

NICOLET HIGH SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

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, 2018, 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

Nicolet High School District's 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, 2018, and the respective changes in financial position, where applicable, and the respective budgetary comparisons for the General Fund and Special Education Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of 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 Supplemental Pension Plan, Schedule of Changes in OPEB Liability (Asset) Other Postemployment Benefits plan, Schedule of Total OPEB Liability (Asset) as Percentage of Covered-Employee Payroll Other Postemployment Benefits Plan, 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 November 28, 2018 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
November 28, 2018

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**



NICOLET HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2018

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

FINANCIAL HIGHLIGHTS

- The General Fund (Fund 10) fund balance decreased \$430,193 from \$6.85 million to \$6.42 million. The fund balance is 28.7% of the \$22.4 million Fund 10 expenditures for the 2017-2018 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, 2018.
- Capital assets have been reported at \$40.9 million and accumulated depreciation of \$19.6 million for a net capital asset value of \$21.3 million. The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$5,000. Independent physical inventories are conducted annually. Capital assets are assigned to an expense function and annual and accumulated depreciation for each expense function has been incorporated into the financial statements (see Note 3 in the Notes to the Financial Statements).
- The district follows GASB #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, 2018, a \$1,685,140 supplemental pension liability and a \$1,485,899 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 asset. As of June 30, 2018, a \$2,182,043 net pension asset is reported in the Statement of Net Position.
- The District's overall financial status, as reflected in total net position, increased by \$393,063.
- Financial activity resulted in an increase in fund balance in the Food Service Fund (Fund 50) of \$58,178. Revenues of \$1,003,051 exceeded expenditures of \$944,873 resulting in an ending fund balance of \$241,363.
- Financial activity resulted in an increase in fund balance in the Community Service Fund (Fund 80) of \$633. Revenues of \$957,127 exceeded expenditures of \$956,494. The fund balance in Fund 80 is \$115,306. 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 \$25.5 million. This amount includes \$19.1 million of local property taxes, \$1.1 million of general federal and state aids and \$1.5 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 2017-2018 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

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$ 10,440,537	\$ 10,994,043	(5.0)
Non-Current Assets	23,442,480	21,377,451	9.7
Deferred Outflows of Resources	<u>6,700,424</u>	<u>5,598,154</u>	19.7
Total Assets & Deferred Outflows	<u>\$ 40,583,441</u>	<u>\$ 37,969,648</u>	6.9
<u>Liabilities</u>			
Current Liabilities	\$ 2,899,242	\$ 3,128,556	(7.3)
Non-Current Liabilities	8,134,707	9,927,608	(18.1)
Deferred Inflows of Resources	<u>6,756,127</u>	<u>2,513,182</u>	168.8
Total Liabilities & Deferred Inflows	<u>\$ 17,790,076</u>	<u>\$ 15,569,346</u>	14.3
<u>Net Position</u>			
Invested in Capital, Net of Related Debt	\$ 15,580,084	\$ 15,081,439	3.3
Restricted	1,829,739	1,566,502	16.8
Unrestricted	<u>5,383,542</u>	<u>5,752,361</u>	(6.4)
Total Net Position	<u>\$ 22,793,365</u>	<u>\$ 22,400,302</u>	1.8

As of June 30, 2018, the District reported total assets and deferred outflows of \$40.6 million and total liabilities and deferred inflows of \$17.8 million. Net position amounts to \$22.8 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**

		<u>Actual 2017-2018</u>	<u>%</u>	<u>Actual 2016-2017</u>	<u>%</u>
<u>Revenues:</u>					
Program	Charges for Services	\$ 3,158,351	12.4	\$ 3,054,475	12.0
	Operating Grants & Cont.	1,525,312	6.0	1,797,621	7.1
General	Property & Other Taxes	19,100,188	75.0	18,896,023	74.5
	General Federal and State Aids	1,118,093	4.4	958,021	3.8
	Gifts	212,979	0.8	114,622	0.5
	Other	<u>360,885</u>	<u>1.4</u>	<u>541,543</u>	<u>2.1</u>
	Total Revenue	<u>\$ 25,475,808</u>	<u>100.0</u>	<u>\$ 25,362,305</u>	<u>100.0</u>

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

	Actual 2017-2018	%	Actual 2016-2017	%
<u>Expenses:</u>				
Instruction	\$ 12,118,899	48.3	\$ 11,440,654	48.1
Buildings and Grounds	3,709,808	14.8	3,064,843	12.9
Pupil/Instructional Services	2,465,722	9.9	2,364,009	9.9
Administration	1,976,191	7.9	2,247,812	9.4
Pupil Transportation	1,565,553	6.2	1,457,566	6.1
Other Support	1,354,103	5.4	1,256,724	5.3
Food Service	938,461	3.7	1,013,331	4.3
Community Service	954,008	3.8	948,421	4.0
Total Expense	\$ 25,082,745	100.0	\$ 23,793,360	100.0
Change in Net Position	\$ 393,063		\$ 1,568,945	

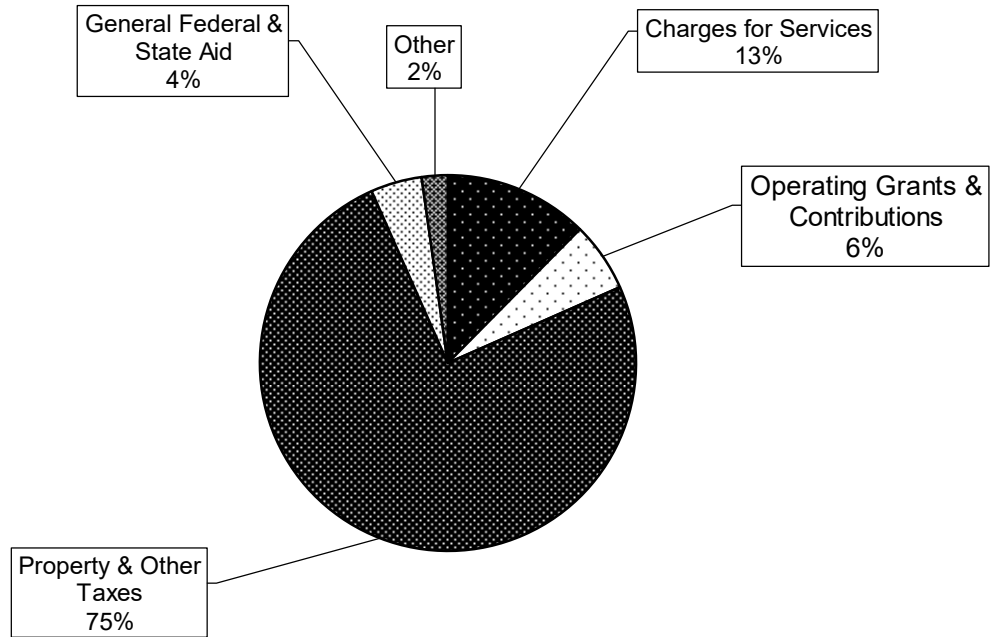
Revenues

- The District received \$25.5 million in revenue for the 2017-2018 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 \$3.2 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 \$1.5 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 \$19.1 million and general state and federal aids for \$1.1 million.

Expenses

- The District's total expenditure amount was \$25.1 million for fiscal year 2017-2018. 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

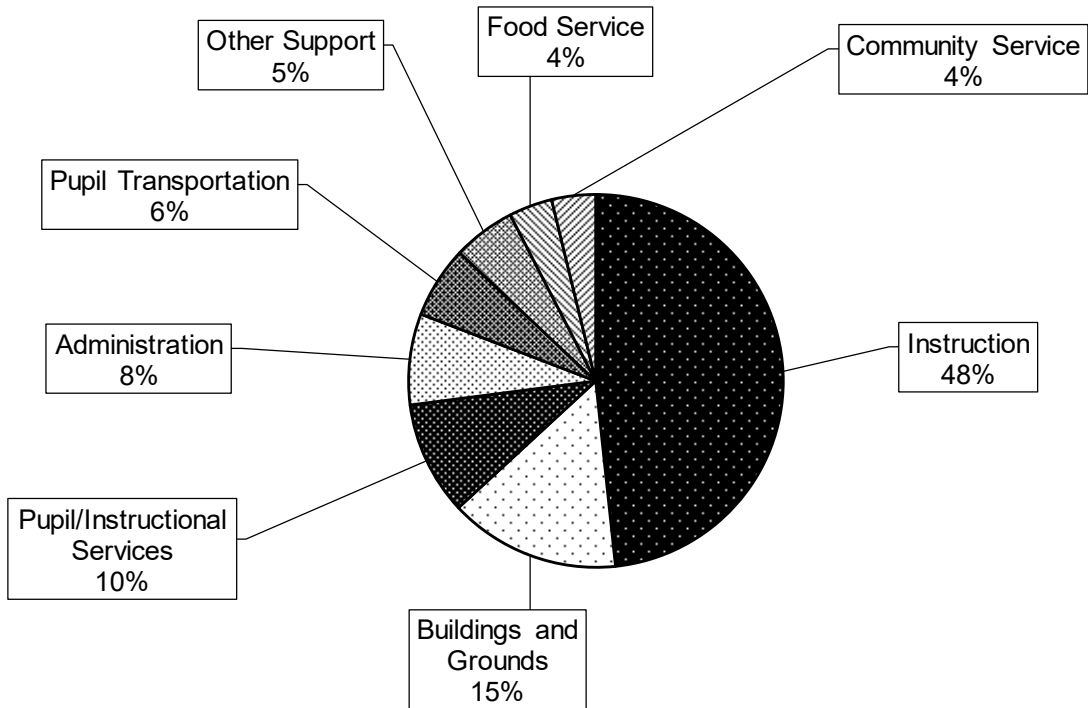


Table 4 - Net Cost of Governmental Activities

	2018		2017	
	<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	\$ 12,118,899	\$ 9,451,476	\$ 11,440,654	\$ 8,729,576
Pupil/Instructional Services	2,465,722	2,240,158	2,364,009	2,080,396
Buildings and Grounds	3,709,808	3,709,315	3,064,843	3,064,843
Administration	1,976,191	1,976,191	2,247,812	2,242,280
Pupil Transportation	1,565,553	1,530,572	1,457,566	1,423,851
Other Support	1,354,103	1,288,615	1,256,724	1,193,453
Food Service	938,461	(64,590)	1,013,331	(65,589)
Community Service	954,008	267,345	948,421	272,454
Total	<u>\$ 25,082,745</u>	<u>\$ 20,399,082</u>	<u>\$ 23,793,360</u>	<u>\$ 18,941,264</u>

- The net cost of governmental activities was \$20.4 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 \$54,049. Actual results for 2017-2018 show a decrease of \$430,193 to the fund balance. The unfavorable variance is due primarily to unexpected legal expenses and unexpected capital improvement projects.

Fund Balances

- The District shows a total for all fund balances of \$8.4 million as of June 30, 2018. (See Note 11 in the financial statements for the detail of total governmental fund balances).
- \$6.4 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.
- \$241,363 is in the Food Service Fund (Fund 50), and is used for food service equipment replacements.
- The District had a \$115,306 fund balance in the Community Service Fund (Fund 80) at June 30, 2018.
- The remaining amounts are the balance of the Gift Fund (Fund 21) in the amount of \$257,559 and the Debt Service Fund in the amount of \$593,296. Fund 21 reflects the balance of awards and donations to the District unspent by June 30, 2018.

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, 2018 the District had \$5.7 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 is fundraising to partially fund the District's athletic site plan. The updated site plan includes redevelopment of the football/soccer field, tennis courts, baseball/softball diamonds, and practice fields. The fundraising goal, when combined with the proceeds from the sale of District property east of Interstate 43, will fund the construction related to the athletic upgrades.

The 2017-19 State of Wisconsin biennial budget provided for an increase of \$204 per student in 2018-19, the largest K-12 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 per pupil 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 Pruefer, Director of Business Services
Maryann Newenhouse, District Accountant
Nicolet High School District
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Glendale, WI 53217

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BASIC FINANCIAL STATEMENTS

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018**

ASSETS

Current Assets

Cash and investments	\$ 7,483,671
Taxes receivable	2,016,409
Accounts receivable	64,978
Due from fiduciary fund	331,307
Due from other governments	476,055
Inventories	46,901
Prepaid expenses	21,216
Total Current Assets	10,440,537

Noncurrent Assets

Capital assets	40,867,063
Less: Accumulated depreciation	(19,606,626)
Net Capital Assets	21,260,437
Net WRS Pension Asset	2,182,043
Total Non-current Assets	23,442,480
Total Assets	33,883,017

Deferred Outflows of Resources

Deferred outflows of resources from WRS pension	5,987,394
Deferred outflows of resources from supplemental pension	197,319
Deferred outflows of resources from OPEB	515,711
Total Deferred Outflows of Resources	6,700,424

Total Assets and Deferred Outflows of Resources **\$ 40,583,441**

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$ 1,952,130
Current portion of deferred debt premium	3,797
Current portion of long-term obligations	779,998
Due to fiduciary fund	21,661
Due to other governments	695
Other current liabilities	140,961
Total Current Liabilities	2,899,242

Noncurrent Liabilities

Net supplemental pension liability	1,685,140
Net OPEB liability	1,485,899
Noncurrent portion of deferred debt premium	17,400
Noncurrent portion of long-term obligations	4,946,268
Total Non-current Liabilities	8,134,707

Total Liabilities **11,033,949**

Deferred Inflows of Resources

Deferred inflows of resources from WRS pension	6,663,451
Deferred inflows of resources from OPEB	92,676
	6,756,127

Total Liabilities and Deferred Inflows of Resources **17,790,076**

NET POSITION

Net investment in capital assets	15,580,084
Restricted	1,829,739
Unrestricted	5,383,542
Total Net Position	22,793,365
Total Liabilities, Deferred Inflows and Net Position	\$ 40,583,441

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

<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	\$ 8,150,613	\$ 1,126,768	\$ 572,762	\$ (6,451,083)
Physical	497,838	70,368	-	(427,470)
Vocational	812,942	120,695	-	(692,247)
Special education	1,873,299	-	677,110	(1,196,189)
Other	784,207	99,720	-	(684,487)
Total Instruction	<u>12,118,899</u>	<u>1,417,551</u>	<u>1,249,872</u>	<u>(9,451,476)</u>
Support Services				
Pupil services	1,184,564	-	5,339	(1,179,225)
Instructional support services	1,281,158	-	220,225	(1,060,933)
Administration	1,976,191	-	-	(1,976,191)
Buildings and grounds	3,709,808	-	493	(3,709,315)
Pupil transportation	1,565,553	-	34,981	(1,530,572)
Other support services	1,187,317	-	4,315	(1,183,002)
Interest and fees	166,786	61,173	-	(105,613)
Food service	938,461	992,964	10,087	64,590
Total Support Services	<u>12,009,838</u>	<u>1,054,137</u>	<u>275,440</u>	<u>(10,680,261)</u>
Community Service	<u>954,008</u>	<u>686,663</u>	<u>-</u>	<u>(267,345)</u>
Total Activities	<u>\$ 25,082,745</u>	<u>\$ 3,158,351</u>	<u>\$ 1,525,312</u>	<u>(20,399,082)</u>
General Revenues				
Taxes				
Property taxes				
General purposes				17,990,955
Debt service				853,778
Community Service				255,455
Federal and State aids not restricted to specific functions				1,118,093
Gifts				212,979
Investment income				15,644
Miscellaneous				337,041
Total General Revenues				<u>20,783,945</u>
Other Revenue (Expenses)				
Gain on sale of capital assets				<u>8,200</u>
Change in Net Position				<u>393,063</u>
Net Position, beginning of year, as restated				<u>22,400,302</u>
NET POSITION, end of year				<u>\$ 22,793,365</u>

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 5,504,421	\$ 783,331	\$ 1,195,919	\$ 7,483,671
Taxes receivable	2,016,409	-	-	2,016,409
Accounts receivable	10,013	-	54,966	64,979
Due from other funds	330,103	-	1,203	331,306
Due from other governments	474,483	-	1,572	476,055
Inventories	46,901	-	-	46,901
Prepaid expenses	1,224	-	19,992	21,216
	Total Assets	\$ 783,331	\$ 1,273,652	\$ 10,440,537
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 596,507	\$ -	\$ 14,893	\$ 611,400
Accrued salaries and wages	1,028,406	-	-	1,028,406
Payroll taxes and withholdings	312,324	-	-	312,324
Due to other funds	21,661	-	-	21,661
Due to other governments	695	-	-	695
Other current liabilities	2,107	-	51,235	53,342
	Total Liabilities	-	66,128	2,027,828
Fund Balances				
Nonspendable	48,125	-	19,992	68,117
Restricted	5,306	783,331	1,041,102	1,829,739
Assigned	32,600	-	146,430	179,030
Unassigned	6,335,823	-	-	6,335,823
	Total Fund Balances	783,331	1,207,524	8,412,709
	Total Liabilities and Fund Balances	\$ 783,331	\$ 1,273,652	

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.	21,225,437
The District's proportionate share net pension and OPEB assets(liabilities) as well as pension and OPEB related deferred outflows and deferred inflows of resources are recognized in the government-wide statements.	(1,044,699)
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.	(5,800,082)
Net Position of Governmental Activities	\$ 22,793,365

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, 2018

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local	\$ 18,632,212	\$ 1,942	\$ 2,933,718	\$ 21,567,872
Interdistrict	725,301	-	403,448	1,128,749
Intermediate	30,068	-	-	30,068
State	2,262,603	-	-	2,262,603
Federal	340,648	-	10,087	350,735
Other	56,777	-	70,806	127,583
Total Revenues	22,047,609	1,942	3,418,059	25,467,610
Expenditures				
Instruction				
Regular	8,126,860	-	7,323	8,134,183
Physical	507,535	-	1,461	508,996
Special education	1,836,814	-	-	1,836,814
Vocational	870,518	-	8,911	879,429
Other	719,234	-	113,359	832,593
Total Instruction	12,060,961	-	131,054	12,192,015
Support Services				
Pupil services	1,180,984	-	1,884	1,182,868
Instructional support services	1,293,181	-	479	1,293,660
Administration	2,630,573	-	-	2,630,573
Buildings and grounds	2,928,535	23,877	7,603	2,960,015
Pupil transportation	1,064,362	-	501,192	1,565,554
Other support services	1,179,492	-	-	1,179,492
Debt service				
Principal	35,659	-	580,000	615,659
Interest and fees	7,363	-	165,905	173,268
Food service	-	-	937,807	937,807
Total Support Services	10,320,149	23,877	2,194,870	12,538,896
Community Services	-	-	956,494	956,494
Total Expenditures	22,381,110	23,877	3,282,418	25,687,405
Excess (deficiency) of revenue over expenditures	(333,501)	(21,935)	135,641	(219,795)
Other Financing Sources (Uses)				
Proceeds on sale of fixed assets	37,200	6,000	-	43,200
Transfers (to) from other funds	(133,892)	20,000	113,892	-
Net Change in Fund Balances	(430,193)	4,065	249,533	(176,595)
Fund Balances, beginning of year	6,852,047	779,266	957,991	8,589,304
FUND BALANCES, end of year	\$ 6,421,854	\$ 783,331	\$ 1,207,524	\$ 8,412,709

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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (176,595)

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	\$ 912,313	
Depreciation expense reported in the Statement of Activities	(1,029,327)	
Proceeds from disposal of fixed assets	(43,200)	
Gain (loss) on disposal of fixed assets	<u>8,200</u>	(152,014)

Net difference between OPEB and pension system contributions recognized in the fund statement of revenues, expenditures, and changes in fund balances and the statement of activities. 96,386

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 615,659

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. 3,798

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. 5,829

Change in Net Position \$ 393,063

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018**

	Agency	Employee Benefit Trust
ASSETS		
Cash and investments	\$ 187,858	\$ 3,422,676
Due from other funds	-	21,661
	Total Assets	\$ 3,444,337
	\$ 187,858	\$ 3,444,337
LIABILITIES		
Due to student groups	\$ 178,170	\$ -
Due to other funds	-	331,306
Accounts payable	9,688	-
	Total Liabilities	331,306
	187,858	331,306
NET POSITION		
Restricted	-	3,113,031
	Total Net Position	3,113,031
	-	3,113,031
Total Liabilities and Net Position	\$ 187,858	\$ 3,444,337

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, 2018**

	<u>Employee Benefit Trust Post- employment Benefits</u>
Additions	
Contributions	\$ 537,372
Investment earnings	75,607
Unrealized gain on investments	<u>168,170</u>
	<u>781,149</u>
Deductions	
Administrative fees	19,900
Other postretirement benefits	<u>331,307</u>
	<u>351,207</u>
CHANGE IN NET POSITION	429,942
Net Position, beginning of year	<u>2,683,089</u>
NET POSITION, end of year	<u><u>\$ 3,113,031</u></u>

See accompanying notes to the financial statements.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 2018**

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, 2018**

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, 2018**

Note 1 - Summary of Significant Accounting Policies (continued)

C. BASIS OF ACCOUNTING

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 - 2017 tax roll:

Lien date and levy date	October, 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	March 31, 2018
Third installment due	May 31, 2018
Personal property taxes in full	January 31, 2018

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, 2018**

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, 2018**

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, 2018**

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 pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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, 2018 the district had \$21,197 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, 2018**

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, 2018**

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, 2018 \$7,576,102 of the District's deposits are uninsured. The District's bank also has pledged collateral of \$10,872,983 as of June 30, 2018.

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, 2018**

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, 2018 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	\$ 108,672	\$ 108,672	\$ -
Investment Series	Amortized Cost	42,799	42,799	-
Savings Deposit Account	Cost	212,681	212,681	-
Certificate of Deposit	Cost	121,742	121,742	-
Local Government Investment Pool	Amortized Cost	1,075	1,075	-
OPEB Trust (Note 8) - Associated Trust Company	Fair Value - Level 2	3,422,676	3,422,676	-
		<u>\$ 3,909,645</u>	<u>\$ 3,909,645</u>	<u>\$ -</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, 2018**

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
Capital assets not being depreciated				
Sites	\$ 325,000	\$ -	\$ -	\$ 325,000
Construction in Progress	151,000	209,536	(151,000)	209,536
Total Capital Assets Not Being Depreciated	<u>476,000</u>	<u>209,536</u>	<u>(151,000)</u>	<u>534,536</u>
Capital assets being depreciated				
Land improvements	2,707,192	25,806	-	2,732,998
Buildings	32,062,645	462,768	-	32,525,413
Equipment and Furnishings	4,777,125	365,203	(68,212)	5,074,116
Total Capital Assets Being Depreciated	<u>39,546,962</u>	<u>853,777</u>	<u>(68,212)</u>	<u>40,332,527</u>
Total Capital Assets	<u>40,022,962</u>	<u>1,063,313</u>	<u>(219,212)</u>	<u>40,867,063</u>
Less: Accumulated depreciation for				
Land improvements	1,116,431	115,020	-	1,231,451
Buildings	13,561,607	718,705	-	14,280,312
Equipment	3,967,473	195,602	(68,212)	4,094,863
Total Accumulated Depreciation	<u>18,645,511</u>	<u>1,029,327</u>	<u>(68,212)</u>	<u>19,606,626</u>
Net Capital Assets	<u>\$ 21,377,451</u>	<u>\$ 33,986</u>	<u>\$ (151,000)</u>	<u>\$ 21,260,437</u>

Depreciation expense was charged to functions as follows:

Instruction		
Regular		\$ 112,896
Vocational		8,912
Physical		600
Special Education		1,126
Support Services		
Instructional support services		2,099
Administration		23,709
Building and grounds		857,362
Food services		653
Other support services		<u>21,970</u>
		<u>\$ 1,029,327</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 2018 is as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2018</u>
Tax and Revenue Anticipation Note	1/16/2018	4.0%	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>

Total short-term interest paid and expended during the year was \$1,389.

Note 5 – Long-Term Obligations

A. Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2018</u>	<u>Due Within One Year</u>
General obligation bonds and notes payable	\$ 6,215,000	\$ -	\$ 580,000	\$ 5,635,000	\$ 695,000
Capital leases	<u>81,012</u>	<u>-</u>	<u>35,659</u>	<u>45,353</u>	<u>39,085</u>
	<u>6,296,012</u>	<u>-</u>	<u>615,659</u>	<u>5,680,353</u>	<u>734,085</u>
Other Liabilities:					
Accrued compensated absences vacation and sick leave	<u>49,062</u>	<u>17,462</u>	<u>20,611</u>	<u>45,913</u>	<u>45,913</u>
Totals	<u>\$ 6,345,074</u>	<u>\$ 17,462</u>	<u>\$ 636,270</u>	<u>\$ 5,726,266</u>	<u>\$ 779,998</u>

Total long-term interest paid and expended during the year was \$165,905 and \$163,222, 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 6/30/2018</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	785,000
Promissory Note	7/15/2014	3/1/2024	1.05-3.00%	3,665,000	2,115,000
Refunding Bond	11/1/2016	3/1/2022	1.10-1.55%	1,715,000	<u>1,225,000</u>
Total General Obligation Debt					<u>\$ 5,635,000</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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>
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
2023	350,000	89,852	439,852
2024	2,175,000	49,135	2,224,135
Totals	<u>\$ 5,635,000</u>	<u>\$ 667,975</u>	<u>\$ 6,302,975</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 \$61,173 during 2018.

E. The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$4,030,134,100. The legal debt limit and margin of indebtedness as of June 30, 2018 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (5% of \$4,030,134,100)	\$ 201,506,705
Deduct: Long-term debt applicable to debt margin	<u>5,635,000</u>
Margin of indebtedness	<u>\$ 195,871,705</u>

F. The District has financed office equipment under capital leases with an original cost of \$142,141 as of June 30, 2018. 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, 2018:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 41,633
2020	6,006
2021	<u>472</u>
Subtotal	48,111
Less: Amounts representing interest	<u>2,758</u>
Present value of minimum lease payments	<u>\$ 45,353</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://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 and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016, are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefits. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

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)
2017	2.0	4.0

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 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 \$747,234 in contributions from the District.

Contribution rates as of June 30, 2018 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the Nicolet High School District reported a liability (asset) of (\$2,182,043) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017, the Nicolet High School District's proportion was 0.0735%, which was an increase of .0006% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Nicolet High School District recognized pension expense of \$933,056.

At June 30, 2018, 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	\$ 2,772,340	\$ 1,296,809
Changes in assumptions	431,129	-
Net differences between projected and actual earnings on pension plan investments	2,335,420	5,334,436
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	32,206
Employer contributions subsequent to the measurement date	448,505	-
Total	\$ 5,987,394	\$ 6,663,451

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 6 - WRS Pension Plan (continued)

\$448,505 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2018	\$ 2,215,197	\$ 1,992,563
2019	\$ 1,959,943	\$ 1,990,081
2020	\$ 703,040	\$ 1,456,770
2021	\$ 655,474	\$ 1,224,019
Thereafter	\$ 5,235	\$ 18

Actuarial assumptions. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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, 2018**

Note 6 - Pension Plans (continued)

Asset Allocation Targets and Expected Returns

As of December 31, 2017

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

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

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

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.31%. 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, 2018**

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)	\$5,645,692	(\$2,182,043)	(\$8,131,365)

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

Note 7- Supplemental Pension Plan

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

There are 59 active and 28 retired employees in the plan as of June 30, 2016, 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, 2018, the Nicolet High School District reported a liability of \$1,685,140 for its supplemental pension liability (asset). The supplemental pension liability (asset) was measured as of June 30, 2018, 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, 2018. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.5%) as of the measurement date in order to be compliant with GASB 73. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2016.

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, 2018, the Nicolet High School District recognized pension expense of \$99,993. 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, 2018**

Note 7- Supplemental Pension Plan (continued)

At June 30, 2018, 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	\$ 197,319

At June 30, 2018, 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 – 3.5% Municipal bond rate – 3.5% 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 3.5% 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 3.5 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 (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Nicolet High School District's net administrators pension liability (asset)	\$1,753,494	\$1,685,140	\$1,619,116

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 8 - Other Postemployment Benefits

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, 2018, the Nicolet High School District reported a liability of \$1,485,899 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 \$3,422,676 of invested plan assets accumulated for payment of future benefits. For the year ended June 30, 2018 the District contributed \$515,711 to the Trust. Plan member contributions were \$21,661.

At June 30, 2018, the Nicolet High School District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 515,711	\$ 92,676

Deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Inflows of Resources
2018	\$ 23,169
2019	\$ 23,169
2020	\$ 23,169
2021	\$ 23,169
Thereafter	\$ -

For the year ended June 30, 2018, the Nicolet High School District recognized OPEB expense of \$259,196. The pension expense is made up of certain changes in the total pension liability and amortization of deferred outflows.

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 8 - Other Postemployment Benefits (continued)

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
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	\$4,875,092	\$4,598,930	\$4,340,086
Fiduciary Net Position	3,113,031	3,113,031	3,113,031
Net OPEB liability (asset)	\$1,762,061	\$1,485,899	\$1,227,055

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 8 - Other Postemployment Benefits (continued)

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	\$4,283,310	\$4,598,930	\$4,951,271
Fiduciary Net Position	3,113,031	3,113,031	3,113,031
Net OPEB Liability	\$1,170,279	\$1,485,899	\$1,838,240

Note 9 - Lease Agreements, as Lessee

The District has entered into lease agreements for vehicles with terms expiring through February, 2023. The District is obligated to make future minimum lease payments as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 47,880
2020	38,960
2021	26,472
2022	25,494
2023	<u>8,166</u>
	<u>\$ 146,972</u>

Lease expense was \$58,089 for the year ended June 30, 2018.

Note 10 - Governmental Activities Net Position

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2018 includes the following:

Governmental Activities

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 21,260,437
Less: related long-term debt outstanding	<u>5,680,353</u>
Total Net Investment in Capital Assets	15,580,084
Restricted	1,829,739
Unrestricted	<u>5,383,542</u>
Total Governmental Activities Net Position	<u>\$ 22,793,365</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 11 - Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at June 30, 2018 include the following:

Nonspendable

Inventories and prepaid expenses:

General Fund	\$ 48,125
Community Service	19,992
Total Nonspendable Fund Balance	68,117

Restricted

General Fund	5,306
Capital Projects	783,331
Gift	111,129
Food Service	241,363
Community Service	95,314
Debt Service	593,296
Total Restricted Fund Balance	1,829,739

Assigned

Fund 10 funds for Theatre Props	32,600
Fund 21 funds for improvements to the gym and weight room	146,430
Total Assigned Fund Balance	179,030

Unassigned

Total Governmental Fund Balances	\$ 8,412,709
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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	\$ 21,260,437
Deferred revenue, escrow funds received on future sale of land	(35,000)
Combined Adjustment	\$ 21,225,437

The District's proportionate share of pension and OPEB liabilities (assets) and related deferred outflows and deferred inflows of resources that are recognized in the government-wide statements include:

Net WRS pension asset	\$ 2,182,043
Net supplemental pension liability	(1,685,140)
Net OPEB liability	(1,485,899)
Deferred outflows of resources from WRS pension	5,987,394
Deferred outflows of resources from supplemental pension	197,319
Deferred outflows of resources from OPEB	515,711
Deferred inflows of resources from WRS pension	(6,663,451)
Deferred inflows of resources from OPEB	(92,676)
Combined Adjustment	\$ (1,044,699)

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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

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

General obligation bonds and notes payable	\$ (5,635,000)
Capital leases	(45,353)
Net deferred debt premium	(21,197)
Accrued compensated absences	(45,913)
Accrued interest on long-term obligations	<u>(52,619)</u>
Combined Adjustment	<u>\$ (5,800,082)</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	\$ 912,313
Depreciation expense	(1,029,327)
Proceeds from disposal of fixed assets	(43,200)
Gain on disposal of fixed assets	<u>8,200</u>
Combined Adjustment	<u>\$ (152,014)</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(liability), deferred outflows and deferred inflows. The adjustment is a combination of the following items:

Employer WRS Contributions	\$ 747,234
WRS pension expense adjustment	(1,008,892)
Supplemental pension benefits paid	213,318
Supplemental pension expense adjustment	(99,993)
OPEB benefits paid	503,915
OPEB expense adjustment	<u>(259,196)</u>
Combined Adjustment	<u>\$ 96,386</u>

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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:

Principal payments on long-term debt and capital leases	<u>\$ 615,659</u>
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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>\$ 3,798</u>
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported when the liability is incurred. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of the following items:

Compensated absences	\$ 3,149
Accrued interest	<u>2,680</u>
Combined Adjustment	<u>\$ 5,829</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.

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

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

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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, 2018 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	\$ 330,103	\$ 21,661
Food Service Fund	799	-
Community Service Fund	404	-
Total Governmental Activities	331,306	21,661
Fiduciary Funds		
Employee Benefit Trust	21,661	331,306
Total Fiduciary Funds	21,661	331,306
Total	\$ 352,967	\$ 352,967

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.

Fund Transferred To	Fund Transferred From	Amount
Transportation Services Fund	General Fund	\$ 113,892
Capital Projects Fund	General Fund	20,000
Total - Fund Financial Statements		133,892
Less: Eliminations		(133,892)
Total Transfers - Government-Wide Statement of Activities		\$ -

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

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

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, November 28, 2018.

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. 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. 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 GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in April 2018. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of the related statement are effective for financial statement periods beginning after June 15, 2018.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of the related Statement are effective for financial statement periods beginning after June 15, 2018.

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, 2018

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
Local	\$ 18,734,151	\$ 18,533,400	\$ 18,632,212	\$ 98,812
Interdistrict	658,074	658,074	725,301	67,227
Intermediate	17,793	17,793	17,826	33
State	1,650,522	1,705,301	1,730,883	25,582
Federal	123,874	117,975	109,715	(8,260)
Other	15,000	15,000	56,531	41,531
Total Revenues	<u>21,199,414</u>	<u>21,047,543</u>	<u>21,272,468</u>	<u>224,925</u>
Expenditures				
Instruction				
Regular	7,751,966	7,757,699	8,126,860	(369,161)
Physical	513,697	513,697	507,535	6,162
Vocational	850,648	850,648	870,518	(19,870)
Other	764,645	795,699	719,234	76,465
Total Instruction	<u>9,880,956</u>	<u>9,917,743</u>	<u>10,224,147</u>	<u>(306,404)</u>
Support Services				
Pupil services	768,947	768,947	932,442	(163,495)
Instructional support services	939,830	939,830	1,048,901	(109,071)
Administration	2,867,064	2,867,064	2,630,573	236,491
Buildings and grounds	2,524,922	2,524,922	2,921,117	(396,195)
Pupil transportation	920,799	920,799	848,483	72,316
Other support services	984,231	984,231	1,176,147	(191,916)
Debt service	47,734	47,734	43,022	4,712
Total Support Services	<u>9,053,527</u>	<u>9,053,527</u>	<u>9,600,685</u>	<u>(547,158)</u>
Total Expenditures	<u>18,934,483</u>	<u>18,971,270</u>	<u>19,824,832</u>	<u>(853,562)</u>
Excess of revenues over expenditures	2,264,931	2,076,273	1,447,636	(628,637)
Other Financing Sources (Uses)				
Proceeds on sale of fixed assets	200	200	37,200	37,000
Transfers to other funds	(2,138,824)	(2,022,424)	(1,915,029)	107,395
Net Change in Fund Balances	126,307	54,049	(430,193)	(484,242)
Fund Balances, beginning of year	<u>6,852,047</u>	<u>6,852,047</u>	<u>6,852,047</u>	<u>-</u>
FUND BALANCES, end of year	<u><u>\$ 6,978,354</u></u>	<u><u>\$ 6,906,096</u></u>	<u><u>\$ 6,421,854</u></u>	<u><u>\$ (484,242)</u></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, 2018

	Budget		Actual	Variance
	Original	Final		with Final Budget
Revenues				
Intermediate	\$ 26,734	\$ 26,734	\$ 12,242	\$ (14,492)
State	673,983	673,983	531,720	(142,263)
Federal	248,057	250,610	230,933	(19,677)
Other	-	-	246	246
Total Revenues	<u>948,774</u>	<u>951,327</u>	<u>775,141</u>	<u>(176,186)</u>
Expenditures				
Instruction				
Special education	2,100,693	2,103,246	1,836,814	266,432
Other	700	700	-	700
Total Instruction	<u>2,101,393</u>	<u>2,103,946</u>	<u>1,836,814</u>	<u>267,132</u>
Support Services				
Pupil services	304,247	304,247	248,542	55,705
Instructional support services	253,531	253,531	244,280	9,251
Buildings and grounds	7,100	7,100	7,418	(318)
Pupil transportation	286,400	170,000	215,879	(45,879)
Other support services	2,000	2,000	3,345	(1,345)
Total Support Services	<u>853,278</u>	<u>736,878</u>	<u>719,464</u>	<u>17,414</u>
Total Expenditures	<u>2,954,671</u>	<u>2,840,824</u>	<u>2,556,278</u>	<u>284,546</u>
Deficiency of revenues over expenditures	(2,005,897)	(1,889,497)	(1,781,137)	108,360
Other Financing Uses				
Transfers from other funds	<u>2,005,897</u>	<u>1,889,497</u>	<u>1,781,137</u>	<u>(108,360)</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)**

	2018	2017	2016	2015
Nicolet High School District's proportion of the net pension liability (asset)	.0735%	.0728%	0.0721%	0.0714%
Nicolet High School District's proportionate share of the net pension liability (asset)	(\$2,182,043)	\$600,095	\$1,172,095	\$(1,753,792)
Nicolet High School District's covered-employee payroll	\$10,988,732	\$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	(19.86%)	5.65%	11.32%	(17.41%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.93%	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)**

	2018	2017	2016	2015
Contractually required contributions	\$747,234	\$702,205	\$703,849	\$705,246
Contributions in relation to the contractually required contributions	\$747,234	\$702,205	\$703,849	\$705,246
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Nicolet High School District's covered-employee payroll	\$10,988,732	\$10,616,106	\$10,350,720	\$10,074,890
Contributions as a percentage of covered-employee payroll	6.8%	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)**

	2017	2016
Total Pension Liability, beginning of year	\$ 1,814,464	\$ 1,936,686
Changes for the year:		
Service Cost	65,675	65,675
Interest	52,219	55,436
Changes of assumptions or other input	(33,900)	-
Benefit payments	(213,318)	(243,333)
Net Changes	(129,324)	(122,222)
Total Pension Liability, end of year	\$ 1,685,140	\$ 1,814,464

(See Notes 7 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)**

	<u>2017</u>	<u>2016</u>
Total pension liability (asset)	\$ 1,685,140	\$ 1,814,464
Covered-employee payroll	\$ 5,076,366	\$ 5,076,366
Total Pension liability (asset) as a percentage of the covered-employee payroll	33.20%	35.74%

(See Notes 7 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)**

	<u>2017</u>	<u>2016</u>
<u>Total OPEB Liability</u>		
Total OPEB liability - beginning	\$ 4,494,587	\$ 4,436,931
Changes for the year:		
Service Cost	144,765	144,765
Interest	264,860	260,141
Benefit payments	(305,282)	(347,250)
Administrative expense		
Net Changes	<u>104,343</u>	<u>57,656</u>
Total OPEB liability - ending (a)	<u>\$ 4,598,930</u>	<u>\$ 4,494,587</u>
<u>Fiduciary Net Position</u>		
Fiduciary net position - beginning	\$ 2,245,024	\$ 2,070,582
Changes for the year:		
Contributions - Employer	503,915	510,868
Net Investment Income	256,008	24,923
Benefit payments	(305,282)	(347,250)
Administrative expense	<u>(16,576)</u>	<u>(14,099)</u>
Net Changes	<u>438,065</u>	<u>174,442</u>
Fiduciary net position - ending (b)	<u>\$ 2,683,089</u>	<u>\$ 2,245,024</u>
<u>Net OPEB Liability</u>		
Net OPEB liability - ending (a) - (b)	<u>\$ 1,915,841</u>	<u>\$ 2,249,563</u>

(See Notes 8 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)**

	<u>2017</u>	<u>2016</u>
Net OPEB liability (asset)	\$ 1,915,841	\$ 2,249,563
Covered-employee payroll	\$ 5,749,481	\$ 5,749,481
Total OPEB liability (asset) as a percentage of the covered-employee payroll	33.32%	39.13%

(See Notes 8 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>
2018	8.35%
2017	10.68%

(See Notes 8 and Notes to Required Supplementary Information)

**NICOLET HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018**

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, 2018.

Fund - Function	Excess Expenditures
General Fund	
Regular instruction	\$ 369,161
Vocational instruction	\$ 19,870
Pupil services	\$ 163,495
Instructional support services	\$ 109,071
Buildings and grounds	\$ 396,195
Other support services	\$ 191,916
Special Education Fund	
Buildings and grounds	\$ 318
Pupil transportation	\$ 45,879
Other support services	\$ 1,345

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. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.5%) as of the measurement date in order to be compliant with GASB 73. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2016.

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, 2018**

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Gift Fund	Food Service	Community Service	Transportation Services		
ASSETS						
Cash and investments	\$ 206,776	\$ 236,596	\$ 159,251	\$ -	\$ 593,296	\$ 1,195,919
Accounts receivable	51,205	3,761	-	-	-	54,966
Due from other funds	-	799	404	-	-	1,203
Due from other governments	-	1,572	-	-	-	1,572
Prepaid expenses	-	-	19,992	-	-	19,992
Total Assets	\$ 257,981	\$ 242,728	\$ 179,647	\$ -	\$ 593,296	\$ 1,273,652
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 422	\$ 1,365	\$ 13,106	\$ -	\$ -	\$ 14,893
Other current liabilities	-	-	51,235	-	-	51,235
Total Liabilities	422	1,365	64,341	-	-	66,128
Fund Balances						
Nonspendable	-	-	19,992	-	-	19,992
Restricted	111,129	241,363	95,314	-	593,296	1,041,102
Assigned	146,430	-	-	-	-	146,430
Total Fund Balances	257,559	241,363	115,306	-	593,296	1,207,524
Total Liabilities and Fund Balances	\$ 257,981	\$ 242,728	\$ 179,647	\$ -	\$ 593,296	\$ 1,273,652

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, 2018

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Gift Fund	Food Service	Community Service	Transportation Services	Debt Service	
REVENUES						
Local	\$ 158,082	\$ 974,364	\$ 947,494	\$ -	\$ 853,778	\$ 2,933,718
Interdistrict	-	18,600	-	384,848	-	403,448
Federal	-	10,087	-	-	-	10,087
Other revenue	-	-	9,633	-	61,173	70,806
Total Revenues	<u>158,082</u>	<u>1,003,051</u>	<u>957,127</u>	<u>384,848</u>	<u>914,951</u>	<u>3,418,059</u>
EXPENDITURES						
Instruction						
Regular	7,323	-	-	-	-	7,323
Physical	1,461	-	-	-	-	1,461
Vocational	8,911	-	-	-	-	8,911
Other	113,359	-	-	-	-	113,359
Total Instruction	<u>131,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,054</u>
Support Services						
Pupil Services	1,884	-	-	-	-	1,884
Instructional support	479	-	-	-	-	479
Buildings and grounds	537	7,066	-	-	-	7,603
Pupil transportation	2,452	-	-	498,740	-	501,192
Debt Service						
Principal	-	-	-	-	580,000	580,000
Interest	-	-	-	-	165,905	165,905
Food services	-	937,807	-	-	-	937,807
Total Support Services	<u>5,352</u>	<u>944,873</u>	<u>-</u>	<u>498,740</u>	<u>745,905</u>	<u>2,194,870</u>
Community Services	<u>-</u>	<u>-</u>	<u>956,494</u>	<u>-</u>	<u>-</u>	<u>956,494</u>
Total Expenditures	<u>136,406</u>	<u>944,873</u>	<u>956,494</u>	<u>498,740</u>	<u>745,905</u>	<u>3,282,418</u>
Excess (deficiency) of revenues over expenditures	21,676	58,178	633	(113,892)	169,046	135,641
OTHER FINANCING SOURCES						
Transfers (to) from other fund	-	-	-	113,892	-	113,892
Net Change in Fund Balances	21,676	58,178	633	-	169,046	249,533
Fund Balances, beginning of year	235,883	183,185	114,673	-	424,250	957,991
FUND BALANCES, end of year	<u>\$ 257,559</u>	<u>\$ 241,363</u>	<u>\$ 115,306</u>	<u>\$ -</u>	<u>\$ 593,296</u>	<u>\$ 1,207,524</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, 2018**

	<u>Balance 7/1/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/18</u>
ASSETS				
Cash and investments	\$ 223,983	\$ 560,549	\$ 596,674	\$ 187,858
Account receivable	39	900	939	-
Total Assets	<u>\$ 224,022</u>	<u>\$ 561,449</u>	<u>\$ 597,613</u>	<u>\$ 187,858</u>
LIABILITIES				
Due to student organizations	\$ 215,618	\$ 551,761	\$ 589,209	\$ 178,170
Accounts payable	8,404	9,688	8,404	9,688
Total Liabilities	<u>\$ 224,022</u>	<u>\$ 561,449</u>	<u>\$ 597,613</u>	<u>\$ 187,858</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, 2018

Awarding Agency/Pass-Through Agency/Award Description	Federal CFDA Number	Pass-Through Entity Identifying Number	Program of Award Amount	Accrued Receivable 7/1/2017	Expenditures		Revenues	Accrued Receivable 6/30/2018
					Grantor	Local	Grantor Reimbursements	
U.S. DEPARTMENT OF EDUCATION								
State of Wisconsin								
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
<u>Title 1</u>								
<u>Title 1 - Basic Grant</u>	84.010	2018-402177-Title I-141						
July 1, 2016 - June 30, 2017			90,506	\$ 89,000	\$ -	\$ -	\$ 89,000	\$ -
July 1, 2017 - June 30, 2018			78,900	-	78,900	-	65,984	12,916
<u>Title 1 - Milwaukee Public Schools</u>	84.010	2018-402177-Title I-141						
July 1, 2016 - June 30, 2017			-	1,292	-	-	1,292	-
July 1, 2017 - June 30, 2018			-	-	3,648	-	1,459	2,189
Total Title 1				<u>90,292</u>	<u>82,548</u>	<u>-</u>	<u>157,735</u>	<u>15,105</u>
Special Education Cluster								
<u>IDEA Flow Through</u>	84.027	2018-402177-IDEA-341						
July 1, 2016 - June 30, 2017			223,856	224,644	-	-	224,644	-
July 1, 2017 - June 30, 2018			220,474	-	220,474	-	-	220,474
High Cost Special Education	84.027	2018-402177-IDEA-341						
July 1, 2017 - June 30, 2018			10,458	-	10,458	-	10,458	-
Total Special Education Cluster				<u>224,644</u>	<u>230,932</u>	<u>-</u>	<u>235,102</u>	<u>220,474</u>
<u>Title IIIA</u>								
<u>Title IIIA - English Language Acquisition</u>	84.365	2018-402177-Title III A-391						
July 1, 2017 - June 30, 2018			2,785	-	2,785	-	2,785	-
<u>Title IIIA - Immigrant Children and Youth</u>	84.365	2018-402177-Title III A-391						
July 1, 2016 - June 30, 2017			11,730	11,660	-	-	11,660	-
Total Title IIIA				<u>11,660</u>	<u>2,785</u>	<u>-</u>	<u>14,445</u>	<u>-</u>
<u>Carl Perkins</u>	84.048	2018-402177-CP-400						
July 1, 2017 - June 30, 2018			15,041	-	15,041	-	15,041	-
<u>Title II- A - Quality Teachers and Principals</u>	84.367	2018-402177-Title II-365						
July 1, 2016 - June 30, 2017			24,622	(480)	-	480	-	-
July 1, 2017 - June 30, 2018			20,822	-	20,822	-	20,822	-
<u>Title IV-A Student Support and Aced Enrich Grant</u>	84.424	2018-402177-Title-IV A-381						
July 1, 2017 - June 30, 2018			9,993	-	9,993	-	3,820	6,173
Total U.S. Department of Education				<u>326,116</u>	<u>362,121</u>	<u>480</u>	<u>446,965</u>	<u>241,752</u>
U.S. DEPARTMENT OF AGRICULTURE								
<u>School Milk</u>	10.556	2018-402177-SMP-548						
July 1, 2016 - June 30, 2017				1,220	-	-	1,220	-
July 1, 2017 - June 30, 2018				-	10,087	-	10,011	76
Total U.S. Department of Agriculture				<u>1,220</u>	<u>10,087</u>	<u>-</u>	<u>11,231</u>	<u>76</u>
				<u>\$ 327,336</u>	<u>\$ 372,208</u>	<u>\$ 480</u>	<u>\$ 458,196</u>	<u>\$ 241,828</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, 2018

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>State ID Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Accrued Receivable 7/1/2017</u>	<u>Revenue/ Expenditures</u>	<u>Reimbursements</u>	<u>Accrued Receivable 6/30/2018</u>
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Major Programs						
Entitlement Programs						
Handicapped Pupils and School Age Parents	255.101	402177-100	\$ -	\$ 503,259	\$ 498,380	\$ 4,879
Equalization Aid	255.201	402177-116	7,172	248,796	256,663	(695)
Special Adjustment Aid	255.203	402177-118	-	10,191	10,191	-
Integration Aid - Non-resident	255.204	402177-106	-	544,490	544,490	-
High Cost Special Education	255.210	402177-100	-	40,339	40,339	-
Total Major Programs			<u>7,172</u>	<u>1,347,075</u>	<u>1,350,063</u>	<u>4,184</u>
Nonmajor Programs						
Common School Library Fund	255.103	402177-104	-	55,990	55,990	-
Pupil Transportation	255.107	402177-102	-	34,981	34,981	-
Peer Review and Mentoring Grant	255.301	402177-141	7,710	7,863	13,807	1,766
Educator Effective Eval Sys Grants	255.940	402177-154	-	7,760	7,760	-
Per Pupil Adjustment Aid	255.945	402177-113	-	485,550	485,550	-
Career and Technical Education	255.950	402177-151	-	1,267	1,267	-
Robotics League Participation Grants	255.959	402177-167	2,403	-	2,403	-
Total Nonmajor Programs			<u>10,113</u>	<u>593,411</u>	<u>601,758</u>	<u>1,766</u>
Other						
Medical Records	-	-	26	364	390	-
Exempt Computer Aid	-	-	213,908	217,052	213,908	217,052
Total Other			<u>213,934</u>	<u>217,416</u>	<u>214,298</u>	<u>217,052</u>
Total			<u>\$ 231,219</u>	<u>\$ 2,157,902</u>	<u>\$ 2,166,119</u>	<u>\$ 223,002</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, 2018

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 \$2,161,939 for the year ended June 30, 2018.

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, 2018, 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 November 28, 2018.

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 2018-1**).

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
November 28, 2018

**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, 2018. The District's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

FELD, SCHUMACHER & COMPANY, LLP



West Allis, Wisconsin
November 28, 2018

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

Section I: Summary of Auditors' Results

Financial Statements

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

State Awards

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

Identification of major state programs

<u>State Identification Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School Age Parents Aid
255.201	General Equalization Aid – General Aids Cluster
255.203	Special Adjustment Aid – General Aids Cluster
255.204	Integration Aid – General Aids Cluster
255.210	High Cost Special Education Aid – General Aids Cluster

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

Section II: Financial Statement Findings

Finding 2018-001:

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

There were no findings or questioned costs for state awards.

**NICOLET HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

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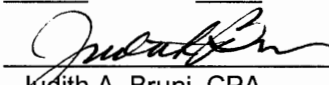
2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be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

4. Name and signature of partner

	 <hr/> Judith A. Bruni, CPA
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5. Date of report

	<hr/> November 28, 2018
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**NICOLET HIGH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
Year Ended June 30, 2018**

Financial Statement Findings

Finding 2018-001:

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.

**NICOLET HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018**

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.

Status of Finding - No Change