

NICOLET HIGH SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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, 2017, 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.

Emphasis of Matter

As described in Note 20, the District has implemented GASB Statement No. 73 *Accounting and Financial Reporting for Pensions*, GASB Statement No. 74 *Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended June 30, 2017. Our opinions are not modified with respect to these matters.

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 Proportionate Share of the Net Pension liability (Asset) Wisconsin Retirement System and Schedule of Contributions Wisconsin Retirement System, Schedule of Changes in the Total Pension Liability (Asset) Supplemental Pension Plan, Schedule of Total Pension Liability (Asset) as Percentage of Covered-Employee Payroll, Schedule of Changes in OPEB Liability (Asset) Other Postemployment Benefits plan, Schedule of Total OPEB Liability (Asset) as Percentage of Covered-Employee Payroll, Schedule of Annual Money-Weighted Rate of Return on Investments Other Postemployment Benefits Plan and related Notes to Required Supplementary Information, 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 December 22, 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

Feld, Schumacher & Company, LLP

West Allis, Wisconsin
December 22, 2017

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**



NICOLET HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2017

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 increased \$767,219 from \$6.08 million to \$6.85 million. The fund balance is 32.8% of the \$20.9 million Fund 10 expenditures for the 2016-2017 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, 2017.
- Capital assets have been reported at \$40.0 million and accumulated depreciation of \$18.6 million for a net capital asset value of \$21.4 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 implemented GASB #73, *Accounting and Financial Reporting for Pensions* for its Supplemental Pension Plan, GASB 74, *Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This allows the District to report its total supplemental pension liability and net OPEB liability. As of June 30, 2017, a \$1,814,464 supplemental pension liability and a \$1,811,498 net OPEB liability are reported in the Statement of Net Position.
- The District follows 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, 2017, a \$600,095 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 \$1,568,945.
- Financial activity resulted in an increase in fund balance in the Food Service Fund (Fund 50) of \$65,129. Revenues of \$1,084,574 exceeded expenditures of \$1,019,445 resulting in an ending fund balance of \$183,185.
- Financial activity resulted in an increase in fund balance in the Community Service Fund (Fund 80) of \$23,881. Revenues of \$981,816 exceeded expenditures of \$957,935. The fund balance in Fund 80 is \$114,673. 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 \$25.1 million. This amount includes \$18.9 million of local property taxes, \$958,000 of general federal and state aids and \$1.8 million of specific grants and contributions. Property taxes represent 75% 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 2016-2017 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

(2016 has not been restated for GASB 73, 74 and GASB 75 implementation)

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$ 10,994,043	\$ 9,312,886	18.1
Non-Current Assets	21,377,451	22,112,667	(3.3)
Deferred Outflows of Resources	<u>5,598,154</u>	<u>6,218,476</u>	(10.0)
Total Assets & Deferred Outflows	<u>\$ 37,969,648</u>	<u>\$ 37,644,029</u>	0.9
<u>Liabilities</u>			
Current Liabilities	\$ 3,128,556	\$ 3,425,265	(8.7)
Non-Current Liabilities	9,927,608	8,219,058	20.8
Deferred Inflows of Resources	<u>2,513,182</u>	<u>2,481,007</u>	1.3
Total Liabilities & Deferred Inflows	<u>\$ 15,569,346</u>	<u>\$ 14,125,330</u>	10.2
<u>Net Position</u>			
Invested in Capital, Net of Related Debt	\$ 15,081,439	\$ 16,008,709	(5.8)
Restricted	1,566,502	795,940	96.8
Unrestricted	<u>5,752,361</u>	<u>6,714,050</u>	(14.3)
Total Net Position	<u>\$ 22,400,302</u>	<u>\$ 23,518,699</u>	(4.8)

As of June 30, 2017, the District reported total assets and deferred outflows of \$38.0 million and total liabilities and deferred inflows of \$15.6 million. Net position amount to \$22.4 million. Noncurrent asset reporting includes historical cost of sites, site improvements, buildings, building improvements, furniture and equipment (all net of accumulated depreciation).

**Table 3 - Change in Net Position from Operating Results
For Governmental Activities**

(2016 has not been restated for GASB 73, 74 and GASB 75 implementation)

	<u>Actual 2016-2017</u>	<u>%</u>	<u>Actual 2015-2016</u>	<u>%</u>	
<u>Revenues:</u>					
Program	Charges for Services	\$ 3,054,475	12.0	\$ 2,771,106	11.3
	Operating Grants & Cont.	1,797,621	7.1	1,744,086	7.1
General	Property & Other Taxes	18,896,023	74.5	18,787,965	76.4
	General Federal and State Aids	958,021	3.8	889,858	3.6
	Gifts	114,622	0.5	98,914	0.4
	Other	<u>541,543</u>	2.1	<u>314,717</u>	1.3
	Total Revenue	<u>\$ 25,362,305</u>	<u>100.0</u>	<u>\$ 24,606,646</u>	<u>100.0</u>

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

	Actual		Actual	
	2016-2017	%	2015-2016	%
<u>Expenses:</u>				
Instruction	\$ 11,440,654	48.1	\$ 11,852,555	50.4
Buildings and Grounds	3,064,843	12.9	2,090,663	8.9
Pupil/Instructional Services	2,364,009	9.9	2,325,848	9.9
Administration	2,247,812	9.4	2,469,327	10.5
Pupil Transportation	1,457,566	6.1	1,573,418	6.7
Other Support	1,256,724	5.3	1,333,094	5.7
Food Service	1,013,331	4.3	1,017,560	4.3
Community Service	948,421	4.0	859,994	3.7
	<u>\$ 23,793,360</u>	<u>100.0</u>	<u>\$ 23,522,459</u>	<u>100.0</u>
Total Expense				
	<u>\$ 1,568,945</u>		<u>\$ 1,084,187</u>	
Change in Net Position				

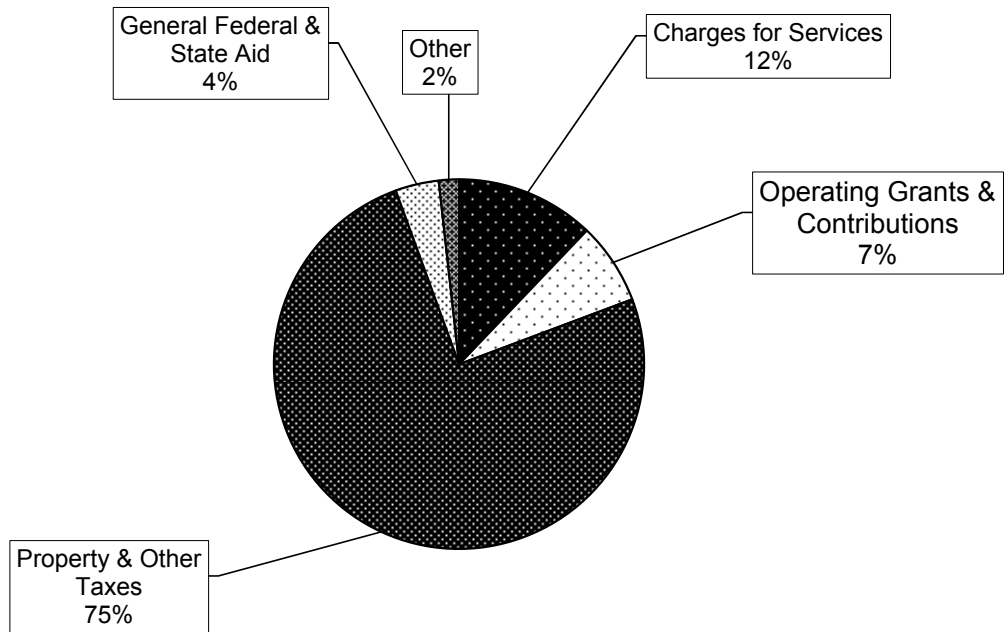
Revenues

- The District received \$25.4 million in revenue for the 2016-2017 fiscal year. Seventy-five percent (75%) 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 nineteen percent (19%) 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 \$3.1 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 \$1.8 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 \$18.9 million and general state and federal aids for \$958,000.

Expenses

- The District's total expenditure amount was \$23.8 million for fiscal year 2016-2017. Fifty-eight percent (58%) 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-four percent (34%). 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

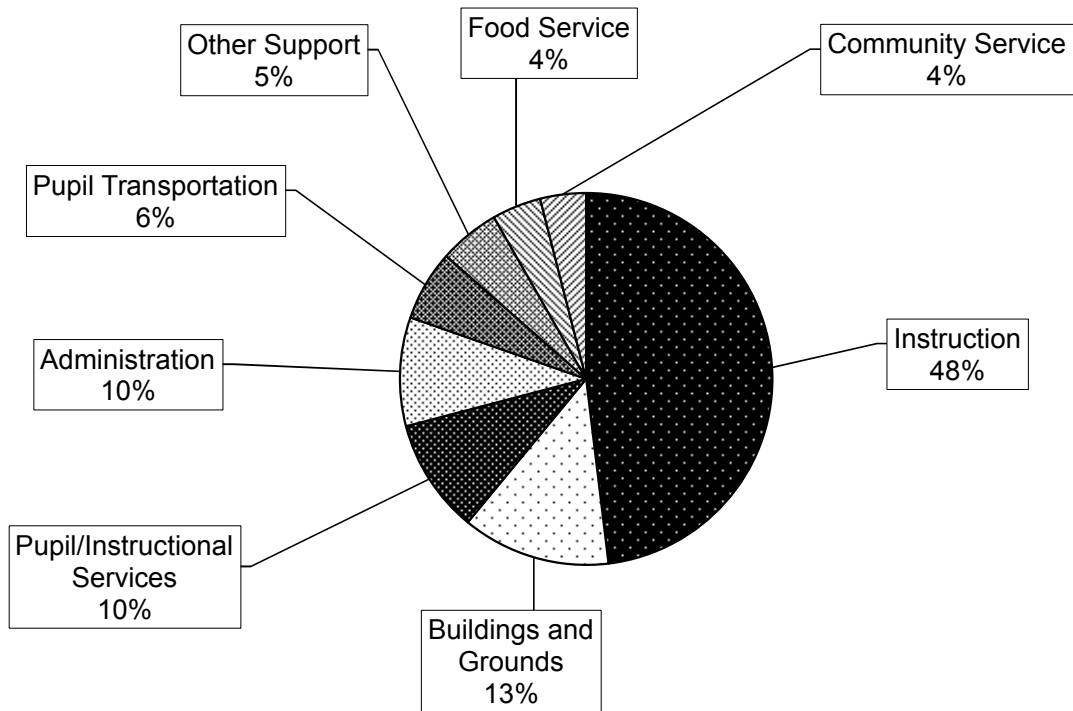


Table 4 - Net Cost of Governmental Activities

(2016 has not been restated for GASB 73 and GASB 75 implementation)

	2017		2016	
	<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	\$ 11,440,654	\$ 8,729,576	\$ 11,852,555	\$ 9,746,765
Pupil/Instructional Services	2,364,009	2,080,396	2,325,848	2,085,045
Buildings and Grounds	3,064,843	3,064,843	2,090,663	2,090,362
Administration	2,247,812	2,242,280	2,469,327	2,469,327
Pupil Transportation	1,457,566	1,423,851	1,573,418	1,172,264
Other Support	1,256,724	1,193,453	1,333,094	1,268,863
Food Service	1,013,331	(65,589)	1,017,560	(91,025)
Community Service	948,421	272,454	859,994	265,666
Total	<u>\$ 23,793,360</u>	<u>\$ 18,941,264</u>	<u>\$ 23,522,459</u>	<u>\$ 19,007,267</u>

- The net cost of governmental activities was \$18.9 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 surplus of \$135,027. Actual results for 2016-17 show an increase of \$767,219 to the fund balance. The favorable variance is due primarily to a reduction in costs in the transfer to special education, a \$568,017 savings, as a result of more students being served in the school district rather than through outside private placement tuition and bus transportation. General Fund revenues had a favorable variance of \$127,340.

Fund Balances

- The District shows a total for all fund balances of \$8.6 million as of June 30, 2017. (See Note 11 in the financial statements for the detail of total governmental fund balances).
- \$6.9 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.
- \$183,185 is in the Food Service Fund (Fund 50), and is used for food service equipment replacements.
- The District had a \$114,673 fund balance in the Community Service Fund (Fund 80) at June 30, 2017.
- The remaining amounts are the balance of the Gift Fund (Fund 21) in the amount of \$235,883 and the Debt Service Fund in the amount of \$424,250. Fund 21 reflects the balance of awards and donations to the District unspent by June 30, 2017.

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, 2017 the District had \$6.3 million in long-term obligations which includes bonds and notes payable, capital leases and accrued compensated absences (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

The district has an offer to purchase the current district athletic property East of Interstate 43 (I-43). If the development is approved by the City of Glendale, closing could take place as early as April 2018. Proceeds from the sale would partially fund the district's athletic site plan, which includes the redevelopment of its football/soccer field, tennis courts, baseball and softball diamonds, and practice fields. The remaining funds necessary to complete the athletic site plan are to be raised through donations.

The 2017-19 State of Wisconsin biennial budget provided for an increase in state categorical per pupil aid of \$200 per student in 2017-18 and \$204 per student in 2018-19, the largest K-1 aid increase since 2010. While the district's residents approved a six-year, \$3.15 million per year, operation referendum for 2016 through 2022, the increase in state aid for 2017-19 will assist in long term stability of district finances.

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:

Jeffrey A. Dellutri, Director of Business Services
Diane C. Paschke, District Accountant
Nicolet High School District
6701 W. Jean Nicolet Road
Glendale, WI 53217

Phone: (414) 351-7548
Fax: (414) 351-8167
jeff.dellutri@nicolet.us
diane.paschke@nicolet.us

BASIC FINANCIAL STATEMENTS

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2017**

ASSETS

Current Assets

Cash and investments	\$ 7,625,262
Taxes receivable	1,871,091
Accounts receivable	361,816
Due from fiduciary fund	
Due from other governments	1,065,027
Inventories	41,741
Prepaid expenses	29,106
Total Current Assets	<u>10,994,043</u>

Noncurrent Assets

Capital assets	40,022,962
Less: Accumulated depreciation	<u>(18,645,511)</u>
Net Capital Assets	<u>21,377,451</u>
Total Non-current Assets	<u>21,377,451</u>

Total Assets

32,371,494

Deferred Outflows of Resources

Deferred outflows of resources from WRS pension	4,880,921
Deferred outflows of resources from supplemental pension	213,318
Deferred outflows of resources from OPEB	503,915
Total Deferred Outflows of Resources	<u>5,598,154</u>

Total Assets and Deferred Outflows of Resources

\$ 37,969,648

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 2,323,827
Current portion of deferred debt premium	3,797
Current portion of long-term obligations	664,721
Due to other governments	10,291
Other current liabilities	125,920
Total Current Liabilities	<u>3,128,556</u>

Noncurrent Liabilities

Net supplemental pension liability	1,814,464
Net WRS pension liability	600,095
Total pension liabilities	<u>2,414,559</u>
Net OPEB liability	1,811,498
Noncurrent portion of deferred debt premium	21,198
Noncurrent portion of long-term obligations	5,680,353
Total Non-current Liabilities	<u>9,927,608</u>

Total Liabilities

13,056,164

Deferred Inflows of Resources

Deferred inflows of resources from pensions	<u>2,513,182</u>
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Total Liabilities and Deferred Inflows of Resources

15,569,346

NET POSITION

Net investment in capital assets	15,081,439
Restricted	1,566,502
Unrestricted	5,752,361
Total Net Position	<u>22,400,302</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 37,969,648</u>

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes In Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction				
Regular	\$ 7,782,176	\$ 971,769	\$ 752,305	\$ (6,058,102)
Physical	502,438	66,656	-	(435,782)
Vocational	756,259	105,845	-	(650,414)
Special education	1,723,866	-	720,504	(1,003,362)
Other	675,915	93,999	-	(581,916)
Total Instruction	11,440,654	1,238,269	1,472,809	(8,729,576)
Support Services				
Pupil services	1,071,116	-	3,154	(1,067,962)
Instructional support services	1,292,893	-	280,459	(1,012,434)
Administration	2,247,812	-	5,532	(2,242,280)
Buildings and grounds	3,064,843	-	-	(3,064,843)
Pupil transportation	1,457,566	-	33,715	(1,423,851)
Other support services	1,067,094	-	1,952	(1,065,142)
Interest and fees	189,630	61,319	-	(128,311)
Food service	1,013,331	1,078,920	-	65,589
Total Support Services	11,404,285	1,140,239	324,812	(9,939,234)
Community Service	948,421	675,967	-	(272,454)
Total Activities	\$ 23,793,360	\$ 3,054,475	\$ 1,797,621	(18,941,264)
General Revenues				
Taxes				
Property taxes				
General purposes				17,886,336
Debt service				704,232
Community Service				305,455
Federal and State aids not restricted to specific functions				958,021
Gifts				114,622
Investment income				6,807
Miscellaneous				316,452
Total General Revenues				20,291,925
Other Revenue (Expenses)				
Gain on sale of capital assets				218,284
Change in Net Position				1,568,945
Net Position, beginning of year, as restated				20,831,357
NET POSITION, end of year				\$ 22,400,302

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 6,214,465	\$ 779,266	\$ 631,529	\$ 7,625,260
Taxes receivable	1,871,091	-	-	1,871,091
Accounts receivable	5,186	-	25,986	31,172
Due from other funds	329,338	-	1,305	330,643
Due from other governments	681,215	-	383,812	1,065,027
Inventories	41,741	-	-	41,741
Prepaid expenses	4,781	-	24,325	29,106
	Total Assets	\$ 779,266	\$ 1,066,957	\$ 10,994,040
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 587,336	\$ -	\$ 20,993	\$ 608,329
Accrued salaries and wages	1,018,165	-	-	1,018,165
Payroll taxes and withholdings	168,056	-	-	168,056
Due to other funds	510,107	-	19,170	529,277
Due to other governments	10,291	-	-	10,291
Other current liabilities	1,815	-	68,803	70,618
	Total Liabilities	-	108,966	2,404,736
Fund Balances				
Nonspendable	46,522	-	24,325	70,847
Restricted	-	779,266	787,236	1,566,502
Assigned	4,135	-	146,430	150,565
Unassigned	6,801,390	-	-	6,801,390
	Total Fund Balances	779,266	957,991	8,589,304
	Total Liabilities and Fund Balances	\$ 779,266	\$ 1,066,957	

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.	21,377,451
The District's proportionate share of pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements.	3,084,972
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.	<u>(10,651,425)</u>
Net Position of Governmental Activities	<u>\$ 22,400,302</u>

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, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local	\$ 18,441,482	\$ 1,658	\$ 2,851,511	\$ 21,294,651
Interdistrict	560,019	-	402,992	963,011
Intermediate	39,475	-	-	39,475
State	2,329,685	-	-	2,329,685
Federal	379,783	-	5,532	385,315
Other	63,365	-	68,520	131,885
Total Revenues	<u>21,813,809</u>	<u>1,658</u>	<u>3,328,555</u>	<u>25,144,022</u>
Expenditures				
Instruction				
Regular	7,908,305	-	17,686	7,925,991
Physical	542,454	-	-	542,454
Special education	1,621,635	-	-	1,621,635
Vocational	861,373	-	34,077	895,450
Other	764,973	-	57,366	822,339
Total Instruction	<u>11,698,740</u>	<u>-</u>	<u>109,129</u>	<u>11,807,869</u>
Support Services				
Pupil services	1,081,075	-	40	1,081,115
Instructional support services	1,320,587	-	2,810	1,323,397
Administration	2,359,138	-	1,493	2,360,631
Buildings and grounds	2,361,245	45,463	7,937	2,414,645
Pupil transportation	940,375	-	517,191	1,457,566
Other support services	1,117,933	-	190	1,118,123
Debt service				
Principal	32,533	-	2,266,594	2,299,127
Interest and fees	9,849	-	189,302	199,151
Food service	-	-	1,012,181	1,012,181
Total Support Services	<u>9,222,735</u>	<u>45,463</u>	<u>3,997,738</u>	<u>13,265,936</u>
Community Services	<u>-</u>	<u>-</u>	<u>957,935</u>	<u>957,935</u>
Total Expenditures	<u>20,921,475</u>	<u>45,463</u>	<u>5,064,802</u>	<u>26,031,740</u>
Excess (deficiency) of revenue over expenditures	892,334	(43,805)	(1,736,247)	(887,718)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	946,594	1,715,000	2,661,594
Proceeds on sale of fixed assets	20,941	329,900	-	350,841
Transfers (to) from other funds	(146,056)	20,000	126,056	-
Net Change in Fund Balances	767,219	1,252,689	104,809	2,124,717
Fund Balances, beginning of year	6,084,828	(473,423)	853,182	6,464,587
FUND BALANCES, end of year	<u>\$ 6,852,047</u>	<u>\$ 779,266</u>	<u>\$ 957,991</u>	<u>\$ 8,589,304</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 2,124,717

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	\$ 426,091	
Depreciation expense reported in the Statement of Activities	(858,337)	
Proceeds from disposal of fixed assets	(350,841)	
Gain (loss) on disposal of fixed assets	<u>218,284</u>	
		(564,803)

Net difference between pension system contributions recognized in the fund statement of revenues, expenditures, and changes in fund balances and the statement of activities. 357,568

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 proceeds exceeded payments (362,467)

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. 3,797

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. 10,133

Change in Net Position **\$ 1,568,945**

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017**

	Agency	Employee Benefit Trust
ASSETS		
Cash and investments	\$ 223,983	\$ 2,484,456
Accounts receivable	39	-
Due from other funds	-	529,277
Total Assets	\$ 224,022	\$ 3,013,733
LIABILITIES		
Due to student groups	\$ 215,618	\$ -
Due to other funds	-	330,644
Accounts payable	8,404	-
Total Liabilities	224,022	330,644
NET POSITION		
Restricted	-	2,683,089
Total Net Position	-	2,683,089
Total Liabilities and Net Position	\$ 224,022	\$ 3,013,733

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, 2017**

	<u>Employee Benefit Trust Post- employment Benefits</u>
Additions	
Contributions	\$ 529,277
Investment earnings	43,037
Unrealized gain on investments	<u>212,971</u>
	<u>785,285</u>
Deductions	
Administrative fees	16,576
Other postretirement benefits	<u>330,644</u>
	<u>347,220</u>
CHANGE IN NET POSITION	438,065
Net Position, beginning of year	<u>2,245,024</u>
NET POSITION, end of year	<u><u>\$ 2,683,089</u></u>

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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, 2017**

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, 2017**

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, 2017**

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 - 2016 tax roll:

Lien date and levy date	October, 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	March 31, 2017
Third installment due	May 31, 2017
Personal property taxes in full	January 31, 2017

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, 2017**

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, 2017**

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, 2017**

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, 2017 the district had \$24,995 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, 2017**

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, 2017**

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, 2017 \$8,074,092 of the District's deposits are uninsured. The District's bank also has pledged collateral of \$8,980,058 as of June 30, 2017.

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, 2017**

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, 2017 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	\$ 107,455	\$ 107,455	\$ -
Investment Series	Amortized Cost	20,857	20,857	-
Savings Deposit Account	Cost	210,046	210,046	-
Certificate of Deposit	Cost	121,671	-	121,671
Local Government Investment Pool	Amortized Cost	1,062	1,062	-
OPEB Trust (Note 8) - Associated Trust Company	Fair Value - Level 2	2,484,456	2,484,456	-
		<u>\$ 2,945,547</u>	<u>\$ 2,823,876</u>	<u>\$ 121,671</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, 2017**

Note 3 - Capital Assets

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

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
Capital assets not being depreciated				
Sites	\$ 375,000	\$ -	\$ (50,000)	\$ 325,000
Construction in Progress	919,998	(768,998)	-	151,000
Total Capital Assets Not Being Depreciated	<u>1,294,998</u>	<u>(768,998)</u>	<u>(50,000)</u>	<u>476,000</u>
Capital assets being depreciated				
Land improvements	2,707,192	-	-	2,707,192
Buildings	31,327,518	957,127	(222,000)	32,062,645
Equipment and Furnishings	4,695,975	237,962	(156,812)	4,777,125
Total Capital Assets Being Depreciated	<u>38,730,685</u>	<u>1,195,089</u>	<u>(378,812)</u>	<u>39,546,962</u>
Total Capital Assets	<u>40,025,683</u>	<u>426,091</u>	<u>(428,812)</u>	<u>40,022,962</u>
Less: Accumulated depreciation for				
Land improvements	1,003,346	113,085	-	1,116,431
Buildings	13,143,904	579,763	(162,060)	13,561,607
Equipment	3,936,179	165,489	(134,195)	3,967,473
Total Accumulated Depreciation	<u>18,083,429</u>	<u>858,337</u>	<u>(296,255)</u>	<u>18,645,511</u>
Net Capital Assets	<u>\$ 21,942,254</u>	<u>\$ (432,246)</u>	<u>\$ (132,557)</u>	<u>\$ 21,377,451</u>

Depreciation expense was charged to functions as follows:

Instruction	
Regular	\$ 100,066
Vocational	8,976
Physical	600
Special Education	1,126
Support Services	
Instructional support services	2,099
Administration	12,511
Building and grounds	706,278
Food services	1,151
Other support services	<u>25,530</u>
	<u>\$ 858,337</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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, 2017 is as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2017</u>
Tax and Revenue Anticipation Note	1/13/2017	2.65%	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>

Total short-term interest paid and expended during the year was \$749.

Note 5 – Long-Term Obligations

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

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2017</u>	<u>Due Within One Year</u>
General obligation bonds and notes payable	\$ 5,820,000	\$ 1,715,000	\$ 1,320,000	\$ 6,215,000	\$ 580,000
State trust fund loan	-	946,594	946,594	-	-
Capital leases	<u>113,545</u>	<u>-</u>	<u>32,533</u>	<u>81,012</u>	<u>35,659</u>
	<u>5,933,545</u>	<u>2,661,594</u>	<u>2,299,127</u>	<u>6,296,012</u>	<u>615,659</u>
Other Liabilities:					
Accrued compensated absences vacation and sick leave	<u>53,470</u>	<u>16,485</u>	<u>20,893</u>	<u>49,062</u>	<u>49,062</u>
Totals	<u>\$ 5,987,015</u>	<u>\$ 2,678,079</u>	<u>\$ 2,320,020</u>	<u>\$ 6,345,074</u>	<u>\$ 664,721</u>

Total long-term interest paid and expended during the year was \$180,874 and \$175,149, respectively.

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 6/30/2017</u>
General Obligation Debt					
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	965,000
Promissory Note	7/15/2014	3/1/2024	1.05-3.00%	3,665,000	2,265,000
Refunding Bond	11/1/2016	3/1/2022	1.10-1.55%	1,715,000	<u>1,475,000</u>
Total General Obligation Debt					<u>\$ 6,215,000</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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>
2018	\$ 580,000	\$ 165,905	\$ 745,905
2019	695,000	157,855	852,855
2020	805,000	143,443	948,443
2021	930,000	125,000	1,055,000
2022	680,000	102,690	782,690
2022-2024	<u>2,525,000</u>	<u>138,987</u>	<u>2,663,987</u>
Totals	<u><u>\$ 6,215,000</u></u>	<u><u>\$ 833,880</u></u>	<u><u>\$ 7,048,880</u></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 \$61,319 during 2017.

E. The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$3,944,382,100. The legal debt limit and margin of indebtedness as of June 30, 2017 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$3,944,382,100)	\$ 197,219,105
Deduct: Long-term debt applicable to debt margin	<u>6,215,000</u>
Margin of indebtedness	<u><u>\$ 191,004,105</u></u>

F. The District has financed office equipment under capital leases with an original cost of \$142,141 as of June 30, 2017. 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, 2017:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 41,633
2019	41,633
2020	6,006
2021	<u>472</u>
Subtotal	89,744
Less: Amounts representing interest	<u>8,732</u>
Present value of minimum lease payments	<u><u>\$ 81,012</u></u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 6 - WRS Pension Plan

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

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
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 6 - WRS Pension Plan (continued)

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

During the reporting period, the WRS recognized \$702,205 in contributions from the District.

Contribution rates as of June 30, 2017 are:

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the Nicolet High School District reported a liability (asset) of \$600,095 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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, 2016, the Nicolet High School District's proportion was 0.0728%, which was an increase of .0007% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Nicolet High School District recognized pension expense of \$1,532,975.

At June 30, 2017, 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	\$ 228,816	\$ 1,887,245
Changes in assumptions	627,422	-
Net differences between projected and actual earnings on pension plan investments	3,578,759	591,678
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	34,259
Employer contributions subsequent to the measurement date	445,924	-
Total	\$ 4,880,921	\$ 2,513,182

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 6 - WRS Pension Plan (continued)

\$445,924 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2017	\$ 1,546,221	\$ 761,604
2018	\$ 1,546,221	\$ 761,604
2019	\$ 1,293,347	\$ 759,120
2020	\$ 48,165	\$ 230,732
Thereafter	\$ 1,043	\$ 123

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

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

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

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

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

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 6 - Pension Plans (continued)

Asset Allocation Targets and Expected Returns						
As of December 31, 2016						
Core Fund Asset Class	Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %		
Global Equities	50 %	45 %	8.3 %	5.4 %		
Fixed Income	24.5	37	4.2	1.4		
Inflation Sensitive Assets	15.5	20	4.3	1.5		
Real Estate	8	7	6.5	3.6		
Private Equity/Debt	8	7	9.4	6.5		
Multi-Asset	4	4	6.6	3.7		
Total Core Fund	110	120	7.4	4.5		
Variable Fund Asset Class						
U.S. Equities	70	70	7.6	4.7		
International Equities	30	30	8.5	5.6		
Total Variable Fund	100	100	7.9	5		
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%						
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations						

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

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 6 - WRS Pension Plan (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)	\$7,894,629	\$600,095	\$(5,017,028)

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

The District implemented GASB #73, Accounting and Financial Reporting for Pensions during the year ended June 30, 2017.

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 59 active and 28 retired employees in the plan as of June 30, 2017, 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the Nicolet High School District reported a liability of \$1,814,464 for its supplemental pension liability (asset). The supplemental pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

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.

For the year ended June 30, 2016, the most recent measurement date, the Nicolet High School District recognized pension expense of \$121,111. The pension expense is made up of certain changes in the total pension liability and amortization of deferred outflows (inflows).

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 7- Supplemental Pension Plan (continued)

At June 30, 2017, the Nicolet High School District reported deferred outflows of resources related to the supplemental pension from the following sources:

	Deferred Outflows of Resources
Employer contributions subsequent to the measurement date	\$ 213,318

At June 30, 2017, the Nicolet High School District reported no deferred inflows of resources related to the supplemental pension.

Actuarial assumptions. The total supplemental pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2016
Measurement Date	June 30, 2016
Actuarial cost method	Entry Age Normal - Level Percentage of Salary
Discount Rate	Discount rate for valuing liabilities - 3% Municipal bond rate - 3% Implicit in this rates is 2.5% assumed rate of inflation
Salary Merit Scale	Annual increases including salary inflation of 3.0%
Average of Expected Remaining Service Lives	7 Years
Retirement Rates	No employees are assumed to retire prior to becoming eligible for benefits
Mortality Rates	Mortality rates at sample ages
Separation Rates	Select and ultimate termination rates at sample ages and years of service
Disablement Rates	Active participant disability rates at sample ages

Single Discount rate. A single discount rate of 3.0% was used to measure the total supplemental pension liability.

Sensitivity of the Nicolet High School District's supplemental pension liability (asset) to changes in the discount rate. The following presents the Nicolet High School District's supplemental pension liability (asset) calculated using the discount rate of 3.0 percent, as well as what the Nicolet High School District's supplemental pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current rate:

	1% Decrease to Discount Rate (2.0%)	Current Discount Rate (3.0%)	1% Increase To Discount Rate (4.0%)
Nicolet High School District's net administrators pension liability (asset)	\$1,889,393	\$1,814,464	\$1,852,993

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 8 - Other Postemployment Benefits

The District implemented GASB #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* and GASB #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2017.

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 159 active and 32 retired members in the plan as of June 30, 2016, the most recent actuarial valuation date. Benefits and eligibility are established and amended by the governing body.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2017, the Nicolet High School District reported a liability of \$1,811,498 for its net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

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 \$2,484,456 of invested plan assets accumulated for payment of future benefits. For the year ended June 30, 2017 the District contributed \$503,915 to the Trust. Plan member contributions were \$25,362.

At June 30, 2017, the Nicolet High School District reported deferred outflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Employer contributions subsequent to the measurement date	503,915
Total	\$ 503,915

For the year ended June 30, 2016, the most recent measurement date, the Nicolet High School District recognized OPEB expense of \$394,082. The pension expense is made up of certain changes in the total pension liability and amortization of deferred outflows.

Actuarial assumptions. The total OPEB liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2016
Measurement Date	June 30, 2016
Actuarial cost method	Entry Age Normal - Level Percentage of Salary
Interest Rate	Discount rate for valuing liabilities - 6% Interest rate on plan assets - 6% Implicit in these rates is 2.5% assumed rate of inflation
Asset Valuation Method	Market Value
Average of Expected Remaining Service Lives	8 years
Retirement Rates	No employees are assumed to retire prior to becoming eligible for benefits
Mortality Rates	Mortality rates at sample ages

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 8 - Other Postemployment Benefits (continued)

Separation Rates	Select and ultimate termination rates at sample ages and years of service
Disablement Rates	Active participant disability rates at sample ages
Medical & Dental Trends	Annual increases between 3.75% and 7.0% for Medical and between 5% and 9% for Dental
Salary Merit Scale	Annual increases including salary inflation of 3.0%
Age Related Health Care Cost	Health care costs are assumed to increase each year of age separate from trend due to increased cost of older participants.
Percent with Coverage at Retirement	100% of active employees eligible for a post-employment benefit.
Coverage Tier	70% of future covered retirees are assumed to cover a spouse in retirement
Spouses' Age	Males are assumed to be three years older than their spouses.

Single Discount rate. A single discount rate of 6.0% was used to measure the total OPEB liability.

Sensitivity of the Nicolet High School District's OPEB liability (asset) to changes in the discount rate. The following presents the Nicolet High School District's OPEB liability (asset) calculated using the discount rate of 6.0% percent, as well as what the Nicolet High School District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate:

	1% Decrease to Discount Rate (5.0%)	Current Discount Rate (6.0%)	1% Increase To Discount Rate (7.0%)
Total OPEB Liability	\$4,775,017	\$4,494,587	\$4,232,493
Fiduciary Net Position	2,245,024	2,245,024	2,245,024
Net OPEB liability (asset)	\$2,529,993	\$2,249,563	\$1,987,469

Sensitivity of the Nicolet High School District's OPEB liability (asset) to changes in the healthcare trend rates. The following presents the Nicolet High School District's OPEB liability (asset) calculated using the current trend rates, as well as what the Nicolet High School District's net OPEB liability (asset) would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease to Trend Rates	Current Trend Rates	1% Increase To Trend Rates
Total OPEB Liability	\$4,209,428	\$4,494,587	\$4,812,402
Fiduciary Net Position	2,245,024	2,245,024	2,245,024
Net OPEB Liability	\$1,964,404	\$2,249,563	\$2,567,378

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 9 - Lease Agreements, as Lessee

The District has entered into lease agreements for vehicles with terms expiring through April, 2022. The District is obligated to make future minimum lease payments as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 37,983
2019	27,276
2020	18,356
2021	5,868
2022	<u>4,890</u>
	<u>\$ 94,373</u>

Lease expense was \$46,788 for the year ended June 30, 2017.

Note 10 - Governmental Activities Net Position

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2017 includes the following:

Governmental Activities

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 21,377,451
Less: related long-term debt outstanding	<u>6,296,012</u>
Total Net Investment in Capital Assets	15,081,439
Restricted	908,062
Unrestricted	<u>6,410,801</u>
Total Governmental Activities Net Position	<u>\$ 22,400,302</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 11 - Governmental Fund Balances

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

Nonspendable

Inventories and prepaid expenses:

General Fund	\$ 46,522
Gift Fund	1,950
Community Service	22,375
Total Nonspendable Fund Balance	70,847

Restricted

Gift	87,503
Food Service	183,185
Community Service	92,298
Debt Service	424,250
Capital Projects	779,266
Total Restricted Fund Balance	1,566,502

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	\$ 8,589,304
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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	\$ 21,377,451
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The District's proportionate share of pension and OPEB related deferred outflows and deferred inflows of resources that are recognized in the government-wide statements include:

Deferred outflows of resources from WRS pension	\$ 4,880,921
Deferred outflows of resources from supplemental pension	213,318
Deferred outflows of resources from OPEB	503,915
Deferred inflows of resources from pensions	(2,513,182)
Combined Adjustment	\$ 3,084,972

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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.

Net WRS pension liability	\$ (600,095)
Total supplemental pension liability	(1,814,464)
Net OPEB liability	(1,811,498)
General obligation bonds and notes payable	(6,215,000)
Capital leases	(81,012)
Net deferred debt premium	(24,995)
Accrued compensated absences	(49,062)
Accrued interest on long-term obligations	<u>(55,299)</u>
Combined Adjustment	<u><u>\$ (10,651,425)</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	\$ 426,091
Depreciation expense	(858,337)
Proceeds from disposal of fixed assets	(350,841)
Gain on disposal of fixed assets	<u>218,284</u>
Combined Adjustment	<u><u>\$ (564,803)</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 WRS Contributions	\$ 702,205
WRS pension expense adjustment	(1,499,935)
Supplemental pension benefits paid	245,829
Supplemental pension expense adjustment	(32,511)
OPEB benefits paid	510,868
OPEB expense adjustment	<u>431,112</u>
Combined Adjustment	<u><u>\$ 357,568</u></u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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)

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	\$ (2,661,594)
Principal payments on long-term debt and capital leases	<u>2,299,127</u>
Combined Adjustment	<u><u>\$ (362,467)</u></u>

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	\$ <u>3,797</u>
Combined Adjustment	<u><u>\$ 3,797</u></u>

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:

Compensated absences	\$ 4,408
Accrued interest	<u>5,725</u>
Combined Adjustment	<u><u>\$ 10,133</u></u>

Note 14- Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; 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.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 15 - Commitments and Contingencies (continued)

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.

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, 2017 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	\$ 329,338	\$ 510,107
Food Service Fund	881	6,827
Community Service Fund	424	12,343
Total Governmental Activities	330,643	529,277
Fiduciary Funds		
Employee Benefit Trust	529,277	330,644
Total Fiduciary Funds	529,277	330,644
Total	\$ 941,936	\$ 941,936

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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

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.

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	\$ 126,056
Capital Projects Fund	General Fund	<u>20,000</u>
Total - Fund Financial Statements		146,056
Less: Eliminations		<u>(146,056)</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, December 22, 2017.

Note 20 - Change in Accounting Principle

The District implemented GASB #73, *Accounting and Financial Reporting for Pensions* for its Supplemental Pension Plan and GASB #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2017. As a result, beginning of year net position has been restated as follows:

Net position as previously reported on July 1, 2016	\$ 23,518,699
Accrued sick & vacation	76,141
Beginning net OPEB liability adjustment	(2,419,976)
Beginning net supplemental pension liability adjustment	<u>(343,507)</u>
Beginning net position as restated	<u><u>\$ 20,831,357</u></u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

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. 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. 83 *Certain Asset Retirement Obligations* in November 2016. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2018.

The GASB issued Statement No. 84 *Fiduciary Activities* in January 2017. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2018.

The GASB issued Statement No. 85 *Omnibus 2017* in March 2017. This statement is to address practice issues that have been identified during implementation of other GASB Statements. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2017.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

Note 21 – Recently Issued Accounting Standards (continued)

The GASB issued Statement No. 86 *Certain Debt Extinguishment Issues* in May 2017. This statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of the related Statement are effective for financial Statement periods beginning after June 15, 2017.

The GASB issued Statement No. 87 *Leases* in June 2017. This statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of the related Statement are effective for financial Statement periods beginning after December 15, 2019.

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, 2017

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Local	\$ 18,770,864	\$ 18,449,677	\$ 18,441,482	\$ (8,195)
Interdistrict	526,233	523,632	558,852	35,220
Intermediate	18,703	18,703	19,236	533
State	1,548,766	1,652,869	1,684,022	31,153
Federal	108,142	108,142	124,732	16,590
Other	15,200	15,200	46,299	31,099
Total Revenues	<u>20,987,908</u>	<u>20,768,223</u>	<u>20,874,623</u>	<u>106,400</u>
Expenditures				
Instruction				
Regular	7,505,664	7,601,873	7,908,305	(306,432)
Physical	520,272	516,456	542,454	(25,998)
Vocational	865,743	801,230	861,373	(60,143)
Other	743,181	743,181	764,973	(21,792)
Total Instruction	<u>9,634,860</u>	<u>9,662,740</u>	<u>10,077,105</u>	<u>(414,365)</u>
Support Services				
Pupil services	745,822	743,341	835,034	(91,693)
Instructional support services	950,556	950,243	1,018,500	(68,257)
Administration	2,671,101	2,669,936	2,359,138	310,798
Buildings and grounds	2,487,834	2,487,834	2,353,977	133,857
Pupil transportation	891,352	891,352	774,435	116,917
Other support services	1,085,279	1,085,279	1,116,131	(30,852)
Debt service	47,734	47,734	42,382	5,352
Total Support Services	<u>8,879,678</u>	<u>8,875,719</u>	<u>8,499,597</u>	<u>376,122</u>
Total Expenditures	<u>18,514,538</u>	<u>18,538,459</u>	<u>18,576,702</u>	<u>(38,243)</u>
Excess of revenues over expenditures	2,473,370	2,229,764	2,297,921	68,157
Other Financing Sources (Uses)				
Proceeds on sale of fixed assets	-	-	20,941	20,941
Transfers to other funds	(2,126,171)	(2,094,737)	(1,551,643)	543,094
Net Change in Fund Balances	347,199	135,027	767,219	632,192
Fund Balances, beginning of year	<u>6,084,828</u>	<u>6,084,828</u>	<u>6,084,828</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 6,432,027</u>	<u>\$ 6,219,855</u>	<u>\$ 6,852,047</u>	<u>\$ 632,192</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, 2017

	Budget		Actual	Variance
	Original	Final		with Final Budget
Revenues				
Interdistrict	\$ -	\$ -	\$ 1,167	\$ 1,167
Intermediate	43,870	26,734	20,239	(6,495)
State	560,930	655,240	645,663	(9,577)
Federal	296,747	276,069	255,051	(21,018)
Other	-	-	17,066	17,066
Total Revenues	<u>901,547</u>	<u>958,043</u>	<u>939,186</u>	<u>(18,857)</u>
Expenditures				
Instruction				
Special education	2,078,402	2,115,366	1,621,635	493,731
Other	700	700	-	700
Total Instruction	<u>2,079,102</u>	<u>2,116,066</u>	<u>1,621,635</u>	<u>494,431</u>
Support Services				
Pupil services	267,570	267,570	246,041	21,529
Instructional support services	246,477	252,511	302,087	(49,576)
Buildings and grounds	7,100	7,100	7,268	(168)
Pupil transportation	286,400	286,400	165,940	120,460
Other support services	2,000	2,000	1,802	198
Total Support Services	<u>809,547</u>	<u>815,581</u>	<u>723,138</u>	<u>92,443</u>
Total Expenditures	<u>2,888,649</u>	<u>2,931,647</u>	<u>2,344,773</u>	<u>586,874</u>
Deficiency of revenues over expenditures	(1,987,102)	(1,973,604)	(1,405,587)	568,017
Other Financing Uses				
Transfers from other funds	<u>1,987,102</u>	<u>1,973,604</u>	<u>1,405,587</u>	<u>(568,017)</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 Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last 10 Fiscal Years* (which may be built prospectively)

	2017	2016	2015
Nicolet High School District's proportion of the net pension liability (asset)	.0728%	0.0721%	0.0714%
Nicolet High School District's proportionate share of the net pension liability (asset)	\$600,095	\$1,172,095	\$(1,753,792)
Nicolet High School District's covered-employee payroll	\$10,616,106	\$10,350,720	\$10,074,890
Nicolet High School District's proportionate share of the net pension liability (asset) as a percentage of the covered-employee payroll	5.65%	11.32%	(17.41%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	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 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)**

	2017	2016	2015
Contractually required contributions	\$702,205	\$703,849	\$705,246
Contributions in relation to the contractually required contributions	\$702,205	\$703,849	\$705,246
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Nicolet High School District's covered-employee payroll	\$10,616,106	\$10,350,720	\$10,074,890
Contributions as a percentage of covered-employee payroll	6.61%	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 Notes to Required Supplementary Information)

**NICOLET HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY (ASSET)
SUPPLEMENTAL PENSION PLAN
Last 10 Fiscal Years (which may be built prospectively)**

	2016
Total Pension Liability, beginning of year	\$ 1,936,686
Changes for the year:	
Service Cost	65,675
Interest	55,436
Benefit payments	<u>(243,333)</u>
Net Changes	<u>(122,222)</u>
 Total Pension Liability, end of year	 <u><u>\$ 1,814,464</u></u>

(See Notes 7 and 20 and Notes to Required Supplementary Information)

**NICOLET HIGH SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOTAL PENSION LIABILITY (ASSET) AS PERCENTAGE OF
 COVERED-EMPLOYEE PAYROLL
 SUPPLEMENTAL PENSION
 Last 10 Fiscal Years (which may be built prospectively)**

	2016
Total pension liability (asset)	\$1,814,464
Covered-employee payroll	\$5,076,366
Total pension liability (asset) as a percentage of the covered-employee payroll	35.74%

(See Notes 7 and 20 and Notes to Required Supplementary Information)

**NICOLET HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY (ASSET)
OTHER POSTEMPLOYMENT BENEFITS PLAN
Last 10 Fiscal Years (which may be built prospectively)**

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balances at 6/30/15	\$ 4,436,931	2,070,582	2,366,349
Changes for the year:			
Service Cost	144,765		144,765
Interest	260,141		260,141
Contributions - Employer		510,868	(510,868)
Net Investment Income		24,923	(24,923)
Benefit payments	(347,250)	(347,250)	-
Administrative expense		(14,099)	14,099
Net Changes	<u>57,656</u>	<u>174,442</u>	<u>(116,786)</u>
Balances at 6/30/16	<u>\$ 4,494,587</u>	<u>\$ 2,245,024</u>	<u>\$ 2,249,563</u>

(See Notes 8 and 20 and Notes to Required Supplementary Information)

NICOLET HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL OPEB LIABILITY (ASSET) AS PERCENTAGE OF
COVERED-EMPLOYEE PAYROLL
OTHER POSTEMPLOYMENT BENEFITS PLAN
Last 10 Fiscal Years (which may be built prospectively)

	2016
Total OPEB liability (asset)	\$2,249,5633
Covered-employee payroll	\$5,749,481
Total OPEB liability (asset) as a percentage of the covered-employee payroll	39.13%

(See Notes 8 and 20 and Notes to Required Supplementary Information)

**NICOLET HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS
OTHER POSTEMPLOYMENT BENEFITS PLAN
Last 10 Fiscal Years (which may be built prospectively)**

<u>Year</u>	<u>Rate of Return</u>
2017	10.68%

(See Notes 8 and 20 and Notes to Required Supplementary Information)

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

Note 1 – Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 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, 2017.

Fund - Function	Excess Expenditures
General Fund	
Regular instruction	\$ 306,432
Physical instruction	\$ 25,998
Vocational instruction	\$ 60,143
Other instruction	\$ 21,792
Pupil services	\$ 91,693
Instructional support services	\$ 68,257
Other support services	\$ 30,852
 Special Education Fund	
Instructional support services	\$ 49,576
Buildings and grounds	\$ 168

Note 2 – 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.

Note 3 – Supplemental Pension Data

There are no assets accumulated in a trust that is irrevocable or an equivalent arrangement.

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

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

Note 3 – Other Postemployment Benefit Plan

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

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

SUPPLEMENTAL INFORMATION

**NICOLET HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Gift Fund	Food Service	Community Service	Transportation Services		
ASSETS						
Cash and investments	\$234,257	\$172,176	\$ 182,838	\$ (381,992)	\$424,250	\$ 631,529
Accounts receivable	2,112	16,017	7,857	-	-	25,986
Due from other funds	-	881	424	-	-	1,305
Due from other governments	-	1,820	-	381,992	-	383,812
Prepaid expenses	1,950	-	22,375	-	-	24,325
Total Assets	\$238,319	\$190,894	\$ 213,494	\$ -	\$424,250	\$ 1,066,957
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 2,436	\$ 882	\$ 17,675	\$ -	\$ -	\$ 20,993
Due to other funds	-	6,827	12,343	-	-	19,170
Other current liabilities	-	-	68,803	-	-	68,803
Total Liabilities	2,436	7,709	98,821	-	-	108,966
Fund Balances						
Nonspendable	1,950	-	22,375	-	-	24,325
Restricted	87,503	183,185	92,298	-	424,250	787,236
Assigned	146,430	-	-	-	-	146,430
Total Fund Balances	235,883	183,185	114,673	-	424,250	957,991
Total Liabilities and Fund Balances	\$238,319	\$190,894	\$ 213,494	\$ -	\$424,250	\$ 1,066,957

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, 2017

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Gift Fund	Food Service	Community Service	Transportation Services		
REVENUES						
Local	\$ 114,622	\$ 1,058,042	\$ 974,615	\$ -	\$ 704,232	\$ 2,851,511
Interdistrict	-	21,000	-	381,992	-	402,992
Federal	-	5,532	-	-	-	5,532
Other revenue	-	-	7,201	-	61,319	68,520
Total Revenues	<u>114,622</u>	<u>1,084,574</u>	<u>981,816</u>	<u>381,992</u>	<u>765,551</u>	<u>3,328,555</u>
EXPENDITURES						
Instruction						
Regular	17,686	-	-	-	-	17,686
Vocational	34,077	-	-	-	-	34,077
Other	57,366	-	-	-	-	57,366
Total Instruction	<u>109,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,129</u>
Support Services						
Pupil Services	40	-	-	-	-	40
Instructional support	2,810	-	-	-	-	2,810
Administrative	1,493	-	-	-	-	1,493
Buildings and grounds	673	7,264	-	-	-	7,937
Pupil transportation	9,143	-	-	508,048	-	517,191
Other support services	190	-	-	-	-	190
Debt Service						
Principal	-	-	-	-	2,266,594	2,266,594
Interest	-	-	-	-	189,302	189,302
Food services	-	1,012,181	-	-	-	1,012,181
Total Support Services	<u>14,349</u>	<u>1,019,445</u>	<u>-</u>	<u>508,048</u>	<u>2,455,896</u>	<u>3,997,738</u>
Community Services	<u>-</u>	<u>-</u>	<u>957,935</u>	<u>-</u>	<u>-</u>	<u>957,935</u>
Total Expenditures	<u>123,478</u>	<u>1,019,445</u>	<u>957,935</u>	<u>508,048</u>	<u>2,455,896</u>	<u>5,064,802</u>
Excess (deficiency) of revenues over expenditures	(8,856)	65,129	23,881	(126,056)	(1,690,345)	(1,736,247)
OTHER FINANCING SOURCES						
Proceeds from long-term debt	-	-	-	-	1,715,000	1,715,000
Transfers (to) from other fund	-	-	-	126,056	-	126,056
Net Change in Fund Balances	(8,856)	65,129	23,881	-	24,655	104,809
Fund Balances, beginning of year	244,739	118,056	90,792	-	399,595	853,182
FUND BALANCES, end of year	<u>\$ 235,883</u>	<u>\$ 183,185</u>	<u>\$ 114,673</u>	<u>\$ -</u>	<u>\$ 424,250</u>	<u>\$ 957,991</u>

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, 2017**

	<u>Balance 7/1/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/17</u>
ASSETS				
Cash and investments	\$ 257,399	\$ 476,849	\$ 510,265	\$ 223,983
Account receivable	70	39	70	39
	<u>70</u>	<u>39</u>	<u>70</u>	<u>39</u>
Total Assets	<u>\$ 257,469</u>	<u>\$ 476,888</u>	<u>\$ 510,335</u>	<u>\$ 224,022</u>
LIABILITIES				
Due to student organizations	\$ 250,056	\$ 468,484	\$ 502,922	\$ 215,618
Accounts payable	7,413	8,404	7,413	8,404
	<u>7,413</u>	<u>8,404</u>	<u>7,413</u>	<u>8,404</u>
Total Liabilities	<u>\$ 257,469</u>	<u>\$ 476,888</u>	<u>\$ 510,335</u>	<u>\$ 224,022</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, 2017

Awarding Agency/Pass-Through Agency/Award Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Program of Award Amount	Accrued Receivable 7/1/2016	Expenditures Grantor	Revenues Grantor Reimbursements	Accrued Receivable 6/30/2017
U.S. DEPARTMENT OF EDUCATION							
State of Wisconsin							
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION							
Title 1 Cluster							
<u>Title 1 - Basic Grant</u>							
July 1, 2015 - June 30, 2016	84.010	17-402177-Title I-141	81,252	\$ 81,252	\$ -	\$ 81,252	\$ -
July 1, 2016 - June 30, 2017			90,506	-	89,000	-	89,000
<u>Title 1 - Milwaukee Public Schools</u>							
July 1, 2015 - June 30, 2016	84.010	N/A	-	3,903	-	3,903	-
July 1, 2016 - June 30, 2017			-	-	2,369	1,077	1,292
Total Title 1 Cluster				<u>85,155</u>	<u>91,369</u>	<u>86,232</u>	<u>90,292</u>
Special Education Cluster							
<u>IDEA Flow Through</u>							
July 1, 2015 - June 30, 2016	84.027	2017-402177-IDEA-341	214,342	214,342	-	214,342	-
July 1, 2016 - June 30, 2017			223,856	-	224,644	-	224,644
High Cost Special Education							
July 1, 2016 - June 30, 2017	84.027	2017-402177-IDEA-341	30,407	-	30,407	30,407	-
Total Special Education Cluster				<u>214,342</u>	<u>255,051</u>	<u>244,749</u>	<u>224,644</u>
Title IIIA Cluster							
<u>Title IIIA - English Language Acquisition</u>							
July 1, 2016 - June 30, 2017	84.365	17-402177-Title III A-391	1,926	-	1,926	1,926	-
<u>Title IIIA - Immigrant Children and Youth</u>							
July 1, 2015 - June 30, 2016	84.365	17-402177-Immigrant-371	14,981	13,722	-	13,722	-
July 1, 2016 - June 30, 2017			11,730	-	11,660	-	11,660
Total Title IIIA Cluster				<u>13,722</u>	<u>13,586</u>	<u>15,648</u>	<u>11,660</u>
<u>Carl Perkins</u>							
July 1, 2016 - June 30, 2017	84.048	2017-402177-CP-400	17,310	-	17,310	17,310	-
<u>Title II- A - Quality Teachers and Principals</u>							
July 1, 2015 - June 30, 2016	84.367	17-402177-Title II-365	25,655	1,581	-	1,581	-
July 1, 2016 - June 30, 2017			24,622	-	24,072	24,552	(480)
Total U.S. Department of Education				<u>314,800</u>	<u>401,388</u>	<u>390,072</u>	<u>326,116</u>
U.S. DEPARTMENT OF AGRICULTURE							
<u>School Milk</u>							
July 1, 2015 - June 30, 2016	10.556	2017-402177-SMP-548		1,467		1,467	
July 1, 2016 - June 30, 2017				-	5,531	4,311	1,220
Total U.S. Department of Agriculture				<u>1,467</u>	<u>5,531</u>	<u>5,778</u>	<u>1,220</u>
				<u>\$ 316,267</u>	<u>\$406,919</u>	<u>\$ 395,850</u>	<u>\$ 327,336</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, 2017

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Accrued Receivable 7/1/2016</u>	<u>Revenue/ Expenditures</u>	<u>Reimbursements</u>	<u>Accrued Receivable 6/30/2017</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Major Programs						
Entitlement Programs						
Equalization Aid	255.201	402177-116	\$ 7,615	\$ 275,207	\$ 275,650	\$ 7,172
Integration Aid - Non-resident	255.204	402177-106	-	673,615	673,615	-
Per Pupil Adjustment Aid	255.945	402177-113	162,450	270,250	432,700	-
Total Major Programs			<u>170,065</u>	<u>1,219,072</u>	<u>1,381,965</u>	<u>7,172</u>
Nonmajor Programs						
Handicapped Pupils and School Age Parents	255.101	402177-100	-	539,039	539,039	-
High Cost Special Education	255.101	402177-100	-	105,814	105,814	-
Library Fund	255.103	402177-104	-	53,337	53,337	-
Pupil Transportation	255.107	402177-102	-	32,421	32,421	-
Peer Review and Mentoring Grant	255.301	402177-141	-	7,710	-	7,710
Educator Effective Eval Sys Grants	255.940	402177-154	7,520	8,080	15,600	-
Career and Technical Education	255.950	402177-151	-	9,611	9,611	-
Robotics League Participation Grants	255.959	402177-167	-	2,403	-	2,403
Aid for Special Ed Transition Grant	255.960	402177-168	-	576	576	-
Total Nonmajor Programs			<u>7,520</u>	<u>758,991</u>	<u>756,398</u>	<u>10,113</u>
Other						
Medical Records	-	-	26	234	260	-
Exempt Computer Aid	-	-	174,377	213,908	174,377	213,908
Total Other			<u>174,403</u>	<u>214,142</u>	<u>174,637</u>	<u>213,908</u>
Total			<u>\$ 351,988</u>	<u>\$ 2,192,205</u>	<u>\$ 2,313,000</u>	<u>\$ 231,193</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, 2017

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 \$2,000,873 for the year ended June 30, 2017.

**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, 2017, 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 December 22, 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 2017-1**).

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

A handwritten signature in black ink that reads "Feld, Schumacher & Company, LLP". The signature is written in a cursive, flowing style.

West Allis, Wisconsin
December 22, 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, 2017. 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.

Basis for Qualified Opinion on Special Education

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding State Special Education Licensure Requirements (Finding **2017-002**). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the State Special Education Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the State Special Education Program for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal and State Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal and 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, 2017.

Other Matters

The District's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as **Finding 2017-002**, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questions costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
December 22, 2017

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

Section I: Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

State Awards

Internal control over major programs		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Type of auditor's report issued on compliance for major programs	Qualified	
Any audit findings disclosed that are required in accordance with the State Single Audit Guidelines	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Identification of major state programs

<u>State Identification Number</u>	<u>Name of State Program or Cluster</u>
255.201	General Equalization Aid
255.945	Per Pupil Adjustment Aid

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

Section II: Financial Statement Findings

Finding 2017-001:

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

Finding 2017-002: Employee without a valid license – Compliance and Internal Control

Criteria:	The Wisconsin Department of Public Instruction requires the salaries and benefits of all employees charged to this program have a valid license.
Condition:	Two employees did not have a special education license but still worked as a special education program aide. Procedures were not sufficient to prevent this error.
Questioned Costs:	Salary: \$48,935.59 Benefits: \$38,884.17 Total: \$87,819.76
Effect:	The district was in violation of DPI requirements for special education employees to be appropriately licensed. These costs may be disallowed.
Recommendation:	The District should implement procedures to ensure that all employees that are required to have a license currently have a valid license.
District's Response:	In 2013, the district implemented a corrective action plan, where the administrative assistant to the superintendent would add special education paraprofessional aides to their list of license reviews. The district will have the HR/Payroll Specialist perform an additional review of all special education licenses.

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

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	___ <u>X</u> ___ No	_____ N/A
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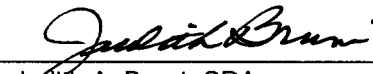
2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be 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?

	___ <u>X</u> ___ Yes	_____ No	_____ N/A
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4. Name and signature of partner

	 <hr style="border: 0; border-top: 1px solid black;"/> Judith A. Bruni, CPA
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5. Date of report

	<hr style="border: 0; border-top: 1px solid black;"/> December 22, 2017
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**NICOLET HIGH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
Year Ended June 30, 2017**

Financial Statement Findings

Finding 2017-001:

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.

Finding 2017-002:

Criteria -The Wisconsin Department of Public Instruction requires the salaries and benefits of all employees charged to this program have a valid license.

Condition - Two employees did not have a special education license but still worked as a special education program aide. Procedures were not sufficient to prevent this error.

Questioned Costs - Salary: \$48,935.59 Benefits: \$38,884.17 Total: \$87,819.76

Effect - The district was in violation of DPI requirements for special education employees to be appropriately licensed. These costs may be disallowed.

Recommendation - The District should implement procedures to ensure that all employees that are required to have a license currently have a valid license.

District's Response - In 2013, the district implemented a corrective action plan, where the administrative assistant to the superintendent would add special education paraprofessional aides to their list of license reviews. The district will have the HR/Payroll Specialist perform an additional review of all special education licenses

**NICOLET HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017**

Finding 2016-001:

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