
Support services			
Instructional staff services	-	8,992	8,992
General administrative services	-	753	753
Building administrative services	-	88,086	88,086
Business administrative services	-	28,617	28,617
Total support services	-	126,448	126,448
Total expenditures	-	472,484	472,484
Net change in fund balances	-	3,616	3,616
Fund balances—beginning of year	114,561	186,128	300,689
Fund balances—end of year	\$ 114,561	\$ 189,744	\$ 304,305

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

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
ASSETS				
Cash and cash equivalents	\$ 32,326	\$ 80,795	\$ 77,536	\$ 35,585
LIABILITIES				
Due to student organizations	\$ 32,326	\$ 80,795	\$ 77,536	\$ 35,585

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Accrued or (Deferred) Revenue at 7/1/16	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/17
Department of Agriculture						
Pass-through programs from Wisconsin Department of Public Instruction						
Child Nutrition Cluster						
National School Lunch Program	10.555	2017-531694-NSL-547	\$ -	\$ 184,010	\$ 184,010	\$ -
National School Lunch Program - Food Commodities	10.555	2017-531694-NSL-547	-	45,986	45,986	-
Summer Food Service Program for Children	10.559	2017-531694-SFSP-586	-	-	3,883	3,883
Total Child Nutrition Cluster			-	229,996	233,879	3,883
Total Department of Agriculture			-	229,996	233,879	3,883
Department of Education						
Pass-through programs from Wisconsin Department of Public Instruction						
Title I Grants to Local Educational Agencies	84.010	17-531694-Title 1-141	-	131,941	151,985	20,044
Special Education Cluster						
Special Education Grants to States	84.027	2017-531694-IDEA-341	38,354	303,859	290,066	24,561
Special Education Preschool Grants	84.173	17-531694-Pre-S-347	-	12,600	12,600	-
Total Special Education Cluster			38,354	316,459	302,666	24,561
Supporting Effective Instruction State Grants	84.367	17-531694-Title II-365	-	32,569	32,569	-
Pass-through programs from Brodhead School District						
Career and Technical Education--Basic Grants to States	84.048		8,004	8,004	8,613	8,613
Pass-through program from CESA 2						
English Language Acquisition State Grants	84.365		-	3,520	3,520	-
Total Department of Education			46,358	492,493	499,353	53,218
Department of Health and Human Services						
Pass-through program from Wisconsin Medicaid and Badgercare Programs						
Medical Assistance Program	93.778		-	119,820	119,820	-
Total Federal Programs			\$ 46,358	\$ 842,309	\$ 853,052	\$ 57,101

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

State Grantor/ Program Title	State Identifying Number	State Identifying Number	Accrued or (Deferred) Revenue at 7/1/16	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/17
Wisconsin Department of Public Instruction						
Special Education and School Age Parents	255.101	531694-100	\$ -	\$ 802,852	\$ 802,852	\$ -
State School Lunch Aid	255.102	531694-107	-	6,537	6,537	-
Common School Fund Library Aid	255.103	531694-104	-	63,900	63,900	-
General Transportation Aid for Public School Pupils	255.107	531694-102	-	36,400	36,400	-
WI School Day Milk Program	255.109	531694-109	-	2,260	2,260	-
Equalization Aids	255.201	531694-116	217,831	13,401,114	13,412,268	228,985
Student Achievement Guarantee in Education	255.504	531694-160	-	286,463	286,463	-
Per Pupil Aid	255.945	531694-113	268,500	723,750	455,250	-
Educator Effectiveness Eval Sys Grants Public	255.940	531694-154	-	12,960	12,960	-
Assessments of Reading Readiness	255.956	531694-166	-	3,429	3,429	-
Four Year Old Kindergarten Grants	255.360	531694-153	-	157,500	157,500	-
Aid for Special Education Transition Grant BBL	255.960	531694-168	-	576	576	-
Total Wisconsin Department of Public Instruction			486,331	15,497,741	15,240,395	228,985
Wisconsin Department of Revenue						
Exempt Computer Aid			13,251	13,251	8,432	8,432
Total State Programs			<u>\$ 499,582</u>	<u>\$ 15,510,992</u>	<u>\$ 15,248,827</u>	<u>\$ 237,417</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in position of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3—FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, there were no commodities in inventory at the District.

NOTE 4—OVERSIGHT AGENCIES

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

NOTE 5—ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$2,929,291 for the year ended June 30, 2017.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Significant deficiency

2016-001 Internal Control over Cash Disbursements

Condition: Two of a sample of forty disbursements were missing supporting documentation.

Recommendation: Supporting documentation for all cash disbursements should be required and retained by the District.

Current Status: The District continues to implement procedures to ensure all expenditures are supported by appropriate documentation which has been approved by the appropriate department manager.



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

To the School Board
Evansville Community School District
Evansville, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Evansville Community School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Evansville Community School District's basic financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Evansville Community School 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 Evansville Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Evansville Community School 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a significant deficiencies.

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Compliance and Other Matters

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

Evansville Community School District's Response to Findings

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

Purpose of this Report

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 15, 2017



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

To the School Board
Evansville Community School District
Evansville, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited Evansville Community School District's (District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on the District's major federal program and its major state program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program and its major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Guidelines*. Those standards, the Uniform Guidance, and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about 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 the major federal program and the major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and Major State Program

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

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Report on Internal Control Over Compliance

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

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

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

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 15, 2017

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

State Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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

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

Identification of state major programs:

State Identifying Number	Name of State Program
255.201	Equalization Aids

Section II—Financial Statement Findings

Significant Deficiency

2017-001 Internal Controls Over Student Activities and Cash Disbursements

Criteria: Management is responsible for the design and implementation of internal controls such that management and other district employees, in the normal course of performing their assigned functions, are able to prevent or detect and correct misstatements on a timely basis.

Condition: Three of a sample of 65 disbursements tested for general checking and student organizations lacked proper support documentation. The same three disbursements of the sample of 65 disbursements were not approved by an authorized individual for payment.

Cause: The District procedures requiring proper support documentation and approvals for all disbursements were not enforced over the course of the year.

Effect: The above behavior exposes the District to fraud, loss of public trust, and employee conflict. Student activity funds may be expanded to benefit the employee as opposed to the students, which is inconsistent with the mission of the District.

Recommendation: We recommend that the District office reiterate procedures to ensure all general disbursements and all student activity disbursements are approved by the appropriate authorized individual with proper supporting documentation for the disbursement.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and plans to implement the recommended changes in controls and procedures.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Material Weakness

2017-002 Preparation of bank reconciliations

Criteria: Management is responsible for the design and implementation of internal controls such that management and other district employees, in the normal course of performing their assigned functions, are able to prevent or detect and correct misstatements on a timely basis.

Condition: The District did not reconcile the District's individual bank accounts, including the District's general checking and LGIP to the general ledger throughout the year.

Cause: Controls are not in place to ensure that reconciliations to the general ledger occur on a monthly basis.

Effect: The above behavior exposes the District to fraud, loss of public trust, and employee conflict. The lack of preparation and review of timely reconciliations allows improper and unauthorized transactions to occur and not be detected on a timely basis.

Recommendation: We recommend that the District implement procedures in which someone independent of the cash disbursement and cash receipt processes perform the monthly bank reconciliations immediately upon receipt of the monthly bank statements. All reconciling items should be investigated and explained on a timely basis. We recommend the use of the District's financial reporting software, Skyward, to perform bank reconciliation, to ensure that bank accounts are reconciled to the general ledger. Finally, the bank reconciliations should be reviewed and approved by the business manager.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and plans to implement the recommended changes in controls and procedures.

Material Weakness

2017-003 Preparation of Financial Reporting

Criteria: Management is responsible for selecting and using appropriate accounting policies, for establishing and maintaining internal controls in the financial reporting system, and for the fair of the financial statements and related disclosures in conformity with generally accepted accounting principles.

Condition: The District does not have a system of internal controls in place to prepare financial statements and related disclosures that are fairly presented in conformity with generally accepted accounting principles. Management has made a cost-benefit decision to request assistance from the independent auditor in preparing a draft of the annual financial statements and related disclosures that conform with generally accepted accounting principles. Management has made this request despite the fact that such assistance may constitute a deficiency in internal control over financial reporting as defined by the accounting profession's standards.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Cause: The ability to produce in-house financial statements that incorporate the increasingly rigorous reporting and disclosure requirements of generally accepted accounting principles is beyond the duties originally contemplated of the District's accounting personnel.

Effect: A misstatement of the financial statements could occur and not be prevented or detected by the District's internal control prior to the involvement of the independent auditor in assisting with the preparation of the financial statements and related disclosures.

Recommendation: District management, the District administrator and the Business Manager should perform a detail review, make inquiries, approve and accept responsibility for the financial statements on a monthly basis prior to their issuance. All financial reports should be prepared through Skyward, as we believe this will eliminate the potential for financial misstatements.

Views of Responsible Officials and Planned Corrective Actions: The District has implemented the recommendations of the auditor and financial statements are reviewed on a monthly basis. This review is done with the Administrator and Director of Business Services prior to all board meetings.

Section III—Federal and State Award Findings and Questioned Costs

No items were reported.

Section IV—Other Issues

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

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

Department of Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

November 15, 2017