

NICOLET HIGH SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

NICOLET HIGH SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Nicolet High School District
Milwaukee County, 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 Nicolet High School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nicolet High School District as of June 30, 2016, and the respective changes in financial position, where applicable, and the respective budgetary comparisons for the General Fund and Special Education Fund, 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, Schedule of Funding Progress for Postemployment Benefit and Supplemental Pension Plans, Schedule of Proportionate Share of the Net Pension liability (Asset) Wisconsin Retirement System and Schedule of Contributions Wisconsin Retirement System, and the budgetary comparison schedules, 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 supplemental financial information; and the schedules of expenditures of federal awards and state awards, as required by the audit requirements of Title 2 U.S. Code of Federal regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and by the Wisconsin Department of Administration; are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017 on our consideration of the Nicolet High School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

FELD, SCHUMACHER & COMPANY, LLP



West Allis, Wisconsin
January 12, 2017

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**



NICOLET HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2016

The discussion and analysis of the Nicolet High School District's financial performance provides an overall review of financial activities for the fiscal year and focuses on school District financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The General Fund (Fund 10) fund balance decreased \$19,534 from \$6.10 million to \$6.08 million. The fund balance is 33.4% of the \$18.2 million Fund 10 expenditures for the 2015-2016 fiscal year.
- The school board policy is to maintain a minimum General Fund balance equal to 25% of expenditures. The district has met this minimum fund balance as of June 30, 2016.
- Capital assets have been reported at \$40.0 million and accumulated depreciation of \$18.1 million for a net capital asset value of \$21.9 million. The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$5,000. Independent physical inventories are conducted annually. Capital assets are assigned to an expense function and annual and accumulated depreciation for each expense function has been incorporated into the financial statements (see Note 3 in the Notes to the Financial Statements).
- The District follows GASB #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* to report its actuarial liability related to postemployment benefits. As a result, an asset of \$170,413 in OPEB funding excesses and a \$1,470,957 supplemental pension liability are reported in the Statement of Net Position.
- As of June 30, 2015, the District implemented GASB #68, *Accounting and Financial Reporting for Pension* and GASB #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for its membership in the Wisconsin Retirement System (WRS) pension plan. This allows the District to report its proportionate share of the WRS plan net pension liability. As of June 30, 2016, a \$1,172,095 net pension liability is reported in the Statement of Net Position.
- The District's overall financial status, as reflected in total net position, increased by \$1,084,573.
- Financial activity resulted in an increase in fund balance in the Food Service Fund (Fund 50) of \$87,309. Revenues of \$1,108,597 exceeded expenditures of \$1,021,288 resulting in an ending fund balance of \$118,056.
- Financial activity resulted in an increase in fund balance in the Community Service Fund (Fund 80) of \$64,031. Revenues of \$899,783 exceeded expenditures of \$835,752. The fund balance in Fund 80 is \$90,792. The Community Service fund provides recreational activities and adult education opportunities to the four communities served by the District.
- Total revenues for Governmental Funds were \$24.6 million. This amount includes \$18.8 million of local property taxes, \$890,000 of general federal and state aids and \$1.7 million of specific grants and contributions. Property taxes represent 76% of all revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four parts:

1. Management's Discussion and Analysis
2. Basic Financial Statements (District-Wide and Fund Statements)
3. Notes to the Financial Statements.
4. Required and Additional Supplementary Information

The basic financial statements consist of *District-Wide Financial Statements* and *Fund Statements* that present different views of the District's financial activities.

District-Wide Financial Statements

- The *Statement of Net Position* and *Statement of Activities* provide information on a District-wide basis. These statements present an aggregate view of the District's finances. These statements contain useful long-term information as well as information for the 2015-2016 fiscal year.
- The *Statement of Net Position* compares assets to liabilities to give an overall view of the financial health of the District.
- The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues (charges for services and/or operating grants and contributions). General revenue and any extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue and recognizing the change in net position for the District from the previous year.

Fund Financial Statements

- The remaining statements: *Balance Sheet - Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* focuses on individual parts of the District. Fund statements generally report operations in more detail than the district-wide statements and support the *Statement of Net Position*.
- The *Notes to Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosure 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 and includes all reports in the financial statements through and including the financial notes.
- *Additional Supplementary Information* provides information specific to nonmajor governmental funds.

The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in the following table (Table 1).

Table 1 - Major Features of District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Fund Statements	Proprietary Fund Statements	Fiduciary Fund Statements
Scope	Entire district (except fiduciary funds)	The activity of the District that is not proprietary or fiduciary, such as instructional, support services and community services.	An activity the District operates similar to private businesses. <u>The District does not report any program for this designation.</u>	Assets held by the District on behalf of someone else. Student and other groups that have funds on deposit with the District are reported here. All expendable and non-expendable scholarship funds are reported here. The District's Post-Retirement Health Insurance Benefit Trust is reported here.
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Basis of Accounting and Measurement Focus	Accrual accounting Economic resources focus	Modified accrual accounting Current financial resources focus	Accrual accounting Economic resources focus	Accrual accounting Economic resources focus
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are included.	All assets and liabilities, both financial and capital, short-term and long term.	All assets and liabilities, both financial and capital, short-term and long-term. <u>The District's fiduciary funds do not currently contain capital assets.</u>
Type of Inflow and Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year. Expenditures when goods or services have been received and the related liabilities are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

Table 2 - Condensed Statement of Net Position

(2015 has not been restated for GASB 82 implementation)

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$ 9,312,886	\$ 11,051,615	(15.7)
Non-Current Assets	22,112,667	21,197,920	4.3
Deferred Outflows of Resources	6,218,476	1,524,377	-
Total Assets & Deferred Outflows	\$ 37,644,029	\$ 33,773,912	11.5
<u>Liabilities</u>			
Current Liabilities	\$ 3,425,265	\$ 4,171,084	(17.9)
Non-Current Liabilities	8,219,058	7,150,471	14.9
Deferred Inflows of Resources	2,481,007	17,749	-
Total Liabilities & Deferred Inflows	\$ 14,125,330	\$ 11,339,304	24.6
<u>Net Position</u>			
Invested in Capital, Net of Related Debt	\$ 16,008,709	\$ 12,361,419	29.5
Restricted	795,940	2,102,110	(62.1)
Unrestricted	6,714,050	7,971,079	(15.8)
Total Net Position	\$ 23,518,699	\$ 22,434,608	4.8

As of June 30, 2016, the District reported total assets and deferred outflows of \$37.6 million and total liabilities and deferred inflows of \$14.1 million. Net position amount to \$23.5 million. Noncurrent asset reporting includes historical cost of sites, site improvements, buildings, building improvements, furniture and equipment (all net of accumulated depreciation) and a net OPEB funding excess.

**Table 3 - Changes in Net Position from Operating Results
For Governmental Activities
(2015 has not been restated for GASB 82 implementation)**

	<u>Actual 2015-2016</u>	<u>%</u>	<u>Actual 2014-2015</u>	<u>%</u>
<u>Revenues:</u>				
Program				
Charges for Services	\$ 2,771,106	11.3	\$ 2,633,191	10.9
Operating Grants & Cont.	1,744,086	7.1	1,035,436	4.3
General				
Property & Other Taxes	18,787,965	76.4	18,229,053	75.7
General Federal and State Aids	889,858	3.6	1,710,142	7.1
Gifts	98,914	0.4	113,686	0.5
Other	314,717	1.3	343,553	1.4
Total Revenue	\$ 24,606,646	100.0	\$ 24,065,061	100.0

**Table 3 - Changes in Net Position from Operating Results
For Governmental Activities
(continued)**

	<u>Actual</u> <u>2015-2016</u>	<u>%</u>	<u>Actual</u> <u>2014-2015</u>	<u>%</u>
<u>Expenses:</u>				
Instruction	\$ 11,852,555	50.4	\$ 11,290,781	47.6
Buildings and Grounds	2,090,663	8.9	2,958,862	12.5
Pupil/Instructional Services	2,325,848	9.9	2,243,125	9.4
Administration	2,469,327	10.5	2,355,843	9.9
Pupil Transportation	1,573,418	6.7	1,706,345	7.2
Other Support	1,333,094	5.7	1,313,827	5.5
Food Service	1,017,560	4.3	1,013,768	4.3
Community Service	859,994	3.7	838,065	3.5
Other	-	-	21,473	0.1
Total Expense	\$ 23,522,459	100.0	\$ 23,742,089	100.0
Change in Net Position	\$ 1,084,187		\$ 322,972	

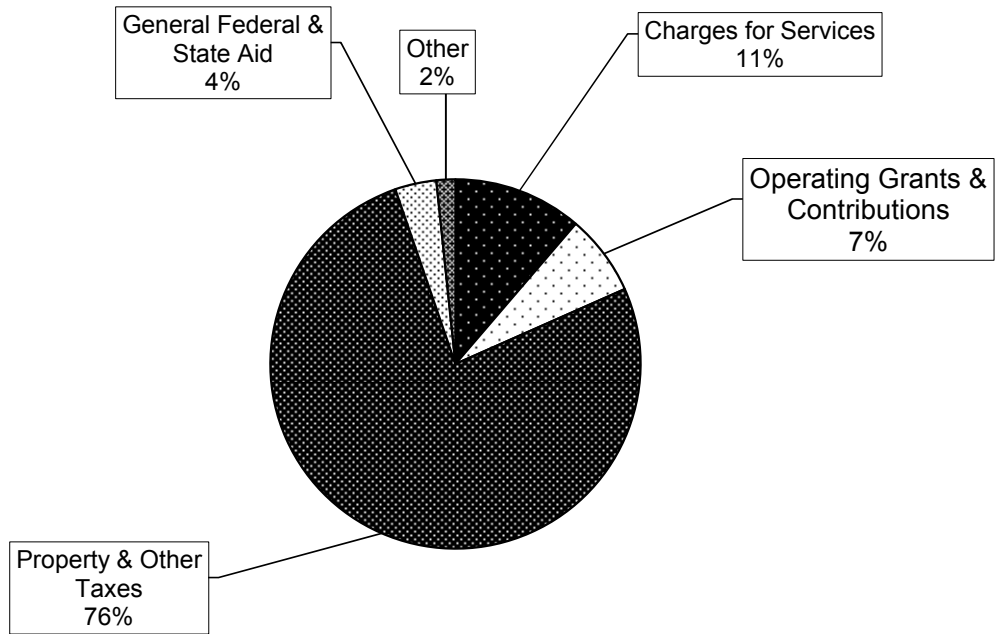
Revenues

- The District received \$24.6 million in revenue for the 2015-2016 fiscal year. Seventy-six percent (76%) of the District's total revenue came from local school property tax and prior year charge backs. Four percent (4%) of the total came from general federal and state aids. The District received approximately eighteen percent (18%) in the form of specific use State Grants, Federal Aid, and direct fees for services. The overall make-up of the sources of revenue did not vary significantly from the previous fiscal year.
- Individuals who directly participated or benefited from a program contributed \$2.8 million of the cost. Book and activity fees, admissions to athletic events, open enrollment tuition, recreation fees, and food services are included as charges for services.
- Federal and State governments subsidized certain specific programs with grants and contributions of approximately \$1.7 million. Special Education Aid, Transportation Aid and Integration Aid are examples of operating grants and contributions.
- General Revenues in the form of property taxes accounted for \$18.8 million and general state and federal aids for \$890,000.

Expenses

- The District's total expenditure amount was \$23.5 million for fiscal year 2015-2016. Sixty percent (60%) was directed to pupil instruction and instructional services. Costs for teacher salaries/benefits, textbooks, and instructional supplies are examples of pupil instruction and instructional services. Administration, buildings and grounds, pupil transportation, and other support account for thirty-two percent (32%). These costs include administration and support salaries/benefits, district maintenance, utility costs, pupil transportation, legal services, and school business insurance. The costs associated with Food Service and Community Service account for approximately eight percent (8%) of all district expenses.

REVENUE BY SOURCE



EXPENSES BY FUNCTION

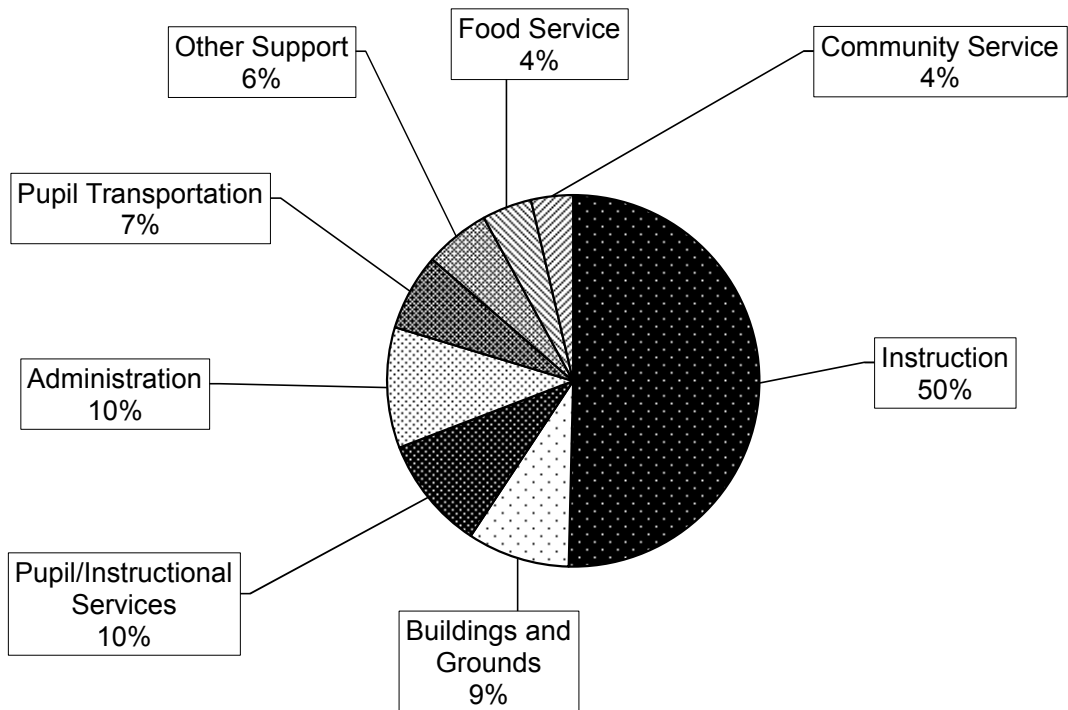


Table 4 - Net Cost of Governmental Activities
(2015 has not been restated for GASB 68 prior period adjustment)

	2016		2015	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$ 11,852,555	\$ 9,746,765	\$ 11,290,781	\$ 9,869,321
Pupil/Instructional Services	2,325,848	2,085,045	2,243,125	1,998,197
Buildings and Grounds	2,090,663	2,090,362	2,958,862	2,955,945
Administration	2,469,327	2,469,327	2,355,843	2,355,843
Pupil Transportation	1,573,418	1,172,264	1,706,345	1,295,828
Other Support	1,333,094	1,268,863	1,313,827	1,252,014
Food Service	1,017,560	(91,025)	1,013,768	17,317
Community Service	859,994	265,666	838,065	307,524
Total	<u><u>\$ 23,522,459</u></u>	<u><u>\$ 19,007,267</u></u>	<u><u>\$ 23,720,616</u></u>	<u><u>\$ 20,051,989</u></u>

- The net cost of governmental activities was \$19.0 million. The net cost is the total cost less the program revenues. Refer to the Statement of Activities for the detailed adjustments made for the net cost.

General Fund Budgetary Comparison

The District adopts an interim budget in June for the subsequent year. Consistent with current state statutes and regulations, the original budget is amended in October to reflect the actual revenue cap and state aid certification. The budget was not subsequently amended.

General Fund final budget was approved with a deficit of \$853,464. Actual results for 2015-16 show a decrease of \$19,534 to the fund balance. The favorable variance is due primarily to an overall increase in revenues of \$132,465 from various sources including \$32,549 in other taxes from the closing of a tax-incremental financing district, \$37,078 for Interdistrict payments from other school districts, \$29,295 from state categorical aid and special project grants; and an overall decrease in expenditures of \$701,465 from various objects including \$181,765 less salaries; \$137,047 less benefits, \$595,609 less transferred from the general fund to the special education fund due to increased special education aid and less purchased services within the special education fund, and approximately \$200,000 increased expenditures for purchased services, supplies, equipment and other objects.

Fund Balances

- The District shows a total for all fund balances of \$6.5 million as of June 30, 2016. (See Note 11 in the financial statements for the detail of total governmental fund balances).
- \$6.1 million is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations. The interest earned on investment of these funds provides additional spending capacity.
- \$118,056 is in the Food Service Fund (Fund 50), and is used for food service equipment replacements.
- The District had a \$90,792 fund balance in the Community Service Fund (Fund 80) at June 30, 2016.
- The remaining amounts are the balance of the Gift Fund (Fund 21) in the amount of \$244,739 and the Debt Service Fund in the amount of \$399,595. Fund 21 reflects the balance of awards and donations to the District unspent by June 30, 2016.

Governmental Activities

The District's current financial position can be credited to effective and conservative fiscal management.

- It has been the goal of the Board of Education to implement ongoing capital improvement projects. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to insure the physical plant of the District is kept in good condition and that costly major repairs may be averted through timely facility maintenance within a long range capital improvement plan.
- Like the District's long range capital improvement plan, a five-year technology replacement plan has been implemented to ensure technology infrastructure, equipment, and computers are replaced on schedule within the general fund budget and without the use of capital leases/borrowing.
- The District uses a participatory budget process, which has led to a more efficient use of resources. This process has led to long-range replacement programs for computers and musical instruments.
- The District uses an energy management program through Constellation Energy to direct purchase natural gas. This direct purchase of natural gas gives the District stability of pricing and has resulted in significant energy savings.

Capital Asset and Debt Administration

Capital Assets

- The District hires an independent appraisal firm to perform a comprehensive physical inventory of all capital assets over \$5,000 and calculates both annual and accumulated depreciation on all applicable capital assets. (See Note 3 in the Notes to Financial Statements).

Long Term Debt

- As of June 30, 2016 the District had \$7.5 million in long-term obligations which includes capital leases, accrued compensated absences and postemployment benefits (footnote 5 details the District's long-term obligations).

General Obligation 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 use for annual debt service payment. The Nicolet High School District complies with all these statutory requirements.

Decisions that Will Impact the Future of the District

In April 2016, the District's residents approved a \$3.15 million per year, six-year operational referendum to exceed the state's revenue limit. The question to residents will be to replace the expiring 2011 five-year \$2.15 million per year operational referendum. As the District plans for when the current referendum expires in 2022, a decision will need to be made whether to replace the current operational referendum with another non-recurring referendum or a recurring referendum.

The District's development of an athletic site plan, which includes the redevelopment of its football/soccer field, tennis courts, baseball and softball diamonds, and practice fields, and the shared redevelopment of a brown field site owned by the City of Glendale, is in progress. The District has a real estate offer to purchase the current district athletic property East of Interstate 43 (I-43) to fund a portion of the improvements with the remaining funds to be raised through donations. Late in 2016, the Wisconsin Department of Transportation has purchased district land for the redevelopment of the Jean Nicolet Road (frontage road to the high school), which includes the razing of one district owned residential properties. The redevelopment of the brown field

site owned by the City of Glendale is in progress. The athletic site plan has been developed in stages where the sale of the property East of I-43 and the sale to the Wisconsin Department of Transportation will fund initial development stages. The District has hired a fundraiser to assist with funding the remaining athletic site developments.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 regarding this report or need additional financial information, please contact:

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Diane C. Paschke, District Accountant
Nicolet High School District
6701 W. Jean Nicolet Road
Glendale, WI 53217

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BASIC FINANCIAL STATEMENTS

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016**

ASSETS

Current Assets

Cash and investments	\$ 5,811,618
Taxes receivable	1,750,611
Accounts receivable	439,820
Due from other governments	1,161,284
Inventories	36,937
Prepaid expenses	<u>112,616</u>

Total Current Assets 9,312,886

Noncurrent Assets

Capital assets	40,025,683
Less: Accumulated depreciation	<u>(18,083,429)</u>
Net Capital Assets	21,942,254
Net OPEB funding excess	<u>170,413</u>

Total Non-current Assets 22,112,667

Total Assets 31,425,553

Deferred Outflows of Resources

Deferred outflows of resources from pensions	<u>6,218,476</u>
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Total Assets and Deferred Outflows of Resources \$ 37,644,029

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 2,571,537
Current portion of deferred debt premium	3,797
Current portion of long-term obligations	512,145
Due to other governments	213,439
Other current liabilities	<u>124,347</u>

Total Current Liabilities 3,425,265

Noncurrent Liabilities

Noncurrent portion of deferred debt premium	24,995
Noncurrent portion of long-term obligations	7,021,968
Net WRS pension liability	<u>1,172,095</u>

Total Non-current Liabilities 8,219,058

Total Liabilities 11,644,323

Deferred Inflows of Resources

Deferred inflows of resources from pensions	<u>2,481,007</u>
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Total Liabilities and Deferred Inflows of Resources 14,125,330

NET POSITION

Net investment in capital assets	16,008,709
Restricted	795,940
Unrestricted	<u>6,714,050</u>

Total Net Position 23,518,699

Total Liabilities, Deferred Inflows and Net Position \$ 37,644,029

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 7,805,548	\$ 515,166	\$ 625,657	\$ (6,664,725)
Physical	535,259	34,825	-	(500,434)
Vocational	852,118	55,765	-	(796,353)
Special education	1,901,037	-	826,729	(1,074,308)
Other	758,593	47,648	-	(710,945)
Total Instruction	11,852,555	653,404	1,452,386	(9,746,765)
Support Services				
Pupil services	1,106,929	-	7,682	(1,099,247)
Instructional support services	1,218,919	-	233,121	(985,798)
Administration	2,469,327	-	-	(2,469,327)
Buildings and grounds	2,090,663	-	301	(2,090,362)
Pupil transportation	1,573,418	366,933	34,221	(1,172,264)
Other support services	1,125,778	-	3,177	(1,122,601)
Interest and fees	207,316	61,054	-	(146,262)
Food service	1,017,560	1,095,387	13,198	91,025
Total Support Services	10,809,910	1,523,374	291,700	(8,994,836)
Community Service	859,994	594,328	-	(265,666)
Total Activities	\$ 23,522,459	\$ 2,771,106	\$ 1,744,086	(19,007,267)
General Revenues				
Taxes				
Property taxes				
General purposes				17,125,722
Debt service				1,356,788
Community Service				305,455
Federal and State aids not restricted to specific functions				889,858
Gifts				98,914
Investment income				2,761
Miscellaneous				305,356
Total General Revenues				20,084,854
Other Revenue (Expenses)				
Gain on sale of capital assets				6,600
Change in Net Position				1,084,187
Net Position, beginning of year, as restated				22,434,512
NET POSITION, end of year				\$ 23,518,699

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 5,612,328	\$ (310,553)	\$ 509,843	\$ 5,811,618
Taxes receivable	1,750,611	-	-	1,750,611
Accounts receivable	11,321	-	39,340	50,661
Due from other funds	387,566	-	1,593	389,159
Due from other governments	792,883	-	368,400	1,161,283
Inventories	36,937	-	-	36,937
Prepaid expenses	80,978	-	31,638	112,616
	Total Assets	\$ (310,553)	\$ 950,814	\$ 9,312,885
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 649,862	\$ 162,870	\$ 22,759	\$ 835,491
Accrued salaries and wages	952,039	-	-	952,039
Payroll taxes and withholdings	231,232	-	-	231,232
Due to other funds	536,230	-	16,547	552,777
Due to other governments	213,438	-	-	213,438
Other current liabilities	4,995	-	58,326	63,321
	Total Liabilities	162,870	97,632	2,848,298
Fund Balances				
Nonspendable	117,915	-	31,638	149,553
Restricted	-	120,826	675,114	795,940
Assigned	4,135	-	146,430	150,565
Unassigned	5,962,778	(594,249)	-	5,368,529
	Total Fund Balances	(473,423)	853,182	6,464,587
	Total Liabilities and Fund Balances	\$ (310,553)	\$ 950,814	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,942,254
The District's proportionate share of net pension assets as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements.	2,565,374
Long term liabilities, including bonds and notes payable and related accrued interest and deferred premium, are not due and payable in the current period and therefore are not reported in the funds.	(7,453,516)
Net Position of Governmental Activities	\$ 23,518,699

See accompanying notes to the financial statements.

NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local	\$ 17,708,056	\$ 826	\$ 3,422,403	\$ 21,131,285
Interdistrict	401,892	-	382,533	784,425
Intermediate	46,059	-	-	46,059
State	2,120,062	-	-	2,120,062
Federal	394,126	-	13,198	407,324
Other	37,554	-	73,337	110,891
Total Revenues	<u>20,707,749</u>	<u>826</u>	<u>3,891,471</u>	<u>24,600,046</u>
Expenditures				
Instruction				
Regular	7,482,151	-	13,968	7,496,119
Physical	505,798	-	-	505,798
Special education	1,819,418	-	-	1,819,418
Vocational	809,921	-	1,017	810,938
Other	692,033	-	66,559	758,592
Total Instruction	<u>11,309,321</u>	<u>-</u>	<u>81,544</u>	<u>11,390,865</u>
Support Services				
Pupil services	1,056,550	-	105	1,056,655
Instructional support services	1,160,254	-	-	1,160,254
Administration	2,329,462	-	-	2,329,462
Buildings and grounds	2,642,693	2,003,526	5,721	4,651,940
Pupil transportation	1,088,947	-	484,472	1,573,419
Other support services	1,115,789	-	1,213	1,117,002
Debt service				
Principal	31,553	-	1,130,000	1,161,553
Interest and fees	14,216	-	205,365	219,581
Food service	-	-	1,015,379	1,015,379
Total Support Services	<u>9,439,464</u>	<u>2,003,526</u>	<u>2,842,255</u>	<u>14,285,245</u>
Community Services	<u>-</u>	<u>-</u>	<u>835,752</u>	<u>835,752</u>
Total Expenditures	<u>20,748,785</u>	<u>2,003,526</u>	<u>3,759,551</u>	<u>26,511,862</u>
Excess (deficiency) of revenue over expenditures	(41,036)	(2,002,700)	131,920	(1,911,816)
Other Financing Sources (Uses)				
Proceeds on sale of fixed assets	9,000	-	-	9,000
Proceeds from capital leases	142,141	-	-	142,141
Transfers (to) from other funds	(129,639)	20,000	109,639	-
Net Change in Fund Balances	(19,534)	(1,982,700)	241,559	(1,760,675)
Fund Balances, beginning of year	<u>6,104,362</u>	<u>1,509,277</u>	<u>611,623</u>	<u>8,225,262</u>
FUND BALANCES, end of year	<u>\$ 6,084,828</u>	<u>\$ (473,423)</u>	<u>\$ 853,182</u>	<u>\$ 6,464,587</u>

See accompanying notes to the financial statements.

NICOLET HIGH SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (1,760,675)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay reported in governmental fund statements	\$ 3,500,765	
Depreciation expense reported in the Statement of Activities	(870,487)	
Proceeds from disposal of fixed assets	(9,000)	
Gain (loss) on disposal of fixed assets	<u>6,600</u>	
		2,627,878

Net difference between pension system contributions recognized in the fund statement of revenues, expenditures, and changes in fund balances and the statement of activities. (694,950)

Capital lease and long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of capital lease and long-term debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which payments exceeded proceeds 1,019,412

Premiums in association with debt financing are deferred and amortized in the government-wide statements but recognized as revenue in the fund statements when received. 3,807

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (111,285)

Change in Net Position \$ 1,084,187

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

	Agency	Employee Benefit Trust
ASSETS		
Cash and investments	\$ 257,399	\$ 2,081,406
Accounts receivable	70	-
Due from other funds	-	552,777
Total Assets	\$ 257,469	\$ 2,634,183
LIABILITIES		
Due to student groups	\$ 250,056	\$ -
Due to other funds	-	389,159
Accounts payable	7,413	-
Total Liabilities	257,469	389,159
NET POSITION		
Restricted	-	2,245,024
Total Net Position	-	2,245,024
Total Liabilities and Net Position	\$ 257,469	\$ 2,634,183

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2016**

	<u>Employee Benefit Trust Post- employment Benefits</u>
Additions	
Contributions	\$ 552,777
Investment earnings	<u>48,772</u>
	<u>601,549</u>
Deductions	
Unrealized loss on investments	23,849
Administrative fees	14,099
Other postretirement benefits	<u>389,159</u>
	<u>427,107</u>
CHANGE IN NET POSITION	174,442
Net Position, beginning of year	<u>2,070,582</u>
NET POSITION, end of year	<u><u>\$ 2,245,024</u></u>

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Nicolet High School District conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

The Nicolet High School District is organized as a union high school district. The District, governed by a five member elected school board, operates grades 9 through 12 and is comprised of four taxing districts. This report includes all of the funds of the Nicolet High School District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

B. BASIS OF PRESENTATION

District-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

B. BASIS OF PRESENTATION (continued)

Fund Financial Statements

Fund Financial Statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets/deferred outflows of resources, liabilities/deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or non-major funds within the governmental, proprietary and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds are identified as either general or special revenue funds based upon the following guidelines:

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Capital Projects Funds

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

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

B. BASIS OF PRESENTATION (continued)

Permanent Funds

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

Fiduciary Funds (not included in District-Wide statements)

Employee Benefit Trust Funds

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

Agency Funds

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

Major Funds

The District reports the following major governmental funds:

- General Fund
- Capital Projects Fund

Nonmajor Funds

The District reports the following nonmajor funds:

- Special Revenue Funds -
 - Gift Fund
 - Food Service Fund
 - Community Service Fund
 - Transportation Services Fund
 - Debt Service Fund

Fiduciary Funds

The District reports the following fiduciary funds:

- Employee Benefit Trust Funds –
 - Post-Retirement Health Trust Fund
- Agency Fund –
 - Student Activity Fund

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

C. BASIS OF ACCOUNTING (continued)

The District-wide Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenues are recognized as revenues in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on January 1 the date from which interest and penalties accrue for non-payment of a scheduled installment. Full receipt of the entire levy is assured within sixty days of the District's fiscal year end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with generally accepted accounting principles applicable to governmental entities.

Property taxes are collected by the City of Glendale and the Villages of River Hills, Fox Point and Bayside until May 31. Real estate tax collections after that date are made by Milwaukee and Ozaukee Counties, which assume all responsibility for delinquent real estate taxes.

The aggregate amount of property taxes to be levied for school purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing district for collection. Property taxes attach as an enforceable lien as of January 1. Taxes are levied in October on the assessed value as of the prior January 1.

Property tax calendar - 2015 tax roll:

Lien date and levy date	October, 2015
Tax bills mailed	December 2015
Payment in full, or	January 31, 2016
First installment due	January 31, 2016
Second installment due	March 31, 2016
Third installment due	May 31, 2016
Personal property taxes in full	January 31, 2016

State general and categorical aids and other entitlements are recognized as revenues in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and investment income. Other general revenues are recognized as revenue when received in cash or when measurable and available.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

C. BASIS OF ACCOUNTING (continued)

Charges for services provided by other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred inflows arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred inflows is removed from the combined balance sheet and revenue is recognized.

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

D. MEASUREMENT FOCUS

On the district-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as unearned revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the District-wide and enterprise fund financial statements but are excluded from the governmental funds financial statements. The related expenditures are recognized in the governmental funds financial statements when the liabilities are liquidated.

E. INVENTORIES

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting.

F. LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the District-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term debt consists primarily of capital leases, unfunded prior service cost, and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest are reported as expenditures.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

G. CAPITAL ASSETS

District-Wide Statements

In the District-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The minimum capitalization threshold used by the District is \$5,000.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Site Improvements	20 years
Buildings	50 years
Furniture and equipment	5-20 years
Text and library books	5 years
Computer and related technology	5 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

H. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

I. BUDGETS

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.C.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments, if any, adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by School Board resolution. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgetary expenditure control is exercised at the function level in the General Fund and at the fund level for all other funds.

J. ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

K. PENSIONS

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

L. COMPENSATED ABSENCES AND OTHER EMPLOYEE BENEFIT AMOUNTS

The District's policy allows employees to earn varying amounts of vacation pay each year depending on the total number of years employed. Employees normally use their entire vacation during the fiscal year. In some instances, employees are not able to use their entire vacation during the fiscal year and the District allows carryover of these benefits. Upon retirement or termination of employment, the employee is entitled to payment in cash.

The District's policy allows certain employees to earn varying amounts of sick pay for each year employed. The employees are allowed to accumulate a maximum of ninety days. Upon retirement, the employee is entitled to receive payment for up to twenty-five days. These benefits are recorded as an expenditure in the governmental funds in the period in which they are paid and are accrued and recorded as expense in the District-wide statements when earned.

The District also allows early retirement elections. Under this program health insurance and early retirement incentive benefits are paid in future fiscal years. These benefits, though related to services currently received, are recorded as expenditures of the governmental funds in the period in which they are paid rather than the period in which the early retirement occurs. (See Notes 7 and 8).

M. OTHER ASSETS

In governmental funds, debt issuance costs or premiums are recognized in the current period. For the district-wide financial statements, the district has elected to prospectively amortize debt issue costs or premiums over the life of the debt issue. At June 30, 2016 the district had \$28,792 of net unamortized bond premiums.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

O. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the District-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

P. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as operating transfers.

Q. EQUITY CLASSIFICATIONS

District-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
- b. Restricted - Consists of net position with constraints placed on use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance and is reported in the following categories:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- c. Committed – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School Board (the district's highest level of decision-making authority).

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

Q. EQUITY CLASSIFICATIONS (continued)

Fund Statements (continued)

- d. Assigned - Amounts that are intended to be used for a particular purpose expressed by the School Board or other authorized committee or individual.
- e. Unassigned – All amounts not included in other spendable classifications.

It is the policy of the District to spend restricted amounts first, followed by committed, assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the fund balance classifications could be used.

Minimum Fund Balance Policy

The District has a minimum fund balance policy for the General Fund to meet cash flow requirements and contingencies. The minimum fund balance is 25% of the proposed general fund expenditures, and the maximum is the percentage of proposed general fund expenditures at which the District no longer has a need to borrow for cash flow purposes.

Note 2 - Cash and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 per depositor at each financial institution. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual organizations. This coverage has not been considered. At June 30, 2016 \$6,038,904 of the District's deposits are uninsured. The District's bank also has pledged collateral of \$7,222,550 as of June 30, 2016.

Fluctuating cash flows during the year due to tax collection, receipt of state aid and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date.

Investment of District funds is restricted by state statutes. Available deposits and investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 2 - Cash and Investments (continued)

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it.

At June 30, 2016 the District had the following investments:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 months</u>	<u>6 - 24 Months</u>
Wisconsin Investment Series Cooperative				
Cash Management Series	Amortized Cost	\$ 107,000	\$ 107,000	\$ -
Investment Series	Amortized Cost	20,027	20,027	-
Savings Deposit Account	Cost	210,654	210,654	-
Certificate of Deposit	Cost	99,277	-	99,277
Local Government Investment Pool	Amortized Cost	1,055	1,055	-
OPEB Trust (Note 8) - Associated Trust Company	Fair Value - Level 2	2,081,406	2,081,406	-
		<u>\$ 2,519,419</u>	<u>\$ 2,420,142</u>	<u>\$ 99,277</u>

PMA Financial Network is the administrator for the Wisconsin Investment Series Cooperative (WISC). The investment manager for WISC is PMA Financial Network. The WISC is not registered with the Securities and Exchange Commission, but invests its funds in accordance with applicable Wisconsin statutes. The WISC values its invested funds using various fair value measurements as applicable, depending on the type of investment as shown in the table above. Measurement methods include cost, amortized cost and fair value hierarchy - level 2.

Investments in the Local Government Investment Pool (LGIP) 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 except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund Insurance. The District is exposed to market risk through its investment in the LGIP. The District's invested funds in the LGIP are valued at cost.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. *Credit risk* for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For investments, *interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to greater risk.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 3 - Capital Assets

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

	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
Capital assets not being depreciated				
Sites	\$ 375,000	\$ -	\$ -	\$ 375,000
Construction in Progress	<u>1,764,809</u>	<u>(844,811)</u>	<u>-</u>	<u>919,998</u>
Total Capital Assets Not Being Depreciated	<u>2,139,809</u>	<u>(844,811)</u>	<u>-</u>	<u>1,294,998</u>
Capital assets being depreciated				
Land improvements	2,707,192	-	-	2,707,192
Buildings	27,162,693	4,164,825	-	31,327,518
Equipment and Furnishings	<u>4,689,344</u>	<u>180,751</u>	<u>(174,120)</u>	<u>4,695,975</u>
Total Capital Assets Being Depreciated	<u>34,559,229</u>	<u>4,345,576</u>	<u>(174,120)</u>	<u>38,730,685</u>
Total Capital Assets	<u>36,699,038</u>	<u>3,500,765</u>	<u>(174,120)</u>	<u>40,025,683</u>
Less: Accumulated depreciation for				
Land improvements	890,261	113,085	-	1,003,346
Buildings	12,567,892	576,012	-	13,143,904
Equipment	<u>3,926,509</u>	<u>181,390</u>	<u>(171,720)</u>	<u>3,936,179</u>
Total Accumulated Depreciation	<u>17,384,662</u>	<u>870,487</u>	<u>(171,720)</u>	<u>18,083,429</u>
Net Capital Assets	<u>\$ 19,314,376</u>	<u>\$ 2,630,278</u>	<u>\$ (2,400)</u>	<u>\$ 21,942,254</u>

Depreciation expense was charged to functions as follows:

Instruction	
Regular	\$ 85,723
Vocational	8,976
Physical	600
Special Education	565
Support Services	
Instructional support services	2,099
Administration	24,422
Building and grounds	718,374
Food services	2,182
Other support services	<u>27,546</u>
	<u>\$ 870,487</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 4 – Tax and Revenue Anticipation Notes Payable

When needed, the district issues tax and revenue anticipation notes in advance of property tax collections. The fiscal year begins July 1, but tax collections from the municipalities are received beginning the following January. The District's short-term debt activity for the year ended June 30, 2016 is as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2016</u>
Tax and Revenue Anticipation Note	1/29/2016	0.63384%	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -

Total short-term interest paid and expended during the year was \$4,120.

Note 5 – Long-Term Obligations

A. Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2016</u>	<u>Due Within One Year</u>
General obligation bonds and notes payable	\$ 6,950,000	\$ -	\$ 1,130,000	\$ 5,820,000	\$ 350,000
Capital leases	2,957	142,141	31,553	113,545	32,533
	<u>6,952,957</u>	<u>142,141</u>	<u>1,161,553</u>	<u>5,933,545</u>	<u>382,533</u>
Other Liabilities:					
Accrued compensated absences vacation and sick leave	138,482	21,536	30,407	129,611	129,611
Supplemental Pension	1,301,679	169,278	-	1,470,957	-
	<u>1,440,161</u>	<u>190,814</u>	<u>30,407</u>	<u>1,600,568</u>	<u>129,611</u>
Totals	<u>\$ 8,393,118</u>	<u>\$ 332,955</u>	<u>\$ 1,191,960</u>	<u>\$ 7,534,113</u>	<u>\$ 512,144</u>

Total long-term interest paid and expended during the year was \$205,365 and \$196,907, respectively.

At June 30, 2015, the District's other postemployment benefits were over funded based on actuarial assumptions. This funding excess is now shown as an asset on the District's statement of net position.

B. All general obligation debt is secured by the full faith and credit of unlimited taxing powers of the District. Bonds payable in the governmental fund will be funded by future property tax levies.

<u>Type</u>	<u>Issue</u>	<u>Maturity</u>	<u>Rate</u>	<u>Original Indebtedness</u>	<u>Balance Outstanding 6/30/2016</u>
General Obligation Debt					
Refunding Bond	4/15/2006	9/1/2021	3.80-4.00%	1,775,000	\$ 855,000
Refunding Bond (QSCB)	9/13/2010	9/1/2023	4.35%	1,510,000	1,510,000
Promissory Note	10/22/2013	3/1/2022	2.00-2.50%	1,975,000	1,140,000
Promissory Note	7/15/2014	3/1/2024	1.05-3.00%	3,665,000	2,315,000
Total General Obligation Debt					<u>\$ 5,820,000</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 5 – Long-Term Obligations (continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 350,000	\$ 180,578	\$ 530,578
2018	465,000	171,488	636,488
2019	570,000	161,088	731,088
2020	700,000	144,402	844,402
2021	800,000	123,515	923,515
2022-2024	<u>2,935,000</u>	<u>238,189</u>	<u>3,173,189</u>
Totals	<u>\$ 5,820,000</u>	<u>\$ 1,019,260</u>	<u>\$ 6,839,260</u>

D. The Qualified School Construction Bond Program is a tax credit program created by the American Recovery and Reinvestment Act (ARRA). The federal QSCB program provides eligible districts with an opportunity to save on interest costs associated with financing school renovations and new construction. The federal government provides eligible schools districts with a reimbursement, up to 100%, of interest costs paid by the district on qualified school construction bonds. The district received \$61,054 during 2016.

E. The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$3,842,885,900. The legal debt limit and margin of indebtedness as of June 30, 2016 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$3,842,885,900)	\$ 192,144,295
Deduct: Long-term debt applicable to debt margin	<u>5,820,000</u>
Margin of indebtedness	<u>\$ 186,324,295</u>

F. The District has financed office equipment under capital leases with an original cost of \$142,141 as of June 30, 2016. The following is a schedule by year of the future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2016:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 41,633
2018	41,633
2019	41,633
2020	6,006
2021	<u>471</u>
Subtotal	131,376
Less: Amounts representing interest	<u>17,831</u>
Present value of minimum lease payments	<u>\$ 113,545</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 6 - Pension Plans

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8	3
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

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 6 - Pension Plans (continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. 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 \$703,849 in contributions from the District.

Contribution rates as of June 30, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the Nicolet High School District reported a liability (asset) of \$1,172,095 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Nicolet High School District's proportion of the net pension liability (asset) was based on the Nicolet High School District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Nicolet High School District's proportion was 0.0721%, which was an increase of .0007% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Nicolet High School District recognized pension expense of \$1,398,799.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 196,281	\$ 2,466,654
Changes in assumptions	820,049	-
Net differences between projected and actual earnings on pension plan investments	4,792,384	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	14,353
Employer contributions subsequent to the measurement date	409,762	-
Total	\$ 6,218,476	\$ 2,481,007

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 6 - Pension Plans (continued)

\$409,762 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 (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2016	\$ 1,507,618	\$ 601,139
2017	\$ 1,507,618	\$ 601,139
2018	\$ 1,507,618	\$ 601,139
2019	\$ 1,259,625	\$ 598,655
2020	\$ 26,235	\$ 78,935
Thereafter	\$ -	\$ -

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

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

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

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

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 6 - Pension Plans (continued)

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

Retirement Funds Asset Allocation Targets and Expected Returns							
As of December 31, 2015							
<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>		<u>Destination Target Asset Allocation %</u>		<u>Long-Term Expected Nominal Rate of Return %</u>		<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27 %		23 %		7.6 %		4.7 %
International Equities	24.5		22		8.5		5.6
Fixed Income	27.5		37		4.4		1.6
Inflation Sensitive Assets	10		20		4.2		1.4
Real Estate	7		7		6.5		3.6
Private Equity/Debt	7		7		9.4		6.5
Multi-Asset	4		4		6.7		3.8
Total Core Fund	107 %		120 %		7.4 %		4.5 %
 <u>Variable Fund Asset Class</u>							
U.S. Equities	70 %		70 %		7.6 %		4.7 %
International Equities	30		30		8.5		5.6
Total Variable Fund	100 %		100 %		7.9 %		5.0 %
<p>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</p>							

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 3.56%. 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.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 6 - Pension Plans (continued)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
Nicolet High School District's proportionate share of the net pension liability (asset)	8,221,097	1,172,095	(4,333,301)

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

Note 7- Supplemental Pension Plan

Plan Description. The Nicolet High School District provides a defined benefit supplemental pension plan to eligible administrators and teachers hired prior to June 30, 2012. Currently, full-time teachers are eligible to retire and receive the pension supplement after the attainment of age 55 and the completion 15 years of service. Administrators are eligible to retire after the attainment of age 55 and the completion of 10 years of service.

There are 75 active and 30 retired employees in the plan as of July 1, 2015, the most recent actuarial valuation date. The pension benefit is equal to \$11,200 per year for administrators and \$10,000 per year for teachers.

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

Annual Pension Cost and Net Pension Obligation. The District's annual pension cost and net pension obligation for the current year is:

<u>Component</u>	<u>Amount</u>
Annual required contribution	\$ 193,856
Interest on net pension obligation	52,067
Adjustment to annual required contribution	<u>(76,645)</u>
Annual pension cost (expense)	169,278
Pension payments made	<u>-</u>
Increase in net pension obligation	169,278
Net pension obligation – beginning of year	<u>1,301,679</u>
Net pension obligation – end of year	<u><u>\$ 1,470,957</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2015 actuarial valuation, using the unprojected unit credit actuarial cost method. The actuarial assumptions included (a) 4% discount rate and (b) projected salary increases at 4%. Mortality, disability and retirement rates are from the retirement rates used in the valuation of the Wisconsin Retirement System.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 7- Supplemental Pension Plan (continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at June 30, 2016 is 23 years.

Trend Information.

The District's annual pension cost, the percentage of the annual pension cost contributed to the plan, and the net pension obligation for 2016 and the preceding two years were:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
6/30/2016	\$ 169,278	0.0%	\$ 1,470,957
6/30/2015	\$ 191,746	0.0%	\$ 1,301,679
6/30/2014	\$ 196,600	0.0%	\$ 1,109,933

Note 8 - Other Postemployment Benefits

The Nicolet High School District follows GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions report its liability for other postemployment benefits to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description. The District operates a single-employer retiree benefit plan that provides postemployment health and life insurance benefits to eligible employees and their spouses. There are 154 active and 30 retired members in the plan as of July 1, 2015, the most recent actuarial valuation date. Benefits and eligibility for certain union employees are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health and life insurance coverage. Benefits for other staff are established and amended by the governing body.

Funding Policy. The district established the Nicolet High School District OPEB Trust to accumulate assets to fund post-retirement benefits for district employees. The District has \$2,081,406 of invested plan assets accumulated for payment of future benefits. For the year ended June 30, 2016 the District contributed \$510,868 to the Trust. Plan member contributions were \$41,909.

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

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 8 - Other Postemployment Benefits (continued)

<u>Component</u>	<u>Amount</u>
Annual required contribution	\$ 510,868
Interest on net OPEB	(10,380)
Adjustment to annual required contribution	<u>11,628</u>
Annual OPEB cost (expense)	512,116
Contributions made	<u>(552,777)</u>
Change in net OPEB obligation (funding excess)	(40,661)
OPEB obligation (funding excess) at beginning of year	<u>(129,752)</u>
OPEB obligation (funding excess) at end of year	<u><u>\$ (170,413)</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation (Funding Excess)</u>
6/30/2016	\$ 512,116	107.9%	\$ (170,413)
6/30/2015	\$ 417,747	111.4%	\$ (129,752)
6/30/2014	\$ 413,981	114.0%	\$ (82,143)

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$3,708,853. The annual payroll for active employees covered by the plan as of June 30, 2016 was \$5,638,197 for a ratio of the UAAL to covered payroll of 65%.

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

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

In the July 1, 2015, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a rate of 8.0% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 6.0%, reduced by decrements to an ultimate rate of 4.0%. Mortality, disability and retirement rates are from the Wisconsin Retirement System Actuarial Valuation reports. The UAAL is being amortized on a level dollar basis. The remaining amortization period at June 30, 2016 was 23 years.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 9 - Lease Agreements, as Lessee

The District has entered into lease agreements for vehicles with terms expiring through January, 2020. The District is obligated to make future minimum lease payments as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 45,810
2018	32,115
2019	21,408
2020	<u>12,488</u>
	<u>\$ 111,821</u>

Lease expense was \$47,088 for the year ended June 30, 2016.

Note 10 - Governmental Activities Net Position

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2016 includes the following:

Governmental Activities

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 21,942,254
Less: related long-term debt outstanding	<u>5,933,545</u>
Total Net Investment in Capital Assets	16,008,709
Restricted	201,691
Unrestricted	<u>7,308,299</u>
Total Governmental Activities Net Position	<u>\$ 23,518,699</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 11 - Governmental Fund Balances

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

Nonspendable

Inventories and prepaid expenses:

General Fund	\$ 117,915
Food Service	350
Community Service	31,288
Total Nonspendable Fund Balance	149,553

Restricted

Gift	98,309
Food Service	117,706
Community Service	59,504
Debt Service	399,595
Capital Projects	120,826
Total Restricted Fund Balance	795,940

Assigned

Fund 10 funds for Theatre Props	4,135
Fund 21 funds for improvements to the gym and weight room	146,430
Total Assigned Fund Balance	150,565

Unassigned

Total Governmental Fund Balances	\$ 6,464,587
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Note 12 - Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position

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

Capital assets, net of accumulated depreciation	\$ 21,942,254
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The District's proportionate share of net pension assets as well as pension-related deferred outflows and deferred inflows of resources that are recognized in the government-wide statements include:

Net pension asset (liability)	\$ (1,172,095)
Deferred outflows of resources from pensions	6,218,476
Deferred inflows of resources from pensions	(2,481,007)
Combined Adjustment	\$ 2,565,374

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 12 - Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position (continued)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

General obligation bonds and notes payable	\$ 5,820,000
Pension obligation	1,470,957
Other postemployment benefit funding excess	(170,413)
Capital leases	113,545
Net deferred debt premium	28,792
Accrued compensated absences	129,611
Accrued interest on long-term obligations	<u>61,024</u>
Combined Adjustment	<u><u>\$ 7,453,516</u></u>

Note 13 - Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the Statement of Activities. This adjustment is a combination of the following items:

Capital expenditures	\$ 3,500,765
Depreciation expense	(870,487)
Proceeds from disposal of fixed assets	(9,000)
Loss on disposal of fixed assets	<u>6,600</u>
Combined Adjustment	<u><u>\$ 2,627,878</u></u>

Differences between pension system contributions recognized occur because pension expense in the statement of activities is adjusted to account for the net pension asset, deferred outflows and deferred inflows which must be recorded to comply with GASB statement 68 and 71 (see note 20). The adjustment is a combination of the following items:

Employer Contributions	\$ 703,849
Pension expense adjustment	<u>(1,398,799)</u>
Combined Adjustment	<u><u>\$ (694,950)</u></u>

Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenues and principal payments are recorded as expenditures in the governmental fund statements. In the Statement of Activities, long-term debt proceeds are recorded as a liability and principal payments are recorded as a reduction of liabilities. This adjustment is as follows:

Proceeds from long-term debt	\$ (142,141)
Principal payments on long-term debt and capital leases	<u>1,161,553</u>
Combined Adjustment	<u><u>\$ 1,019,412</u></u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 13 - Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities (continued)

Premiums in association with debt refinancing are deferred and amortized in the government-wide statements but recognized as revenue in the fund statements. The adjustment is as follows:

Amortization of debt premium	\$ 3,807
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported when the liability is incurred. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

Pension	\$ (169,278)
Other postemployment benefits	40,661
Compensated absences	8,871
Accrued interest	8,461
Combined Adjustment	\$ (111,285)

Note 14- Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

Note 15 - Commitments and Contingencies

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

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

The Nicolet High School District, as described in Note 8, has agreed to provide "other post-employment benefits" ("OPEB") to employees who have terminated their employment with the District and have satisfied specified eligibility standards. This activity is accounted for in the Nicolet High School OPEB Trust (the "Trust"). The District's funding obligation for OPEB costs is to pay current expenses as they become due. There is no legal or accounting requirement that the District pay, in any year, an amount in excess of current benefits.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 16- Limitation of School District Revenues

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature.

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

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

Note 17 – Interfund Receivables/Payables and Transfers

The following is a schedule of interfund receivables and payables as of June 30, 2016 including any overdrafts on pooled cash and investment accounts. These amounts are all due within one year.

	Due from Other Funds	Due to Other Funds
Governmental Activities		
General Fund	\$ 387,566	\$ 536,230
Food Service Fund	1,074	5,768
Community Service Fund	519	10,779
Total Governmental Activities	389,159	552,777
Fiduciary Funds		
Employee Benefit Trust	552,777	389,159
Total Fiduciary Funds	552,777	389,159
Total	\$ 941,936	\$ 941,936

The principal purpose of these interfunds is to cover overdrafts of cash. All remaining balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

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

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 17 – Interfund Receivables/Payables and Transfers (continued)

The following is a schedule of interfund transfers.

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Transportation Services Fund	General Fund	\$ 109,639
Capital Projects Fund	General Fund	<u>20,000</u>
Total - Fund Financial Statements		129,639
Less: Eliminations		<u>(129,639)</u>
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ -</u></u>

Generally, transfers are used to use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

For the statement of activities, interfund transfers within the governmental activities are netted and eliminated.

Note 19 – Subsequent Event

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, January 12, 2017.

Note 20 - Change in Accounting Principle

The WRS adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions. As a result, beginning of year net position has been restated as follows:

Net position as previously reported on July 1, 2015	\$ 22,434,608
Beginning net WRS pension asset adjustment	(482)
Beginning deferred outflows adjustment	<u>386</u>
Beginning net position as restated	<u><u>\$ 22,434,512</u></u>

Note 21 – Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) recently approved the following statements which were not implemented for these financial statements:

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2016.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension plans* in June 2015. This Statement is meant to improve the usefulness of information about postemployment benefits other than pensions, and replaces Statement No. 43 and No. 57. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2016.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 21 – Recently Issued Accounting Standards (continued)

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This Statement is meant to improve the usefulness of information about postemployment benefits other than pensions, and replaces Statement No. 45 and No. 57. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2017.

The GASB issued Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in June 2015. This Statement is meant to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2015.

The GASB issued Statement No. 77 *Tax Abatement Disclosures* in August 2015. This Statement is meant to define tax abatements and identify the related disclosures that governments should provide. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2015.

The GASB issued Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* in December 2015. Amends the scope and applicability of Statement 68 to exclude pensions provided to employees or state or local governmental employers through a cost-sharing multiple-employer defined benefit plan under certain circumstances. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2015.

The GASB issued Statement No. 79 *Certain External Investment Pools and Pool Participants* in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2015.

The GASB issued Statement No. 80 *Blending Requirements for Certain Component Units –an amendment of GASB Statement No. 14* in January 2016. This Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2016.

The GASB issued Statement No. 81 *Irrevocable Split-Interest Agreements* in March 2016. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2016.

The GASB issued Statement No. 82 *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* in March 2016. This Statement is to address certain issues that have been raised with respect to Statements No. 67, No. 68, and No. 73, relating to the presentation of payroll-related measures in required supplementary information. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2017

The effect these standards may have on future financial statements is not determinable at this time.

REQUIRED SUPPLEMENTARY INFORMATION

NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Local	\$ 17,510,890	\$ 17,662,090	\$ 17,707,458	\$ 45,368
Interdistrict	244,504	304,315	341,393	37,078
Intermediate	16,000	17,393	19,325	1,932
State	1,498,908	1,435,488	1,464,784	29,296
Federal	93,500	122,400	120,565	(1,835)
Other	15,000	15,000	35,626	20,626
Total Revenues	<u>19,378,802</u>	<u>19,556,686</u>	<u>19,689,151</u>	<u>132,465</u>
Expenditures				
Instruction				
Regular	7,268,011	7,273,637	7,482,151	(208,514)
Physical	524,525	515,611	505,798	9,813
Vocational	750,767	783,802	809,921	(26,119)
Other	760,015	758,202	692,033	66,169
Total Instruction	<u>9,303,318</u>	<u>9,331,252</u>	<u>9,489,903</u>	<u>(158,651)</u>
Support Services				
Pupil services	726,999	735,485	800,242	(64,757)
Instructional support services	912,599	918,389	913,023	5,366
Administration	2,541,662	2,702,319	2,329,462	372,857
Buildings and grounds	2,539,093	2,506,427	2,635,354	(128,927)
Pupil transportation	863,378	867,538	864,389	3,149
Other support services	1,170,960	1,194,805	1,114,515	80,290
Debt service	47,734	42,299	45,769	(3,470)
Total Support Services	<u>8,802,425</u>	<u>8,967,262</u>	<u>8,702,754</u>	<u>264,508</u>
Total Expenditures	<u>18,105,743</u>	<u>18,298,514</u>	<u>18,192,657</u>	<u>105,857</u>
Excess of revenues over expenditures	1,273,059	1,258,172	1,496,494	238,322
Other Financing Sources (Uses)				
Proceeds on sale of fixed assets	-	9,000	9,000	-
Proceeds from capital leases	-	142,141	142,141	-
Transfers to other funds	(2,186,211)	(2,262,777)	(1,667,169)	595,608
Net Change in Fund Balances	(913,152)	(853,464)	(19,534)	833,930
Fund Balances, beginning of year	<u>6,104,362</u>	<u>6,104,362</u>	<u>6,104,362</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 5,191,210</u>	<u>\$ 5,250,898</u>	<u>\$ 6,084,828</u>	<u>\$ 833,930</u>

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2016**

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget
Revenues				
Interdistrict	\$ -	\$ -	\$ 60,499	\$ 60,499
Intermediate	43,870	43,870	26,734	(17,136)
State	560,930	560,930	655,278	94,348
Federal	294,191	294,191	273,561	(20,630)
Other	-	-	1,928	1,928
Total Revenues	<u>898,991</u>	<u>898,991</u>	<u>1,018,598</u>	<u>119,607</u>
Expenditures				
Instruction				
Special education	2,125,638	2,200,064	1,819,418	380,646
Vocational	-	-	-	-
Other	700	700	-	700
Total Instruction	<u>2,126,338</u>	<u>2,200,764</u>	<u>1,819,418</u>	<u>381,346</u>
Support Services				
Pupil services	273,643	287,202	256,308	30,894
Instructional support services	243,142	243,169	247,231	(4,062)
Buildings and grounds	500	500	7,339	(6,839)
Pupil transportation	288,600	282,000	224,558	57,442
Other support services	2,000	2,000	1,274	726
Total Support Services	<u>807,885</u>	<u>814,871</u>	<u>736,710</u>	<u>78,161</u>
Total Expenditures	<u>2,934,223</u>	<u>3,015,635</u>	<u>2,556,128</u>	<u>459,507</u>
Deficiency of revenues over expenditures	(2,035,232)	(2,116,644)	(1,537,530)	579,114
Other Financing Uses				
Transfers from other funds	<u>2,035,232</u>	<u>2,116,644</u>	<u>1,537,530</u>	<u>(579,114)</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress for
Postemployment Benefit Plan and Pension Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage Of Covered Payroll ((b-a)/c)</u>
<u>Pension</u>						
7/1/2015	\$ -	\$2,054,996	\$ 2,054,996	0%	\$ 5,209,683	39%
7/1/2012	\$ -	\$2,249,616	\$ 2,249,616	0%	\$ 7,809,694	29%
7/1/2009	\$ -	\$2,274,466	\$ 2,274,466	0%	\$ 8,342,240	27%
<u>Other Postemployment Benefits</u>						
7/1/2015	\$ 2,042,491	\$5,751,344	\$ 3,708,853	36%	\$ 5,638,197	65%
7/1/2012	\$ 1,750,000	\$4,497,779	\$ 2,747,779	39%	\$ 7,809,694	35%
7/1/2009	\$ 445,412	\$6,314,356	\$ 5,868,944	7%	\$ 8,342,240	70%

**NICOLET HIGH SCHOOL DISTRICT
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last 10 Fiscal Years* (which may be built prospectively)**

	2016	2015
Nicolet High School District's proportion of the net pension liability (asset)	0.0721%	0.0714%
Nicolet High School District's proportionate share of the net pension liability (asset)	\$1,172,095	\$(1,753,792)
Nicolet High School District's covered-employee payroll	\$10,350,720	\$10,074,890
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.2%	102.74%

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

(See Notes 6 and 20 and Notes to Required Supplementary Information)

**NICOLET HIGH SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of Contributions
 Wisconsin Retirement System
 Last 10 Fiscal Years* (which may be built prospectively)**

	2016	2015
Contractually required contributions	\$703,849	\$705,246
Contributions in relation to the contractually required contributions	\$703,849	\$705,246
Contribution deficiency (excess)	\$ -	\$ -
Nicolet High School District's covered-employee payroll	\$10,350,720	\$10,074,890
Contributions as a percentage of covered-employee payroll	6.8%	7%

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

(See Notes 6 and 20 and Notes to Required Supplementary Information)

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

Note 1 – Budgetary Information

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

Excess Expenditures Over Appropriations

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

Fund - Function	Excess Expenditures
General Fund	
Regular instruction	\$ 208,514
Vocational instruction	\$ 26,119
Pupil services	\$ 64,757
Buildings and grounds	\$ 128,927
Debt service	\$ 3,470
 Special Education Fund	
Instructional support services	\$ 4,062
Buildings and grounds	\$ 6,839

Note 2 – Funding Progress Data

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

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

Note 3 – Wisconsin Retirement System (WRS) Pension Data

The data presented in the Schedule of Proportionate Share of Net Pension Liability (Asset) and the Schedule of Contributions is derived from data provided by the Wisconsin Department of Employee Trust Funds.

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

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

SUPPLEMENTAL INFORMATION

**NICOLET HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Gift Fund	Food Service	Community Service	Transportation Services		
ASSETS						
Cash and investments	\$ 231,635	\$ 99,986	\$ 145,560	\$ (366,933)	\$ 399,595	\$ 509,843
Accounts receivable	15,093	20,947	3,300	-	-	39,340
Due from other funds	-	1,074	519	-	-	1,593
Due from other governments	-	1,467	-	366,933	-	368,400
Prepaid expenses	-	350	31,288	-	-	31,638
Total Assets	<u>\$ 246,728</u>	<u>\$ 123,824</u>	<u>\$ 180,667</u>	<u>\$ -</u>	<u>\$ 399,595</u>	<u>\$ 950,814</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,989	\$ -	\$ 20,770	\$ -	\$ -	\$ 22,759
Due to other funds	-	5,768	10,779	-	-	16,547
Other current liabilities	-	-	58,326	-	-	58,326
Total Liabilities	<u>1,989</u>	<u>5,768</u>	<u>89,875</u>	<u>-</u>	<u>-</u>	<u>97,632</u>
Fund Balances						
Nonspendable	-	350	31,288	-	-	31,638
Restricted	98,309	117,706	59,504	-	399,595	675,114
Assigned	146,430	-	-	-	-	146,430
Total Fund Balances	<u>244,739</u>	<u>118,056</u>	<u>90,792</u>	<u>-</u>	<u>399,595</u>	<u>853,182</u>
Total Liabilities and Fund Balances	<u>\$ 246,728</u>	<u>\$ 123,824</u>	<u>\$ 180,667</u>	<u>\$ -</u>	<u>\$ 399,595</u>	<u>\$ 950,814</u>

See accompanying notes to the financial statements.

NICOLET HIGH SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Gift Fund	Food Service	Community Service	Transportation Services		
REVENUES						
Local	\$ 98,316	\$ 1,079,799	\$ 887,500	\$ -	\$ 1,356,788	\$ 3,422,403
Interdistrict	-	15,600	-	366,933	-	382,533
Federal	-	13,198	-	-	-	13,198
Other revenue	-	-	12,283	-	61,054	73,337
Total Revenues	98,316	1,108,597	899,783	366,933	1,417,842	3,891,471
EXPENDITURES						
Instruction						
Regular	13,968	-	-	-	-	13,968
Vocational	1,017	-	-	-	-	1,017
Other	66,559	-	-	-	-	66,559
Total Instruction	81,544	-	-	-	-	81,544
Support Services						
Pupil Services	105	-	-	-	-	105
Buildings and grounds	11	5,710	-	-	-	5,721
Pupil transportation	7,900	-	-	476,572	-	484,472
Other support services	1,014	199	-	-	-	1,213
Debt Service						
Principal	-	-	-	-	1,130,000	1,130,000
Interest	-	-	-	-	205,365	205,365
Food services	-	1,015,379	-	-	-	1,015,379
Total Support Services	9,030	1,021,288	-	476,572	1,335,365	2,842,255
Community Services	-	-	835,752	-	-	835,752
Total Expenditures	90,574	1,021,288	835,752	476,572	1,335,365	3,759,551
Excess (deficiency) of revenues over expenditures	7,742	87,309	64,031	(109,639)	82,477	131,920
OTHER FINANCING SOURCES						
Transfers (to) from other fund	-	-	-	109,639	-	109,639
Net Change in Fund Balances	7,742	87,309	64,031	-	82,477	241,559
Fund Balances, beginning of year	236,997	30,747	26,761	-	317,118	611,623
FUND BALANCES, end of year	\$ 244,739	\$ 118,056	\$ 90,792	\$ -	\$ 399,595	\$ 853,182

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
PUPIL ACTIVITY FUNDS
For the Year Ended June 30, 2016**

	<u>Balance 7/1/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/16</u>
ASSETS				
Cash and investments	\$ 256,602	\$ 447,946	\$ 447,149	\$ 257,399
Account receivable	89	70	89	70
Total Assets	<u>\$ 256,691</u>	<u>\$ 448,016</u>	<u>\$ 447,238</u>	<u>\$ 257,469</u>
LIABILITIES				
Due to student organizations	\$ 249,387	\$ 440,603	\$ 439,934	\$ 250,056
Accounts payable	7,304	7,413	7,304	7,413
Total Liabilities	<u>\$ 256,691</u>	<u>\$ 448,016</u>	<u>\$ 447,238</u>	<u>\$ 257,469</u>

See accompanying notes to the financial statements.

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

NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Awarding Agency/Pass-Through Agency/Award Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Program of Award Amount	Accrued Receivable 7/1/2015	Expenditures		Revenues		Accrued Receivable 6/30/2016
					Grantor	Reimbursements	Grantor	Reimbursements	
U.S. DEPARTMENT OF EDUCATION									
State of Wisconsin									
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION									
Title 1 Cluster									
<u>Title 1 - Basic Grant</u>	84.010	A141-00000-402177							
July 1, 2014 - June 30, 2015			\$ 69,500	\$ 7,830	\$ -	\$ 7,830	\$ -	\$ -	
July 1, 2015 - June 30, 2016			81,252	-	81,252	-	-	81,252	
<u>Title 1 - Milwaukee Public Schools</u>	84.010	N/A							
July 1, 2015 - June 30, 2016			-	-	3,903	-	-	3,903	
Total Title 1 Cluster				<u>7,830</u>	<u>85,155</u>	<u>7,830</u>	<u>85,155</u>		
Special Education Cluster									
<u>IDEA Flow Through</u>	84.027	A341-00000-402177							
July 1, 2014 - June 30, 2015			208,271	136,613	-	136,613	-	-	
July 1, 2015 - June 30, 2016			214,342	-	214,342	-	-	214,342	
High Cost Special Education	84.027	A341-00000-402177							
July 1, 2015 - June 30, 2016			-	-	59,219	59,219	-	-	
Total Special Education Cluster				<u>136,613</u>	<u>273,561</u>	<u>195,832</u>	<u>214,342</u>		
Title IIIA Cluster									
<u>Title IIIA - English Language Acquisition</u>	84.365	A391-00000-402177							
July 1, 2015 - June 30, 2016				1,393	-	1,393	1,393	-	
<u>Title IIIA - Immigrant Children and Youth</u>	84.365	A371-00000-402177							
July 1, 2015 - June 30, 2016			15,000	-	13,722	-	-	13,722	
Total Title IIIA Cluster				<u>-</u>	<u>15,115</u>	<u>1,393</u>	<u>13,722</u>		
<u>Carl Perkins</u>	84.048	A400-00000-402177							
July 1, 2015 - June 30, 2016			17,932	-	17,932	17,932	-	-	
<u>Title II-A - Quality Teachers and Principals</u>	84.367	A365-00000-402177							
July 1, 2014 - June 30, 2015			25,806	746	-	746	-	-	
July 1, 2015 - June 30, 2016			25,655	-	25,582	24,001	-	1,581	
Total U.S. Department of Education				<u>145,189</u>	<u>417,345</u>	<u>247,734</u>	<u>314,800</u>		
U.S. DEPARTMENT OF AGRICULTURE									
Child Nutrition Cluster									
<u>School Milk</u>	10.556	A548-00000-402177							
July 1, 2014 - June 30, 2015				1,933	-	1,933	-	-	
July 1, 2015 - June 30, 2016				-	13,198	11,731	-	1,467	
Total Child Nutrition Cluster				<u>1,933</u>	<u>13,198</u>	<u>13,664</u>	<u>1,467</u>		
Total U.S. Department of Agriculture				<u>1,933</u>	<u>13,198</u>	<u>13,664</u>	<u>1,467</u>		
U.S. DEPARTMENT OF HOMELAND SECURITY									
<u>Disaster Grants - Public Assistance</u>	97.036	N/A							
July 1, 2012 - June 30, 2013				123,754	-	123,754	-	-	
Total U.S. Department of Homeland Security				<u>123,754</u>	<u>-</u>	<u>123,754</u>	<u>-</u>	<u>-</u>	
				<u>\$ 270,876</u>	<u>\$ 430,543</u>	<u>\$ 385,152</u>	<u>\$ 316,267</u>		

See accompanying notes to schedules of expenditures of federal and state awards

NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2016

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Accrued Receivable 7/1/2015</u>	<u>Revenue/ Expenditures</u>	<u>Reimbursements</u>	<u>Accrued Receivable 6/30/2016</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Major Programs						
Entitlement Programs						
Equalization Aid	255.201	402177-116	\$ 7,343	\$ 392,982	\$ 392,710	\$ 7,615
Integration Aid - Non-resident	255.204	402177-106	-	590,313	590,313	-
Total Major Programs			<u>7,343</u>	<u>983,295</u>	<u>983,023</u>	<u>7,615</u>
Nonmajor Programs						
Handicapped Pupils and School Age Parents	255.101	402177-100	-	567,869	567,869	-
High Cost Special Education	255.101	402177-100	-	87,071	87,071	-
Library Fund	255.103	402177-104	-	53,423	53,423	-
Pupil Transportation	255.107	402177-102	-	30,575	30,575	-
Educator Effective Eval Sys Grants	255.940	402177-154	-	7,520	-	7,520
Per Pupil Adjustment Aid	255.945	402177-113	-	162,450	-	162,450
Career and Technical Education	255.950	402177-151	-	12,201	12,201	-
Total Nonmajor Programs			<u>-</u>	<u>921,109</u>	<u>751,139</u>	<u>169,970</u>
Other						
Medical Records	-	-	-	338	312	26
Exempt Computer Aid	-	-	245,639	174,377	245,639	174,377
Federal Emergency Management Agency (State Portion)	-	-	20,626	-	20,626	-
Total Other			<u>266,265</u>	<u>174,715</u>	<u>266,577</u>	<u>174,403</u>
Total			<u>\$ 273,608</u>	<u>\$ 2,079,119</u>	<u>\$ 2,000,739</u>	<u>\$ 351,988</u>

See accompanying notes to schedules of expenditures of federal and state awards

NICOLET HIGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE AWARDS
June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state awards (the "Schedules") includes the federal and state award activity of the District. The information in these Schedules are 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 Wisconsin State Single Audit Guidelines. Because the Schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Wisconsin State Single Audit Guidelines.

The District did not elect to use the 10% de minimis cost rate as covered in Uniform Guidance Section 200.414 *Indirect (F&A) Costs*.

Note 3 - Oversight Agencies

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

Note 4 - Eligible Costs for Special Education

Eligible costs for special education under project 011 were \$2,054,530 for the year ended June 30, 2016.

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

Board of Education
Nicolet High School District
Milwaukee County, 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 Nicolet High School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Nicolet High School District's basic financial statements and have issued our report thereon dated January 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (**Finding 2016-1**).

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*.

Nicolet High School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended for the information of the Board of Education, management, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

FELD, SCHUMACHER & COMPANY, LLP

Feld, Schumacher & Company, LLP

West Allis, Wisconsin
January 12, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE SINGLE AUDIT GUIDELINES**

Board of Education
Nicolet High School District
Milwaukee County, Wisconsin

Report on Compliance for Each Major State Program

We have audited the compliance of Nicolet High School District with the types of compliance requirements described in the Wisconsin State Single Audit Guidelines issued by the Wisconsin Department of Administration and the Wisconsin Public School District Audit Manual, issued by the Wisconsin Department of Public Instruction that are applicable to each of its major state programs for the year ended June 30, 2016. The District's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction. Those standards, the Audit Manual and the State Single Audit Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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 state program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

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 state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance the 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 state program will not be prevented, or detected and corrected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 Wisconsin State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

FELD, SCHUMACHER & COMPANY, LLP

Feld, Schumacher & Company, LLP

West Allis, Wisconsin

January 12, 2017

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

Section I: Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	___ yes	__X__ no
Significant deficiency(s) identified not considered to be material weaknesses?	__X__ yes	___ no
Noncompliance material to financial statements noted?	___ yes	__X__ no

State Awards

Internal control over major programs		
Material weakness(es) identified?	___ yes	__X__ no
Significant deficiency(s) identified not considered to be material weaknesses?	___ yes	__X__ no
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required in accordance with the State Single Audit Guidelines	___ yes	__X__ no

Identification of major state programs

<u>State Identification Number</u>	<u>Name of State Program or Cluster</u>
255.201	General Equalization Aid
255.204	Integration Aid – Non-resident

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

Section II: Financial Statement Findings

Finding 2016-1:

Criteria - *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be an internal control deficiency.

Condition - The District's internal control over financial reporting extends through completion of the general ledger, but not to preparation of financial statements and notes. As auditors, we were requested to draft the financial statements including adjustments required under GASB 34, and the accompanying notes to the financial statements. The auditors believe, in the auditors' judgment, the District does possess the necessary expertise to prepare the financial statements, but has chosen to hire the auditor's to perform this service.

Effect - As a result of not having an individual on staff to prepare GAAP basis financial statements, the District has an internal control deficiency.

Cause - Management and those charged with governance have accepted this condition because of cost.

Recommendation - We recommend that management and those charged with governance continue to oversee and accept responsibility of the financial statement preparation services.

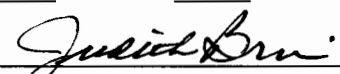
Corrective Action Plan - The District does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor's services and review and approve the financial statements and notes.

Section III: State Award Findings and Questioned Costs

There were no findings or questioned costs for state awards.

**NICOLET HIGH SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2016**

Section IV: Other issues

1. Does the auditor's report of 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? _____ Yes X No _____ N/A
2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
- | | | | |
|-------------------------------------|-----------|---------------|-----------|
| Department of Health Services | _____ Yes | <u> X </u> No | _____ N/A |
| Department of Workforce Development | _____ Yes | <u> X </u> No | _____ N/A |
| Department of Corrections | _____ Yes | <u> X </u> No | _____ N/A |
3. Was a Management letter or other document conveying audit comments issued as a result of this audit? _____ Yes X No _____ N/A
4. Name and signature of partner


 Judith A. Bruni, CPA
5. Date of report
 January 12, 2017

**NICOLET HIGH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
Year Ended June 30, 2016**

Financial Statement Findings

Finding 2016-1:

District's Response: The District does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor's services and review and approve the financial statements and notes.

**NICOLET HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016**

Finding 2015-1:

Criteria - *Government Auditing Standards* considers the inability to report financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP) to be an internal control deficiency.

Condition - The District's internal control over financial reporting extends through completion of the general ledger, but not to preparation of financial statements and notes. As auditors, we were requested to draft the financial statements including adjustments required under GASB 34, and the accompanying notes to the financial statements. The auditors believe, in the auditors' judgment, the District does possess the necessary expertise to prepare the financial statements, but has chosen to hire the auditor's to perform this service.

Effect - As a result of not having an individual on staff to prepare GAAP basis financial statements, the District has an internal control deficiency.

Cause - Management and those charged with governance have accepted this condition because of cost.

Recommendation - We recommend that management and those charged with governance continue to oversee and accept responsibility of the financial statement preparation services.

Corrective Action Plan - The District does not have the resources and staff to prepare the financial statements and notes but will continue to oversee the auditor's services and review and approve the financial statements and notes.

Status of Finding - No Change