

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2017

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## Independent Auditors' Report

To the District Board  
Stoughton Area School District  
Stoughton, Wisconsin

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stoughton Area 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.

### Auditors' Responsibility

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

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

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

### Opinions

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

### *Other Information*

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

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the 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 October 31, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The 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.

October 31, 2017  
Milwaukee, Wisconsin

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2017

To the Board of Education  
Stoughton Area School District

The discussion and analysis of the Stoughton Area School District's ("District") of 2016-2017 financial performance provides an overall review of financial activities for the fiscal year. 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 assets plus deferred outflows of resources of the District, exceeded liabilities plus deferred inflows of resources at the close of fiscal 2017 by \$47,239,045 (*net position*). This represents an increase of approximately \$971,786 in net position in 2016-17.

Total District revenues were \$43,931,715 (not including loss on disposal of capital assets); including \$22,702,205 of property taxes, \$15,531,357 of federal and state aid not restricted to specific purpose, and \$20,239 of interest income. Total District expenditures were \$42,945,375; including \$24,221,100 for direct instruction.

The following events took place during fiscal 2016-2017:

- The District purchased maintenance grounds equipment, passenger and maintenance vehicles, and upgraded district laptops, desktops, and Chromebooks as part of the district's digital learning plan. The District continued repair and replacement of the High School façade as well as completed remodeling of the High School Family and Consumer Sciences room, and installation of energy savings projects such as the pool heating upgrade and LED lighting at the High School Auditorium and Pool.
- The District received donations and grants from the following donors: The Bryant Foundation, Stoughton Area Community Foundation, Working for Kids Parent Groups, and Stoughton Sports Boosters. These generous donations supported elementary classrooms, middle grade level Fab Lab, High School Learning Center, High School agricultural education program, continued district PBIS initiatives, and athletic uniforms, sports and weight room equipment.
- In April 2014, the district passed a recurring referendum to exceed the revenue limit. This is the third of four years that the District will receive an increase in funding on top of the calculated revenue limit. The additional funding received in 2016-17 was \$1,350,000.
- A Long Term Capital Improvement Trust account was established at the end of June 2015. The funds are to be spent on capital improvements as identified in the District's 10-year capital improvement plan and are available after the initial five year waiting period has expired. The District transferred \$700,000 from Fund 10 to Fund 46 to continue investment in this trust account.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2017

(Continued)

### Overview of the Financial Statements

The basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Position and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

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

*Required supplementary information* further explains and supports the financial statements by including a comparison of the District's budget data for the year.

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

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2017

(Continued)

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

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

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2017

(Continued)

### District Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Position reports all assets, deferred outflow of resources, liabilities, and deferred inflows of resources available to support District activities. The two district-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets, liabilities, and deferred inflows of resources, are one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. 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.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* - Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District has no business-type activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2017

(Continued)

### Fund Financial Statements (continued)

- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

Table 1, below, provides a summary of the District's net position for the years ended June 30, 2017 and June 30, 2016.

	Governmental Activities	Governmental Activities
	2017	2016
Current assets	\$ 19,802	\$ 18,787
Capital assets	41,713	42,163
<b>TOTAL ASSETS</b>	<b>61,515</b>	<b>60,950</b>
Deferred outflows related to pensions	9,329	12,219
Long-term liabilities	12,445	15,237
Other liabilities	6,355	6,757
<b>TOTAL LIABILITIES</b>	<b>18,800</b>	<b>21,994</b>
Deferred inflows related to pensions	4,805	4,908
Net position:		
Net investment in capital assets	33,148	32,439
Restricted	4,040	7,891
Unrestricted	10,051	5,937
<b>TOTAL NET POSITION</b>	<b>\$ 47,239</b>	<b>\$ 46,267</b>

Note: totals may not add due to rounding.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2017

(Continued)

Table 2 provides summarized operating results and their impact on net position.

<b>Table 2</b>		
<b>Changes in Net Assets from Operating Results</b>		
<i>(in thousands of dollars)</i>		
	Governmental Activities	Governmental Activities
	2017	2016
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 1,602	\$ 1,502
Operating grants & contributions	3,754	3,969
General Revenues		
Property taxes	22,738	22,460
State formula aid	14,608	15,315
Other	1,215	398
<b>TOTAL REVENUES</b>	<u>43,917</u>	<u>43,644</u>
<b>Expenses</b>		
Instruction	24,221	23,339
Pupil & Instructional Services	4,388	3,953
Administration & Finance	2,932	2,699
Maintenance & Operations	3,945	3,964
Transportation	1,077	1,081
Interest on Debt	310	329
Other	6,072	6,212
<b>TOTAL EXPENSES</b>	<u>42,945</u>	<u>41,577</u>
<b>TOTAL INCREASE IN NET POSITION</b>	<u>\$ 972</u>	<u>\$ 2,067</u>
Note: totals may not add due to rounding.		

The District relies primarily on property taxes (51.8% of total governmental revenues), and state formula aid (33.3%) to fund governmental activities.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2017

(Continued)

Table 3 presents the cost of the seven major district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	<u>Net Cost</u> <u>of Services</u>	<u>% of</u> <u>Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>% of</u> <u>Services</u>
	2017	2017	2016	2016
<b>Expenses</b>				
Instruction	\$ 20,226	53.81%	\$ 19,202	53.18%
Pupil & Instructional Services	4,282	11.39%	3,828	10.60%
Administration & Finance	2,932	7.80%	2,699	7.48%
Maintenance & Operations	3,821	10.17%	3,836	10.62%
Transportation	1,002	2.67%	1,014	2.81%
Debt Service Payments	310	0.82%	329	0.91%
Other	5,016	13.34%	5,199	14.40%
<b>TOTAL EXPENSES</b>	<b>\$ 37,589</b>	<b>100%</b>	<b>\$ 36,107</b>	<b>100%</b>

Note: totals may not add due to rounding.

The cost of all governmental activities this year was \$42,945,375. Individuals who directly participated or benefited from a program offering paid for \$1,602,356 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3,754,307. The net cost of governmental activities (\$37,588,712) was financed by general revenues of the District (\$22,702,205 property taxes, \$14,608,468 state formula aid, and \$1,249,825 other).

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

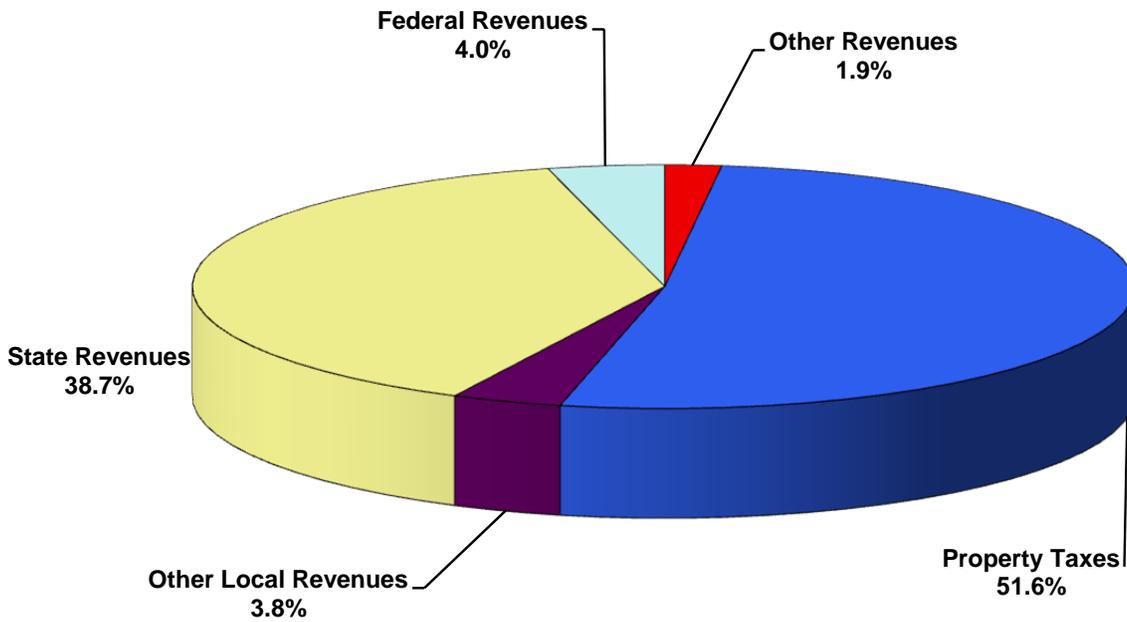
**Management Discussion & Analysis**

June 30, 2017

(Continued)

The composition of governmental revenues by source is illustrated below in Chart 1. This chart does not include revenues from borrowing related to refinancing or maintenance referendum.

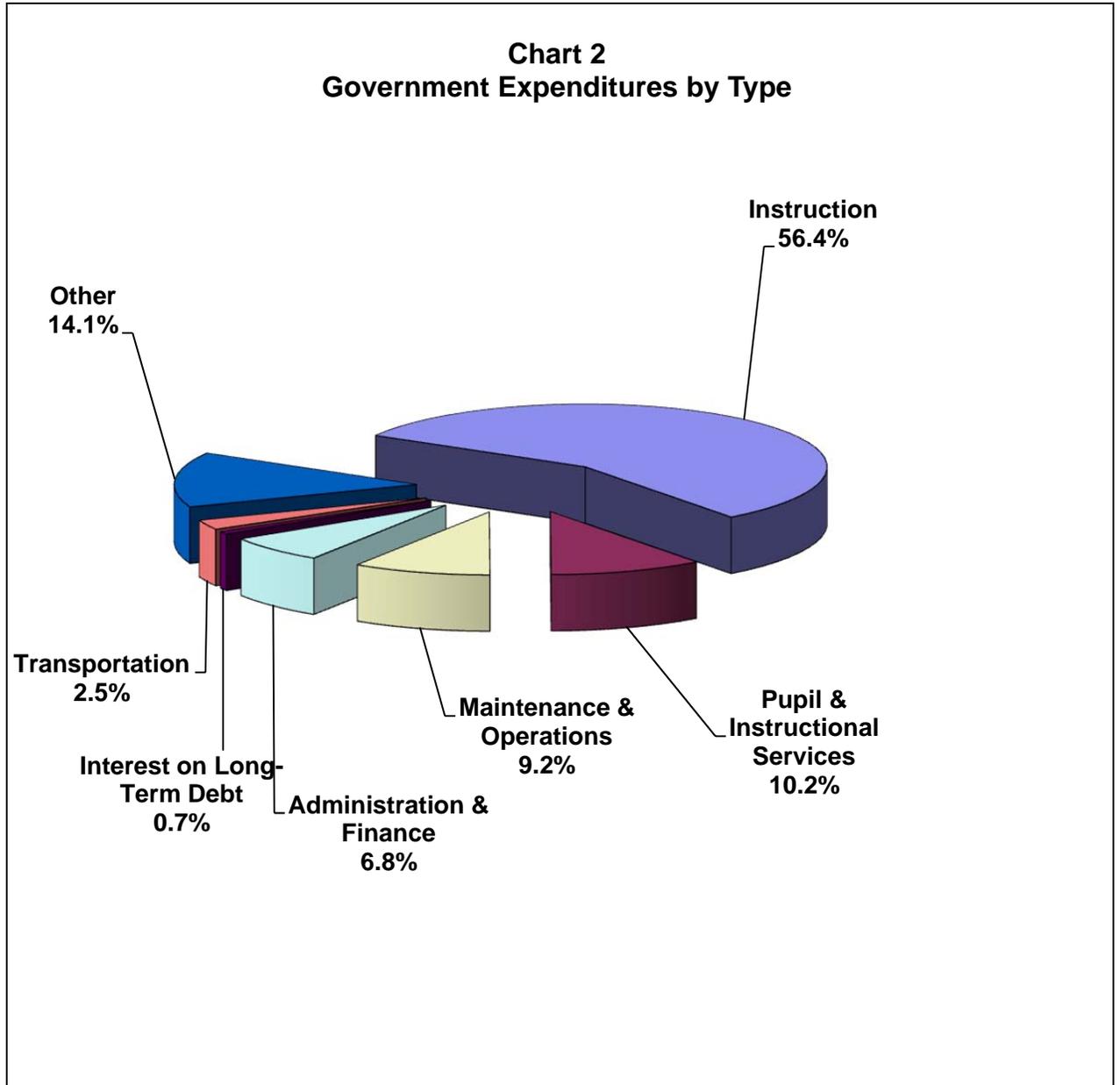
**Chart 1**  
**Governmental Revenue by Source**



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Management Discussion & Analysis**  
June 30, 2017  
(Continued)

The composition of governmental expenditures by type is illustrated below in Chart 2.



# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2017

(Continued)

### Financial Aspects of the District's Funds

- The general fund had a net increase in fund balance of \$450,236. The district underspent budgeted utilities, tuition related to open enrollment and Youth Challenge Academy, substitute teacher and EA pay, salaries, health and dental benefits, and retirement payments.
- The capital projects funds had an increase \$1,064,933. The fund balance will be used to offset future capital project costs.
- The debt service funds had a decrease of \$144,968. The fund balance of the debt service fund will fluctuate each year.
- The food service program (Fund 50) expenses exceeded revenues and decreased the fund balance by \$13,535.
- Fund 38 debt has been paid off during the fiscal year.

### General Fund Budgetary Highlights

Consistent with current state statutes and regulations an *original* budget is adopted in October following determination of official enrollment and certification of states aids. Generally, the original budget is not significantly modified. The District modified its original budget in 2016-17 to reflect:

- Reallocation of budget appropriations in various buildings and departments to spend in different areas than originally identified.
- Modifications in several state and federal grants.
- A decrease in library aid and corresponding expenditures when the final allocations were received from DPI in January.
- An increase in transfer of funds to Fund 46 Long Term Capital Improvement Trust Fund.
- The district continues to invest in innovation and supported costs during 2016-17 for play-based kindergarten curriculum, after school mentoring programs, literacy improvement and Responsive Classroom and Adaptive Schools training.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2017

(Continued)

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of fiscal year 2017, the District had invested \$80,975,241 in capital assets, including land, buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$39,262,298. Asset acquisitions for governmental activities totaled \$2,278,767 and disposals totaled \$511,841. The District recognized depreciation expense of \$2,710,218. (Detailed information about capital assets can be found in Note 3 to the financial statements.)

	Governmental Activities		Total % Change
	2017	2016	2017-2016
Land	\$ 509	\$ 509	0.0%
Buildings	64,201	63,009	1.9%
Furniture and equipment	15,756	15,133	4.1%
Construction in progress	508	557	-8.8%
Accumulated depreciation	(39,262)	(37,045)	6.0%
<b>TOTAL</b>	<b>\$ 41,712</b>	<b>\$ 42,163</b>	<b>-1.1%</b>

Note: totals may not add due to rounding.

**Long-term Debt**

At year-end the District had \$8,646,012 in notes payable and other long-term debt outstanding – a decrease of \$1,185,348 (12.1%) from fiscal 2016. This decrease resulted from required repayments of principal. (Detailed information about the District’s long-term liabilities is presented in Note 4 to the financial statements.)

	Total School District		Total % Change
	2017	2016	2017-2016
General Obligation Debt	\$ 8,035	\$ 9,315	-13.7%
Capital Leases	611	516	18.4%
<b>TOTAL</b>	<b>\$ 8,646</b>	<b>\$ 9,831</b>	<b>-12.1%</b>

Note: totals may not add due to rounding.

Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

# **STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

## **Management Discussion & Analysis**

June 30, 2017

(Continued)

### **Factors Bearing on the District's Future**

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

- The district continues to experience declining enrollment creating significant negative impacts on future budgets. Studies performed by the Applied Population Lab at the UW anticipate this trend will continue.
- The district continues to be in a negative tertiary equalization aid situation. Negative tertiary aid will decrease the total equalization aid the district receives which may increase the tax burden to the residents of the district.
- The District passed a recurring referendum In April 2014 to exceed the revenue limit in 2014-15 through 2017-18 in order to support programs and services totaling \$7.05 million. The district believes this additional support will be sufficient to balance the budget throughout the course of these years.
- State budgets can significantly impact the amount of funding public school districts receive. The past couple of state budget cycles have resulted in uncertainty in many variables that impact a school's financial planning. We anticipate this trend will continue and have made conservative projections on allowable revenue increases. Expansion of the state private school voucher program will likely impact public school funding and will be something the district continues to monitor.
- The district continues to monitor the impact of the Affordable Health Care Act and any associated potential long term financial costs.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Erica Pickett, Director of Business Services, Stoughton Area School District of Stoughton, Wisconsin, (608) 877-5011, 320 North Street, Stoughton, WI 53589.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Statement of Net Position**  
June 30, 2017

	<b><u>Governmental Activities</u></b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash	\$ 11,945,306
Investments	1,005,380
Taxes receivable	6,023,908
Accounts receivable	52,746
Due from other governments	726,026
Inventory	866
Other miscellaneous assets	48,236
Total current assets	19,802,468
<b>Capital assets:</b>	
Land and construction in progress	999,059
Land held for leases	18,834
Other operating capital assets (net of accumulated depreciation)	39,127,895
Other property held for leases (net of accumulated depreciation)	1,567,155
Net capital assets	41,712,943
<b>Total assets</b>	61,515,411
<b>Deferred Outflows of Resources:</b>	
Deferred outflows related to pensions	9,328,738
<b>Liabilities:</b>	
Accounts payable	1,193,166
Withholdings and related district fringes payable	1,267,315
Accrued interest	96,007
Accrued salaries	2,402,143
Medical insurance deposits payable	50,670
Medical insurance claims payable	25,567
Unearned revenues	33,478
Other fund liabilities	475
Current portion of long-term debt	1,286,345
Long-term liabilities:	
Net pension liability	1,161,139
Long-term debt, net of current portion	7,359,667
Unamortized debt premium	173,461
Other long-term liabilities	3,750,890
<b>Total liabilities</b>	18,800,323
<b>Deferred Inflows of Resources:</b>	
Deferred inflows related to pensions	4,804,781
<b>Net Position:</b>	
Net investment in capital assets	33,147,854
Restricted for:	
Debt service	607,206
Capital projects	2,616,201
Food service	235,459
Other activities	580,677
Unrestricted	10,051,648
<b>Total net position</b>	\$ 47,239,045

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Statement of Activities**  
Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 16,175,121	\$ 739,109	\$ 950,437	\$ (14,485,575)
Special education instruction	4,895,885	---	2,221,063	(2,674,822)
Vocational instruction	1,140,285	---	3,989	(1,136,296)
Other instruction	2,009,809	80,155	---	(1,929,654)
<b>Total instruction</b>	<b>24,221,100</b>	<b>819,264</b>	<b>3,175,489</b>	<b>(20,226,347)</b>
Support services:				
Pupil services	1,991,041	---	---	(1,991,041)
Instructional staff services	2,397,420	---	106,812	(2,290,608)
Administration services	2,931,740	---	---	(2,931,740)
Operation and maintenance of plant	3,945,305	124,338	---	(3,820,967)
Pupil transportation	1,076,916	33,090	41,851	(1,001,975)
Other support services	2,123,902	---	---	(2,123,902)
Community services	254,625	87,183	---	(167,442)
Food service	983,112	538,481	430,155	(14,476)
Interest on long-term debt	309,996	---	---	(309,996)
Unallocated depreciation	2,710,218	---	---	(2,710,218)
<b>Total support services</b>	<b>18,724,275</b>	<b>783,092</b>	<b>578,818</b>	<b>(17,362,365)</b>
 <b>Total school district</b>	 <b>\$ 42,945,375</b>	 <b>\$ 1,602,356</b>	 <b>\$ 3,754,307</b>	 <b>(37,588,712)</b>
 <b>General revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				20,755,838
Property taxes, levied for debt service				1,376,167
Property taxes, levied for specific purposes				570,200
Other taxes				35,831
Federal and state aid not restricted to specific purposes				
General				14,608,468
Other				922,889
Interest and investment earnings				20,239
Loss on disposal of assets				(14,554)
Miscellaneous				285,420
 <b>Changes in net position</b>				 <b>971,786</b>
 <b>Net position - beginning of year</b>				 <b>46,267,259</b>
 <b>Net position - end of year</b>				 <b>\$ 47,239,045</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Balance Sheet**  
**Governmental Funds**  
June 30, 2017

<b>ASSETS</b>	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 8,564,892	\$ 1,919,882	\$ 1,460,532	\$ 11,945,306
Investments	1,005,380	---	---	1,005,380
Taxes receivable	6,023,908	---	---	6,023,908
Accounts receivable	44,038	---	8,708	52,746
Due from other funds	1,690	700,000	---	701,690
Due from other governments	713,695	---	12,331	726,026
Inventory	---	---	866	866
Other assets	---	---	48,236	48,236
<b>Total assets</b>	<b>\$ 16,353,603</b>	<b>\$ 2,619,882</b>	<b>\$ 1,530,673</b>	<b>\$ 20,504,158</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,126,842	\$ 3,681	\$ 62,643	\$ 1,193,166
Withholdings and related district fringes payable	1,265,533	---	1,782	1,267,315
Accrued payroll	2,394,880	---	7,263	2,402,143
Due to other funds	700,000	---	1,690	701,690
Deposits payable	50,670	---	---	50,670
Medical insurance claims payable	25,567	---	---	25,567
Unearned revenues	---	---	33,478	33,478
Other liabilities	---	---	475	475
<b>Total liabilities</b>	<b>5,563,492</b>	<b>3,681</b>	<b>107,331</b>	<b>5,674,504</b>
<b>Fund Balances:</b>				
Nonspendable	---	---	866	866
Restricted	90,569	2,616,201	1,170,985	3,877,755
Assigned	---	---	251,491	251,491
Unassigned	10,699,542	---	---	10,699,542
<b>Total fund balances</b>	<b>10,790,111</b>	<b>2,616,201</b>	<b>1,423,342</b>	<b>14,829,654</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,353,603</b>	<b>\$ 2,619,882</b>	<b>\$ 1,530,673</b>	<b>\$ 20,504,158</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**  
June 30, 2017

<b>Total fund balances - governmental funds</b>		<b>\$ 14,829,654</b>
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 governmental funds:		
Cost of the assets	\$ 80,975,241	
Accumulated depreciation	<u>(39,262,298)</u>	41,712,943
The District's proportionate share of the net pension liability at WRS is reported as a liability on the statement of net position, but is not reported in the government funds.		(1,161,139)
Deferred inflows and outflows of resources related to pensions are applicable to future periods and therefore, are not reported in the governmental funds.		4,523,957
Governmental funds report premiums and discounts associated with the issuance of long-term debt as other financing sources and uses, but these items are amortized over the life of the debt issue on the statement of activities.		
Unamortized debt premiums		(173,461)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	5,065,000	
Notes payable	2,970,000	
Capital leases payable	611,012	
Post-employment benefit liability	2,595,673	
Compensated absences	<u>1,155,217</u>	(12,396,902)
Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the funds		<u>(96,007)</u>
<b>Total net position - governmental activities</b>		<b><u><u>\$ 47,239,045</u></u></b>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 21,272,192	\$ 523,047	\$ 2,565,373	\$ 24,360,612
Interdistrict payments within Wisconsin	493,434	---	18,315	511,749
State	17,003,685	---	17,039	17,020,724
Federal	1,340,099	---	413,116	1,753,215
Other	148,767	---	136,652	285,419
<b>Total revenues</b>	<u>40,258,177</u>	<u>523,047</u>	<u>3,150,495</u>	<u>43,931,719</u>
<b>Expenditures:</b>				
Instruction:				
Current	21,573,209	---	385,875	21,959,084
Interdistrict	1,562,411	---	---	1,562,411
Capital outlay	61,964	---	29,913	91,877
Support Services:				
Current	13,970,030	19,489	1,325,126	15,314,645
Capital outlay	2,048,265	138,625	---	2,186,890
Debt service	421,926	---	1,606,351	2,028,277
<b>Total expenditures</b>	<u>39,637,805</u>	<u>158,114</u>	<u>3,347,265</u>	<u>43,143,184</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	620,372	364,933	(196,770)	788,535
<b>Other Financing Sources:</b>				
Operating transfers in	52,362	700,000	---	752,362
Operating transfers out	(700,000)	---	(52,362)	(752,362)
Capital lease proceeds	473,699	---	---	473,699
Other financing sources	3,803	---	---	3,803
<b>Total other financing sources</b>	<u>(170,136)</u>	<u>700,000</u>	<u>(52,362)</u>	<u>477,502</u>
<b>Net change in fund balances</b>	450,236	1,064,933	(249,132)	1,266,037
<b>Fund Balances - Beginning of year</b>	<u>10,339,875</u>	<u>1,551,268</u>	<u>1,672,474</u>	<u>13,563,617</u>
<b>Fund Balances - End of year</b>	<u>\$ 10,790,111</u>	<u>\$ 2,616,201</u>	<u>\$ 1,423,342</u>	<u>\$ 14,829,654</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**  
Year Ended June 30, 2017

**Total net change in fund balances - governmental funds** \$ 1,266,037

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.

Depreciation expense	\$ (2,710,218)	
Capital outlays	<u>2,278,767</u>	(431,451)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as an other financing source. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position.

(473,699)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds payable	350,000	
Notes payable	930,000	
Capital leases	<u>379,047</u>	1,659,047

Governmental funds report premiums and discounts associated with the issuance of long-term debt as other financing sources and uses but these items are amortized over the life of the debt issue on the statement of activities.

Amortization of these amounts included in interest expense in the statement of activities		47,808
---	--	--------

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown.

(18,357)

Post-employment benefits are expended in the governmental funds as they are being paid but this does not include any benefits earned. In the statement of activities the change in the liability for unfunded post-employment benefits is recorded.

540,442

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Cost of benefits earned net of employee contributions	(2,949,473)	
District pension contributions	<u>1,325,824</u>	(1,623,649)

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(5,818)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

11,426

**Change in net position of governmental activities** \$ 971,786

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Statement of Fiduciary Net Position**

June 30, 2017

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>	<u>Agency Fund</u>
<b>ASSETS</b>			
Cash	\$ 1,557,802	\$ 1,625,832	\$ 79,312
Investments	1,151,434	---	---
Accounts receivable	500	---	1,321
Interest receivable	725	---	---
<b>Total assets</b>	<u>\$ 2,710,461</u>	<u>\$ 1,625,832</u>	<u>\$ 80,633</u>
<b>LIABILITIES AND NET POSITION</b>			
Accounts payable	\$ 93,750	\$ ---	\$ 3,861
Due to student groups	---	---	76,772
<b>Total liabilities</b>	<u>93,750</u>	<u>---</u>	<u>80,633</u>
Net position:			
Restricted	2,616,711	1,625,832	---
<b>Total liabilities and net position</b>	<u>\$ 2,710,461</u>	<u>\$ 1,625,832</u>	<u>\$ 80,633</u>

**Statement of Changes in Fiduciary Net Position**

Year Ended June 30, 2017

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>
<b>ADDITIONS</b>		
Interest	\$ 11,757	\$ 16,241
Gifts	81,422	---
Contributions to employee benefit trust	---	908,570
<b>Total additions</b>	<u>93,179</u>	<u>924,811</u>
<b>DEDUCTIONS</b>		
Trust fund disbursements	<u>92,150</u>	<u>126,469</u>
<b>Change in net position</b>	1,029	798,342
<b>Net position - June 30, 2016</b>	2,615,682	426,604
<b>Prior period adjustment</b>	---	400,886
<b>Net position - beginning of year, as adjusted</b>	<u>2,615,682</u>	<u>827,490</u>
<b>Net position - June 30, 2017</b>	<u>\$ 2,616,711</u>	<u>\$ 1,625,832</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements**  
June 30, 2017

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Stoughton Area School District ("District") is organized as a common school district. The District, governed by a nine-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the Stoughton Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the District are discussed below.

**B. Component Units**

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

**C. Basis of Presentation**

**District-wide Statements**

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2017

**1. Summary of Significant Accounting Policies (continued)**

**C. Basis of Presentation (continued)**

**Fund Financial Statements**

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

**General Fund** - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. It is also used to account for activities associated with providing educational programs for students with disabilities.

**Capital Projects Fund** – This fund accounts for the resources restricted for the acquisition or construction of specific capital projects or items.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for the District's HRA post-employment benefits in an employee benefit trust fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund.

**D. Measurement Focus and Basis of Accounting**

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. 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 taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, 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 grant resources to such programs, followed by general revenues.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**1. Summary of Significant Accounting Policies (continued)**

**E. Cash**

The District's cash is considered to be cash on hand, money markets and demand deposits. Cash and balances for individual funds are pooled unless maintained in segregated accounts.

**F. Investments**

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

As discussed in Footnote 2, the District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses of the Districts assets are reported in the statement of activities, statement of revenues, expenditures and changes in fund balances and in the statement of changes in fiduciary net position. Adjustments necessary to record investments at fair value are recorded in the statement of changes in fiduciary net position as unrealized gains or losses and in the statement of revenues, expenditures and changes in fund balance as local revenue.

**G. Receivables**

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

Property taxes are recognized as revenues in the year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Dane County and Rock County purchases the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**1. Summary of Significant Accounting Policies (continued)**

**H. Interfund Transactions**

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The non-current portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2017 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Transfers:</b>			
Fund the Capital Projects Fund	Capital Projects Fund	General Fund	\$ 700,000
Close out Non-Referendum Debt Service Fund	General Fund	Non-Referendum Debt Service Fund	\$ 52,362
<b>Due to/from:</b>			
Fund the Capital Projects Fund	Capital Projects Fund	General Fund	\$ 700,000
Cover negative cash	General Fund	Package-Cooperative	\$ 1,690

**I. Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	45 - 60 years
Equipment and furniture	5,000	Straight-line	5 - 20 years

The capitalization thresholds of \$5,000 are based upon grouped as well as individually purchased capital assets.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**1. Summary of Significant Accounting Policies (continued)**

**I. Capital Assets (continued)**

**Impairment of Long-Lived Assets**

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**J. Deferred Outflows and Inflows of Resources**

Under GASB, in addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. Changes in the net pension asset not included in pension expense are required to be reported as deferred outflows or inflows of resources. See footnote 6 for additional information.

**K. Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when expense is incurred for purposes for which both restricted and unrestricted net position is available.

**L. Fund Balance**

The Governmental Accounting Standards Board (GASB) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**1. Summary of Significant Accounting Policies (continued)**

**L. Fund Balance (continued)**

- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or their designee may assign amounts for specific purposes.
- *Unassigned* – amounts are available for any purpose, and if the general fund has available resources that are not of the other previously mentioned categories, it shall be deemed unassigned.

**Order of Fund Balance Spending Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When the expenditure is incurred for which committed, assigned, or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board, Business or District Administrator has provided otherwise in its commitment or assignment actions.

**Minimum Fund Balance Policy**

In the general fund, the District will strive to maintain a minimum fund balance of 20% of its budget.

**M. Accumulated Unpaid Vacation and Sick Pay**

Liabilities and the related expenses for vacation benefits are recognized when earned. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

Accumulated vested sick leave benefits are recognized as long-term liabilities and expenses when the sick leave benefits vest. Sick leave days, not to exceed a maximum number of days, vest for administrators, teachers and support staff, after the employee reaches the age of 55. The amount per day, paid upon termination, varies.

**N. Other Assets**

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**1. Summary of Significant Accounting Policies (continued)**

**O. Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (“WRS”) and additions to/deductions from WRS’ fiduciary net position have been determined on the same basis as they are reported to 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.

**P. Estimates**

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

**Q. Subsequent Events**

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed October 31, 2017. There were no subsequent events that required disclosure.

**2. Cash and Investments**

Cash and investments as shown on the District’s statement of net position are subject to the following risks:

	Amount	Risks
<b>Cash:</b>		
Petty cash	\$ 50	
Demand deposits	15,208,202	Custodial
<b>Total cash</b>	15,208,252	
<b>Investments:</b>		
Certificates of Deposit	800,000	Custodial, Interest Rate, and Credit
Local government investment pool	1,356,814	Custodial
<b>Total investments</b>	2,156,814	
<b>Total cash and investments</b>	\$ 17,365,066	

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

Statement of net position:	
Cash	\$ 11,945,306
Investment	1,005,380
Statement of fiduciary net position:	
Cash	3,262,946
Investment	1,151,434
<b>Total cash and equivalents</b>	<b>\$ 17,365,066</b>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**2. Cash and Investments (continued)**

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits in each local area bank and in the Wisconsin Local Government Investment Pool ("LGIP") are also insured by the State Deposit Guarantee Fund ("SDGF") in the amount of \$400,000 per financial institution. However, due to the relatively small size of the SDGF in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental entities. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund ("SIF") and is managed by the State of Wisconsin Investment Board. The LGIP 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 and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total on one day's notice. The LGIP does not include any involuntary participants.

A separate financial report for SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**2. Cash and Investments (continued)**

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

**Custodial Risk – Deposits:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and investments was \$17,365,066 at June 30, 2017 and the bank's carrying value was \$16,636,821, of which \$2,714,098 was fully insured, \$11,540,390 was collateralized by pledges and \$2,382,333 was uninsured and uncollateralized. The District has a policy that addresses custodial risk.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. Information regarding the exposure of the District's investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			Over 10 Years
		Less than 1 Year	1-5 Years	6-10 Years	
Certificates of Deposit	\$ 800,000	\$ 200,000	\$ 600,000	\$ ---	\$ ---

**Credit Risk:** Generally, credit risk is the risk that an issuer of a type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. Presented below is the minimum rating required for each type of investment.

Type of Investment	Amount	Rating as of Year End		
		AAA	Aa	Not Rated
Certificate of Deposit	\$ 800,000	---	---	\$ 800,000

The District categorizes the fair value measurements of its investments based on the hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

Certificates of deposit are exempt from fair value disclosure due to the investments being valued at cost plus accrued interest earned. LGIP funds are exempt from fair value disclosure due to the investments being valued at amortized cost.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**3. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance 6/30/2017</u>
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 509,421	\$ ---	\$ ---	\$ ---	\$ 509,421
Construction in progress	556,615	486,472	(18,000)	(516,615)	508,472
<b>Total not being depreciated</b>	<u>1,066,036</u>	<u>486,472</u>	<u>(18,000)</u>	<u>(516,615)</u>	<u>1,017,893</u>
Capital assets being depreciated					
Buildings	63,009,392	674,956	---	516,615	64,200,963
Equipment	15,132,887	1,117,339	(493,841)	---	15,756,385
Total being depreciated	78,142,279	1,792,295	(493,841)	516,615	79,957,348
Less accumulated depreciation	(37,045,564)	(2,710,218)	493,484	---	(39,262,298)
<b>Total being depreciated, net</b>	<u>41,096,715</u>	<u>(917,923)</u>	<u>(357)</u>	<u>516,615</u>	<u>40,695,050</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 42,162,751</u>	<u>\$ (431,451)</u>	<u>\$ (18,357)</u>	<u>\$ ---</u>	<u>\$ 41,712,943</u>

Depreciation expense of \$2,710,218 was charged to unallocated depreciation on the statement of activities.

**4. Long-Term Liabilities**

Long-term Liabilities of the District are as follows:

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2017</u>	<u>Amounts Due Within One Year</u>
General obligation debt					
G.O. Bonds	\$ 5,415,000	\$ ---	\$ (350,000)	\$ 5,065,000	\$ 280,000
G.O. Notes	3,900,000	---	(930,000)	2,970,000	955,000
<b>Total general obligation debt</b>	<u>9,315,000</u>	<u>---</u>	<u>(1,280,000)</u>	<u>8,035,000</u>	<u>1,235,000</u>
Capital leases	516,360	473,699	(379,047)	611,012	51,345
Compensated absences	1,149,399	5,818	---	1,155,217	---
<b>Total long-term liabilities</b>	<u>\$ 10,980,759</u>	<u>\$ 479,517</u>	<u>\$ (1,659,047)</u>	<u>\$ 9,801,229</u>	<u>\$ 1,286,345</u>

Total interest paid and expensed (including accrual) for the year ended June 30, 2017 on long-term debt was \$367,779 and \$356,353 respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**4. Long-Term Liabilities (continued)**

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

Description	Issue Dates	Interest Rates	Dates of Maturity	Issued Amount	Balance 6/30/2017
G.O. Refunding Bonds (QSCB)	09/28/10	4.50%	03/01/23	3,260,000	3,260,000
G.O. Refunding Notes	01/27/11	2.00 to 4.00%	03/01/20	13,690,000	2,970,000
G.O. Refunding Bonds	05/01/12	2.00 to 2.35%	03/01/23	2,895,000	1,805,000
<b>Total general obligation debt</b>					<u>\$ 8,035,000</u>

The 2016 equalized value of the District as certified by the Wisconsin Department of Revenue is \$2,012,119,994. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$2,012,119,994)	\$ 201,211,999
Deduct long-term debt applicable to debt margin	<u>(8,035,000)</u>
<b>Margin of indebtedness</b>	<u>\$ 193,176,999</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest are as follows:

Year Ended June 30,	G.O. Debt Principal	G.O. Debt Interest	Interest Subsidy	Capital Lease Principal	Capital Lease Interest	Total
2018	\$ 1,235,000	\$ 291,988	\$ (146,700)	\$ 51,345	\$ 23,475	\$ 1,455,108
2019	1,275,000	255,350	(146,700)	202,882	25,440	1,611,972
2020	1,325,000	210,050	(146,700)	174,750	15,855	1,578,955
2021	1,385,000	168,175	(146,700)	144,868	6,347	1,557,690
2022	1,400,000	161,425	(146,700)	37,168	836	1,452,909
2023	1,415,000	154,338	(146,700)	---	---	1,422,638
<b>Total</b>	<u>\$ 8,035,000</u>	<u>\$ 1,241,326</u>	<u>\$ (880,200)</u>	<u>\$ 611,012</u>	<u>\$ 71,953</u>	<u>\$ 9,079,272</u>

**Defeased Debt Outstanding**

In fiscal year 2012, the District defeased \$2,850,000 of the 2003 G.O. Refunding Bonds by placing funds in escrow sufficient to meet the future debt service requirements as they become due. Accordingly, the trust account assets and liability for the defeased debt is not included in the District's financial statements. As of June 30, 2017, \$1,870,000 of the defeased bonds remained outstanding.

**Qualified School Construction Bonds**

During fiscal year 2011, the District issued \$3,260,000 Taxable General Obligation Refunding Bonds that were Qualified School Construction Bonds as defined under the Internal Revenue Code. As noted in the Internal Revenue Code, the District expects to receive a credit from the United States Treasury equal to 100% of the stated interest paid over the life of the Bonds. As part of the issuance of these Bonds, the District covenants to comply with the applicable sections of the Internal Revenue Code and to use the credits to offset the tax levy required on the Bonds. The receipt of the credits is expected by the District, but cannot be assured due to the compliance requirements noted above and the possibility of future law changes.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**4. Long-Term Liabilities (continued)**

**Premiums, Discounts, and Gains and Losses on Refundings**

Premiums and discounts on issuance, and gains and losses on refundings are recognized in the year in which they occur in the fund financial statements, but are deferred and amortized using the straight-line method over the life of the debt issue in the government-wide statements.

Activity for the year ended June 30, 2017 is summarized as follows:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Amortization Expense (Benefit)</b>	<b>Balance June 30, 2017</b>
Premiums on issuance	\$ 221,269	\$ ---	\$ (47,808)	\$ 173,461

**5. Fund Balances**

Detail related to fund balances of governmental funds as of June 30, 2017 is as follows:

**General Fund:**

Restricted:	
Self-insurance	\$ 90,569
Unassigned	<u>10,699,542</u>
<b>Total General Fund</b>	<b>\$ <u>10,790,111</u></b>

**Other Funds:**

Nonspendable:	
Food service inventory	\$ 866
Restricted:	
Special purposes	329,186
Debt service	607,206
Capital projects	2,616,201
Food service	234,593
Assigned:	
Community Service	<u>251,491</u>
<b>Total Other Funds</b>	<b>\$ <u>4,039,543</u></b>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**6. Defined Benefit Pension Plan**

**Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

***Vesting***

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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**6. Defined Benefit Pension Plan (continued)**

**Post-Retirement Adjustments (continued)**

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

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

**Contributions**

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

During the reporting period the WRS recognized \$1,325,824 in contributions from the employer.

Contribution rates as of June 30, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives & elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

**Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources**

At June 30, 2017, the District reported a liability of \$1,161,139 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.14087413%, which was a decrease of 0.002191360% from its proportion measured as of December 31, 2015.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**6. Defined Benefit Pension Plan (continued)**

**Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources (continued)**

For the year ended June 30, 2017, the District recognized pension expense of \$2,949,473.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 442,743	\$ 3,651,682
Changes in assumptions	1,214,016	---
Net difference between projected and actual earnings on pension plan investments	6,924,637	1,144,853
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,856	8,246
Employer contributions subsequent to the measurement date	693,486	---
<b>Total</b>	<b>\$ 9,328,738</b>	<b>\$ 4,804,781</b>

The amount of \$693,486 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

<u>Year Ended June 30,</u>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2018	\$ 3,006,248	\$ 1,455,521
2019	3,006,248	1,455,521
2020	2,516,955	1,453,400
2021	103,327	440,339
2022	2,474	---

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**6. Defined Benefit Pension Plan (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%

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

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

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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**6. Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2016 are summarized in the following table:

<b>Core Fund Asset Class</b>	<b>Current Asset Allocation %</b>	<b>Destination Target Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %</b>
Global Equities	50.0%	45.0%	8.3%	5.4%
Fixed Income	24.5	37.0	4.2	1.4
Inflation Sensitive Assets	15.5	20.0	4.3	1.5
Real Estate	8.0	7.0	6.5	3.6
Private Equity/Debt	8.0	7.0	9.4	6.5
Multi-Asset	4.0	4.0	6.6	3.7
Total Core Fund	110.0%	120.0%	7.4%	4.5%
<b>Variable Fund Asset Class</b>				
U.S. Equities	70.0%	70.0%	7.6%	4.7%
International Equities	30.0	30.0	8.5	5.6
Total Variable Fund	100.0%	100.0%	7.9%	5.0%

New England Pension Consultants, Long Term US CPI (Inflation) Forecast: 2.75% ; Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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

*Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability 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:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase To Discount Rate (8.20%)</b>
District's proportionate share of the net pension liability (asset)	\$ 15,275,530	\$ 1,161,139	\$ (9,707,581)

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**6. Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions (continued)**

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

Payables to the pension plan at June 30, 2017 were \$160,577. This represents contributions earned as of June 30, 2017, but for which payment was not remitted to the pension plan until subsequent to year-end.

**7. Self-Funded Insurance Program**

On July 1, 1984, the Stoughton Area School District established a self-funded dental benefit plan (the "Plan") for its employees. The Plan administrator, Delta Dental is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30th.

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

The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2017, the District has reported a liability of \$25,567, which represents reported and unreported claims which were incurred on or before June 30, 2017, but were not paid by the District as of that date. This amount consists of claims reported to the Plan administrator but not paid by the District of \$11,505 and claims which were not yet reported to the Plan administrator of \$14,062. The amounts not yet reported were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2017 and June 30, 2016 are as follows:

	<b>Year Ended June 30, 2017</b>
Estimated Claims Outstanding July 1, 2016	\$ 29,097
Current Year Claims and Changes in Estimates	364,485
Claim Payments	(368,015)
<b>Estimated Claims Outstanding</b>	<b>\$ 25,567</b>

**8. Other Post-Employment Benefits**

The District offers varying levels of retirement benefits to its teachers and administrators who have met the age and years of service requirements, depending on their position at retirement. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit ("OPEB"), the later commonly referred to as an implicit rate subsidy. Employees participating in the OPEB benefit consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Retirees	35
Active	294
<b>Number of participating employees</b>	<b>329</b>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**8. Other Post-Employment Benefits (continued)**

For fiscal year 2017, the District paid \$439,589 for eligible retirees. In addition, the District had an implicit rate subsidy that it "funded" for fiscal year 2017 in the amount of \$178,121.

The District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. 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 contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan.

Annual required contribution	\$	479,436
Interest on net OPEB obligation		125,445
Adjustment to annual required contribution		<u>(527,613)</u>
Annual OPEB cost		77,268
Contributions made		<u>(617,710)</u>
Decrease in net OPEB obligation		(540,442)
Net OPEB obligation – beginning of year		<u>3,136,115</u>
<b>Net OPEB obligation – end of year</b>	<b>\$</b>	<b><u>2,595,673</u></b>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2017 and the five years prior were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ (43,363)	(1,308)%	\$ 4,279,412
June 30, 2016	122,999	1030%	3,136,115
June 30, 2017	77,268	799%	2,595,673

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$3,195,953, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,195,953.

The funded status of the OPEB benefit as of the most recent actuarial valuation date (July 1, 2015) can be found in the required supplementary information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**8. Other Post-Employment Benefits (continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedule of employer contributions in the required supplementary information presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statements.

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 to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2015
Actuarial cost method	Entry age normal (level \$ of salary) method
Amortization method	10 year open level dollar
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	4.00%
Level percent increases	3.00%
Medical care trend*	7.50% (decreasing by 0.50% per year down to 6.50%, then by 0.10 per year down to 5.0%, and level thereafter)

\* (Implicit in this rate is an assumed rate of inflation of 3.00%)

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**8. Other Post-Employment Benefits (continued)**

**Employee Trust Agreement**

During the year ended June 30, 2016, the District established an irrevocable trust to maintain a Health Reimbursement Arrangement for the benefit of newly hired teachers that are not eligible to retire by June 30, 2022. Contributions to the HRA benefit account are funded during active years of service and the funds are to be used by the employee toward insurance coverage with an outside provider once they retire from the District. The contributions are made annually into the trust account in the year the benefit is earned.

For teachers at least age 55 with a minimum of 15 years of service with the District and retiring prior to June 30, 2022, the District will contribute \$500 per month, on behalf of the retiree for a period of 5 years but not to exceed Medicare-eligibility. The remaining active teachers will receive a District contribution of \$750 per year.

The activity of the HRA benefit is recorded in the employee benefit trust fund on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

The following table shows the activity in the District's benefit trust for the year ending June 30, 2017:

	<u>Amount</u>	
<b>Beginning Net Position</b>	\$	827,490
Contributions		908,570
Interest		16,241
Trust fund disbursements		<u>(126,469)</u>
<b>Ending Net Position</b>	\$	<u>1,625,832</u>

Funds accumulated in the HRA trust for any employee who terminates employment prior to reaching eligibility requirements stated in the plan documents for retirement will revert back to the District. Total forfeited contributions for the year ending June 30, 2017 were \$14,712.

Additionally, the District will provide a catch-up contribution in the next fiscal year for the value of existing years of service for teachers eligible for this benefit. This catch-up contribution is included in the net OPEB obligation as of June 30, 2017 and is summarized below:

<u>Fiscal Year Ended</u>	<u>Catch-up Contribution</u>
June 30, 2018	\$ 309,373

**9. Limitation on School District Revenues**

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

During the year ended June 30, 2014, the District passed a referendum to exceed the revenue limit for four years in order to support programs and services totaling \$7 million.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**10. Risk Management**

The Stoughton Area School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles.

**11. Commitments and Contingencies**

The District had a contractual commitment as of June 30, 2017 of approximately \$500,000 for various construction projects. The majority of the contracts will be funded from the funds remaining from the proceeds of fiscal year 2011 debt issuances.

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2017, are not likely to have a material adverse impact 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.

**12. Leasing Arrangements**

The District has entered into a contract to lease space at the Yahara building. The following schedule presents minimum future rent payments to be received on these leases:

<b>Year ended</b>		<b>Amount</b>
<u>June 30,</u>		
2018	\$	45,000
2019		47,496
2020		47,496
2021		47,496
2022		47,496
2023		47,496
<b>Total</b>	<b>\$</b>	<u><u>282,480</u></u>

At June 30, 2017, the capital assets associated with the leased property had a cost of \$3,921,895, accumulated depreciation of \$2,335,906, and a carrying value of \$1,585,989.

**13. Prior Period Adjustment**

The District has restated the beginning net position of the Employee Benefit Trusts on the Statement of Fiduciary Net Position, effectively increasing net position as of July 1, 2016 by \$400,886. The adjustment was necessary to record the retiree balance of the HRA at June 30, 2016. The cumulative net effect of these changes of net position is as follows:

Actual cash in employee benefit trust at June 30, 2016	\$	827,490
Cash in Employee Benefit Trust – beginning of year		<u>(426,604)</u>
<b>Net prior period adjustment</b>	<b>\$</b>	<u><u>400,886</u></u>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2017

**14. Effect of New Accounting Standards on Financial Statements**

- GASB Statement No. 75, *Accounting and financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split Interest Agreements*
- GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statement No. 67, No. 68 and No. 73*
- GASB Statement No. 83, *Certain Asset Retirement Issues*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*
- GASB Statement No. 87, *Leases*

When they become effective, application of these standards may restate portions of these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Budgetary Comparison Schedule**  
**General Fund**  
Year Ended June 30, 2017

	<u>Fund 10 - Budget</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local	\$ 21,092,249	\$ 21,092,249	\$ 21,272,192	\$ 179,943
Interdistrict payments within Wisconsin	515,915	526,345	493,434	(32,911)
State	15,696,869	15,727,565	15,717,624	(9,941)
Federal	522,634	542,518	535,763	(6,755)
Other	96,000	96,000	146,567	50,567
<b>Total revenues</b>	<u>37,923,667</u>	<u>37,984,677</u>	<u>38,165,580</u>	<u>180,903</u>
<b>Expenditures:</b>				
Instruction:				
Current	17,393,980	17,371,715	17,034,646	337,069
Interdistrict	1,580,740	1,580,740	1,562,411	18,329
Capital outlay	25,589	77,894	61,964	15,930
Support Services:				
Current	13,008,573	12,767,245	12,691,850	75,395
Capital outlay	1,665,193	1,774,604	2,048,265	(273,661)
Debt service	264,011	426,898	421,926	4,972
<b>Total expenditures</b>	<u>33,938,086</u>	<u>33,999,096</u>	<u>33,821,062</u>	<u>178,034</u>
<b>Excess of revenues over expenditures</b>	3,985,581	3,985,581	4,344,518	358,937
<b>Other Financing Sources (uses):</b>				
Operating transfers in (out)	(4,172,581)	(4,277,329)	(4,371,784)	(94,455)
Capital lease proceeds	185,000	185,000	473,699	288,699
Other financing sources	2,000	2,000	3,803	1,803
<b>Total other financing uses</b>	<u>(3,985,581)</u>	<u>(4,090,329)</u>	<u>(3,894,282)</u>	<u>196,047</u>
<b>Net change in fund balances</b>	---	(104,748)	450,236	554,984
<b>Fund Balances - Beginning of year</b>	<u>10,339,875</u>	<u>10,339,875</u>	<u>10,339,875</u>	<u>---</u>
<b>Fund Balances - End of year</b>	<u>\$ 10,339,875</u>	<u>\$ 10,235,127</u>	<u>\$ 10,790,111</u>	<u>\$ 554,984</u>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Budgetary Comparison Schedule**  
**Special Education Fund**  
Year Ended June 30, 2017

	<b>Fund 27 - Budget</b>		<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
State	1,302,833	1,302,833	1,286,061	(16,772)
Federal	913,744	924,578	804,336	(120,242)
Other	---	---	2,200	2,200
<b>Total revenues</b>	<b>2,216,577</b>	<b>2,227,411</b>	<b>2,092,597</b>	<b>(134,814)</b>
<b>Expenditures:</b>				
Instruction:				
Current	4,901,160	4,779,921	4,538,563	241,358
Support Services:				
Current	1,240,372	1,372,445	1,278,180	94,265
<b>Total expenditures</b>	<b>6,141,532</b>	<b>6,152,366</b>	<b>5,816,743</b>	<b>335,623</b>
<b>Excess of expenditures over revenues</b>	<b>(3,924,955)</b>	<b>(3,924,955)</b>	<b>(3,724,146)</b>	<b>200,809</b>
<b>Other Financing Sources:</b>				
Operating transfers in	3,924,955	3,924,955	3,724,146	(200,809)
<b>Net change in fund balances</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>Fund Balances - Beginning of year</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>Fund Balances - End of year</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Schedule of Proportionate Share of the Net Pension Asset (Liability)**

Year Ended June 30, 2017

Wisconsin Retirement System

Last 10 Fiscal Years\*

	<b>District's proportion of the net pension asset (liability)</b>	<b>District's proportionate share of the net pension asset (liability)</b>	<b>District's covered- employee payroll</b>	<b>Net pension asset (liability) as a percentage of employee payroll</b>	<b>Plan fiduciary net position as a percentage of total pension asset (liability)</b>
2017	0.1409%	\$ (1,161,139)	\$ 20,088,183	5.78%	99.12%
2016	0.1431%	(2,324,786)	20,151,239	11.54%	98.20%
2015	0.1440%	3,538,245	19,824,482	17.85%	102.74%

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

\*GASB Pronouncement 68 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

**Schedule of Contributions**

Year Ended June 30, 2017

Wisconsin Retirement System

Last 10 Fiscal Years\*

	<b>Contractually required contributions</b>	<b>Contributions in relation to the contractually required contributions</b>	<b>Contribution deficiency (excess)</b>	<b>District's covered- employee payroll</b>	<b>Contributions as a percentage of covered- employee payroll</b>
2017	\$ 1,325,824	\$ 1,325,824	\$ ---	\$ 20,088,183	6.60%
2016	1,370,511	1,370,511	---	20,151,239	6.80%
2015	1,388,876	1,388,876	---	19,824,482	7.01%

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

\*GASB Pronouncement 68 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Required Supplementary Information**

**Schedule of Funding Progress of Net OPEB Obligation  
June 30, 2017**

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2012	\$ ---	\$ 6,127,081	\$ 6,127,081	0%	\$ 18,212,567	34%
July 1, 2014	---	2,334,224	2,334,224	0%	19,824,482	12%
July 1, 2015	---	3,195,953	3,195,953	0%	17,977,742	18%

Notes:

1. The District is required to present the above information for the three most recent actuarial studies.
2. The data presented in this schedule was taken from the report issued by the actuary, except the covered payroll data which was supplied by the District.

**Schedule of Employer Contributions**

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contribution</u>
June 30, 2010	\$ 2,816,629	\$ 676,000	24%
June 30, 2011	897,798	445,000	50%
June 30, 2012	933,745	503,000	54%
June 30, 2013	716,923	647,435	90%
June 30, 2014	716,923	688,861	96%
June 30, 2015	363,933	567,266	156%
June 30, 2016	479,436	1,266,296	264%
June 30, 2017	479,436	617,710	129%

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Notes to Required Supplementary Information**

Year Ended June 30, 2017

**Note A - 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 in Note 1.D. to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with accounting principles generally accepted in the United States of America ("GAAP"). An explanation of the difference between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	<u>General Fund</u>	<u>Special Education Fund</u>
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 38,165,580	\$ 2,092,597
Reclassification of special education	2,092,597	(2,092,597)
<b>Total Revenues (GAAP)</b>	<u>40,258,177</u>	<u>---</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	33,821,062	5,816,743
Reclassification of special education	5,816,743	(5,816,743)
<b>Total Expenditures (GAAP)</b>	<u>39,637,805</u>	<u>---</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	4,344,518	(3,724,146)
Reclassification of special education	(3,724,146)	3,724,146
<b>Excess of Revenues Over (Under) Expenditures (GAAP)</b>	<u>620,372</u>	<u>---</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(3,894,282)	3,724,146
Reclassification of special education	3,724,146	(3,724,146)
<b>Total Other Financing Sources (Uses) (GAAP)</b>	<u>(170,136)</u>	<u>---</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis) (GAAP)	<u>450,236</u>	<u>---</u>
<b>Fund Balance - Beginning of Year</b>		
Actual amounts (budgetary basis) (GAAP)	<u>10,339,875</u>	<u>---</u>
<b>Fund Balance - End of Year</b>		
<b>Actual amounts (budgetary basis) (GAAP)</b>	<u>\$ 10,790,111</u>	<u>\$ ---</u>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Required Supplementary Information**  
June 30, 2017  
(continued)

**Note B - Excess of Actual Expenditures Over Budget in Individual Funds**

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2017. The excess expenditures were funded by larger than anticipated revenues and under expenditures in other areas.

**Fund 10:**

Regular curriculum	\$ 40,074
Physical curriculum	6,126
Co-curricular activities	1,922
Central services	372,213
Transfers to another fund	199,191

**Fund 27:**

Purchased instructional services	\$ 53,170
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**Note C – WRS Information**

There were no changes of benefit terms for any participating employer in WRS. According to the WRS, there were no changes in the assumptions.

**OTHER SUPPLEMENTARY INFORMATION**

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2017

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Package-Cooperative</u>	<u>Community Service</u>	<u>Debt Service</u>	
<b>ASSETS</b>						
Cash	\$ 350,044	\$ 288,177	\$ ---	\$ 262,866	\$ 559,445	\$ 1,460,532
Accounts receivable	---	7,018	1,690	---	---	8,708
Due from other governments	---	12,331	---	---	---	12,331
Inventory	---	866	---	---	---	866
Other assets	---	---	---	---	48,236	48,236
<b>Total assets</b>	<b>\$ 350,044</b>	<b>\$ 308,392</b>	<b>\$ 1,690</b>	<b>\$ 262,866</b>	<b>\$ 607,681</b>	<b>\$ 1,530,673</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 20,850	\$ 39,373	\$ ---	\$ 2,420	\$ ---	\$ 62,643
Withholdings and related district fringes payable	8	82	---	1,692	---	1,782
Accrued payroll	---	---	---	7,263	---	7,263
Due to other funds	---	---	1,690	---	---	1,690
Unearned revenues	---	33,478	---	---	---	33,478
Other liabilities	---	---	---	---	475	475
<b>Total liabilities</b>	<b>20,858</b>	<b>72,933</b>	<b>1,690</b>	<b>11,375</b>	<b>475</b>	<b>107,331</b>
<b>Fund Balances</b>						
Nonspendable	---	866	---	---	---	866
Restricted	329,186	234,593	---	---	607,206	1,170,985
Assigned	---	---	---	251,491	---	251,491
<b>Total fund balance</b>	<b>329,186</b>	<b>235,459</b>	<b>---</b>	<b>251,491</b>	<b>607,206</b>	<b>1,423,342</b>
<b>Total liabilities and fund balances</b>	<b>\$ 350,044</b>	<b>\$ 308,392</b>	<b>\$ 1,690</b>	<b>\$ 262,866</b>	<b>\$ 607,681</b>	<b>\$ 1,530,673</b>

See independent auditors' report.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2017

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Package- Cooperative</u>	<u>Community Service</u>	<u>Debt Service</u>	
<b>Revenues:</b>						
Local	\$ 489,900	\$ 539,088	\$ 21,453	\$ 137,839	\$ 1,377,093	\$ 2,565,373
Interdistrict payments within Wisconsin	---	---	18,315	---	---	18,315
State	---	17,039	---	---	---	17,039
Federal	---	413,116	---	---	---	413,116
Other	---	---	---	---	136,652	136,652
<b>Total revenues</b>	<b>489,900</b>	<b>969,243</b>	<b>39,768</b>	<b>137,839</b>	<b>1,513,745</b>	<b>3,150,495</b>
<b>Expenditures:</b>						
Instruction:						
Current	354,221	---	31,654	---	---	385,875
Capital outlay	28,114	---	1,799	---	---	29,913
Support Services:						
Current	89,910	982,778	6,315	246,123	---	1,325,126
Debt service	---	---	---	---	1,606,351	1,606,351
<b>Total expenditures</b>	<b>472,245</b>	<b>982,778</b>	<b>39,768</b>	<b>246,123</b>	<b>1,606,351</b>	<b>3,347,265</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>17,655</b>	<b>(13,535)</b>	<b>---</b>	<b>(108,284)</b>	<b>(92,606)</b>	<b>(196,770)</b>
<b>Other Financing Sources (uses):</b>						
Operating transfers out	---	---	---	---	(52,362)	(52,362)
<b>Net change in fund balances</b>	<b>17,655</b>	<b>(13,535)</b>	<b>---</b>	<b>(108,284)</b>	<b>(144,968)</b>	<b>(249,132)</b>
<b>Fund Balances - Beginning of year</b>	<b>311,531</b>	<b>248,994</b>	<b>---</b>	<b>359,775</b>	<b>752,174</b>	<b>1,672,474</b>
<b>Fund Balances - End of year</b>	<b>\$ 329,186</b>	<b>\$ 235,459</b>	<b>\$ ---</b>	<b>\$ 251,491</b>	<b>\$ 607,206</b>	<b>\$ 1,423,342</b>

See independent auditors' report.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Agency Funds - Schedule of Changes in Assets and Liabilities**  
June 30, 2017

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2017</u>
<b>ASSETS</b>				
Cash	\$ 127,369	\$ 162,015	\$ (210,072)	\$ 79,312
Accounts receivable	835	486	---	1,321
<b>Total assets</b>	<u>\$ 128,204</u>	<u>\$ 162,501</u>	<u>\$ (210,072)</u>	<u>\$ 80,633</u>
<b>LIABILITIES</b>				
Due to student groups:				
Kegonsa Elementary	\$ 7,463	\$ 3,286	\$ (1,065)	\$ 9,684
Fox Prairie Elementary	5,473	7,298	(6,752)	6,019
Sandhill School	10,543	7,025	(6,093)	11,475
River Bluff Middle School	4,455	7,644	(7,150)	4,949
Stoughton High School	51,889	137,009	(148,489)	40,409
District	3,997	239	---	4,236
<b>Total due to student groups</b>	<u>83,820</u>	<u>162,501</u>	<u>(169,549)</u>	<u>76,772</u>
Accounts payable	44,384	---	(40,523)	3,861
<b>Total liabilities</b>	<u>\$ 128,204</u>	<u>\$ 162,501</u>	<u>\$ (210,072)</u>	<u>\$ 80,633</u>

See independent auditors' report.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Expenditures of State Awards**  
Year Ended June 30, 2017

<u>Awarding Agency</u> <u>Pass-Through Agency</u> <u>Award Description</u>	<u>State</u> <u>I.D.</u> <u>Number</u>	<u>Passthrough</u> <u>Entity</u> <u>Number</u>	<u>Accrued or</u> <u>(Unearned)</u> <u>Revenue at</u> <u>7/1/16</u>	<u>Receipts</u>	<u>State</u> <u>Disbursements/</u> <u>Expenditures</u>	<u>Accrued or</u> <u>(Unearned)</u> <u>Revenue at</u> <u>6/30/17</u>	<u>Subrecipient</u> <u>Awards</u>
<b>WI Department of Public Instruction</b>							
Special education and school-age parents **	255.101	135621-100	\$ ---	\$ 1,285,946	\$ 1,285,946	\$ ---	\$ ---
State school lunch aid	255.102	135621-107	---	9,714	9,714	---	---
Common school fund library aid	255.103	135621-104	---	106,812	106,812	---	---
Pupil transportation	255.107	135621-102	---	41,851	41,851	---	---
WI morning milk program	255.109	135621-109	---	3,792	3,792	---	---
Equalization aids	255.201	135621-116	260,236	13,665,928	13,655,099	249,407	---
School breakfast program	255.344	135621-108	---	3,533	3,533	---	---
Educator effectiveness evaluation system grant	255.940	135621-154	21,280	42,480	21,200	---	---
Per pupil aid	255.945	135621-113	487,500	1,291,000	803,500	---	---
Career and technical education incentive grant	255.950	135621-151	---	12,174	12,174	---	---
Assessments for reading readiness	255.956	135621-166	---	4,229	4,229	---	---
Aid for special ed transition grant BBL	255.960	135621-168	---	115	115	---	---
<b>Total</b>			<u>\$ 769,016</u>	<u>\$ 16,467,574</u>	<u>\$ 15,947,965</u>	<u>\$ 249,407</u>	<u>\$ ---</u>

\*\* Total DPI aidable expenditures for the year ended June 30, 2017 were \$5,002.317

See Independent Auditors' Report and Notes to Schedules  
of Expenditures of Federal and State Awards.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2017

<b>Awarding Agency Pass-Through Agency Award Description</b>	<b>Federal CFDA Number</b>	<b>Passthrough Entity Number</b>	<b>Accrued or (Unearned) Revenue at 7/1/16</b>	<b>Receipts</b>	<b>Federal Disbursements/ Expenditures</b>	<b>Accrued or (Unearned) Revenue at 6/30/17</b>	<b>Subrecipient Awards</b>
<b>U.S. Department of Agriculture</b>							
<i>Child Nutrition Cluster:</i>							
Passed through WI Department of Public Instruction:							
Food Service Aid - Breakfast	10.553	2017-135621-SB-546	\$ 2,185	\$ 58,872	\$ 59,188	\$ 2,501	\$ ---
Donated Commodities - Noncash	10.555	N/A	---	65,098	65,098	---	---
Food Service Aid - Lunch	10.555	2017-135621-NSL-547	9,353	288,353	288,830	9,830	---
<b>Total Child Nutrition Cluster</b>			<u>11,538</u>	<u>412,323</u>	<u>413,116</u>	<u>12,331</u>	<u>---</u>
<b>Total U.S. Department of Agriculture</b>			11,538	412,323	413,116	12,331	---
<b>U.S. Department of Education</b>							
Passed through WI Department of Public Instruction:							
ESEA Title IA Basic	84.010	17-135621-Title I-141	119,762	345,972	335,658	109,448	---
<i>Special Education Cluster:</i>							
IDEA Flow Through	84.027	2017-135621-IDEA-341	176,916	678,239	717,188	215,865	---
IDEA Preschool Entitlement	84.173	17-135621-Pre-S-347	7,871	21,188	21,772	8,455	---
<b>Total Special Education Cluster</b>			<u>184,787</u>	<u>699,427</u>	<u>738,960</u>	<u>224,320</u>	<u>---</u>
Carl Perkins Grant	84.048	FY2017-135621-NTO-420	---	---	3,989	3,989	---
Passed through Westosha School District							
Carl Perkins Grant	84.048	2017-305054-CP-CTE-400	---	18,315	18,315	---	---
<b>Total Carl Perkins Grant</b>			<u>---</u>	<u>18,315</u>	<u>22,304</u>	<u>3,989</u>	<u>---</u>
ESEA Title III-A English Language Acquisition Grants	84.365	17-135621-Title III A-391	4,229	6,576	5,867	3,520	---
ESEA Title II-A Teacher Principal Training	84.367	17-135621-Title II-365	18,021	57,564	59,583	20,040	---
<b>Total U.S. Department of Education</b>			326,799	1,127,854	1,162,372	361,317	---
<b>U.S. Department of Health and Human Services</b>							
<i>Medicaid Cluster:</i>							
Passed through WI Department of Health Services							
Medical Assistance Program (SBS)	93.778	44211300	---	171,711	196,041	24,330	---
Passed through Wisconsin Board for People with Developmental Disabilities:							
Let's Get to Work	93.631	N/A	3,120	3,120	---	---	---
<b>Total U.S. Department of Health and Human Services</b>			<u>3,120</u>	<u>174,831</u>	<u>196,041</u>	<u>24,330</u>	<u>---</u>
<b>Total</b>			\$ 341,457	\$ 1,715,008	\$ 1,771,529	\$ 397,978	\$ ---

See Independent Auditors' Report and Notes to Schedules  
of Expenditures of Federal and State Awards.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Schedules of Expenditures of State and Federal Awards**  
June 30, 2017

**1. Basis of Presentation**

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2017. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the requirements of the *Wisconsin State Single Audit Guidelines*. Therefore, some amounts presented in the Schedules may differ from amounts presented in, or used in, the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and, as applicable, the cost principles contained in the *Wisconsin State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

The District did not use the 10% de minimis indirect cost rate.

**4. Noncash Awards**

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2017.

David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt



Patrick G. Hoffert  
Jason J. Wrasse  
Joshua T. Bierbach

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

To the District Board  
Stoughton Area School District  
Stoughton, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stoughton Area School District (the "District") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

October 31, 2017  
Milwaukee, Wisconsin

David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt



Patrick G. Hoffert  
Jason J. Wrasse  
Joshua T. Bierbach

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

To the District Board  
Stoughton Area School District  
Stoughton, Wisconsin

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal and 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 each of its major federal and state programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of 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 each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *Wisconsin State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 *Wisconsin State Single Audit Guidelines*. Accordingly, this report is not suitable for other purposes.

October 31, 2017  
Milwaukee, Wisconsin

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Prior Audit Findings**  
June 30, 2017

**Reference Number:** 2016-001  
**Description:** Licensed Educators  
Department: Wisconsin Department of Public Instruction (DPI)  
Program Name: Special Education and School-Age Parents  
Federal #: 255.101

*Criteria:* Wisconsin Administrative Code Chapter PI 19.03 (4) states that all teachers and pupil services personnel in the school age parent program shall hold a Wisconsin license within their respective field of practice.

*Condition:* The District claimed salary and benefits for one educator who was not properly licensed per DPI's special education licensing requirements until March 28, 2016.

*Status:* The District did not have any individuals listed on the no valid license list issued by the DPI in the current year.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2017

**Section I. Summary of Auditors' Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | None noted |
| 3. Noncompliance material to financial statements noted?  | No         |

**Federal Awards**

- |   |            |
|---|------------|
| 4. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | None noted |
| 5. Type of auditors' report issued on compliance for major programs:                                  | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No         |
| 7. Identification of major federal programs:  |            |
| <i>Child Nutrition Cluster:</i>   |            |
| 10.553 – School Breakfast Program   |            |
| 10.555 – Food Donation  |            |
| 10.555 – National School Lunch Program  |            |
| 8. Dollar threshold used to distinguish between type A and type B programs:                           | \$ 750,000 |
| 9. Auditee qualified as low-risk auditee?   | Yes        |

**State Awards**

- |  |            |
|--|------------|
| 10. Internal control over major programs:  |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | No         |
| 11. Type of auditors' report issued on compliance for major programs:            | Unmodified |
| 12. Any audit findings that are required to be reported?                         | Yes        |
| 13. Identification of major state programs:                                      |            |
| 255.201 – Equalization Aid   |            |
| 255.945 – Per Pupil Adjustment Aid   |            |
| 14. Dollar threshold used to distinguish between type A and type B programs:     | \$ 250,000 |

**Section II. Financial Statement Findings**

None

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Findings and Questioned Costs (Continued)**  
Year Ended June 30, 2017

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

No findings to report.

**Section IV. Other Issues**

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

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, 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

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

4. Name and signature of partner \_\_\_\_\_  
Brian J. Mechenich

5. Date of Report October 31, 2017