

**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2016**

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**JUNE 30, 2016**

Page

3-5 Independent Auditors' Report

6-15 Management's Discussion and Analysis

**BASIC FINANCIAL STATEMENTS**

District-Wide Financial Statements

16 Statement of Net Position

17 Statement of Activities

Fund Financial Statements

18 Balance Sheet - Governmental Funds

19 Statement of Revenues, Expenditures and Changes in Fund Balance -  
Governmental Funds

20 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities

21 Statement of Net Position - Fiduciary Funds

22 Statement of Changes in Net Position - Fiduciary Funds

23-42 Notes to the Basic Financial Statements

**REQUIRED SUPPLEMENTARY INFORMATION**

43 Budgetary Comparison Schedule for the General Fund

44 Budgetary Comparison Schedule for the Special Project Fund

45 Budgetary Comparison Schedule for the Capital Projects Fund

46 Budgetary Comparison Schedule for the Food Service Fund

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
TABLE OF CONTENTS - Continued  
JUNE 30, 2016

Page	
47	Notes to Required Supplementary Information on Budgetary Accounting and Control
48	Schedule of Funding Progress - Post Employment Healthcare and Supplemental Pension
49	Wisconsin Retirement System Schedules
	<b><u>OTHER SUPPLEMENTARY INFORMATION</u></b>
50	Schedule of Changes in Assets and Liabilities - Agency Funds
51	Schedule of Expenditures of Federal Awards
52	Schedule of State Financial Assistance
53	Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
	<b><u>OTHER REPORTS</u></b>
54-55	Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>
56-57	Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and <i>State Single Audit Guidelines</i>
58-59	Schedule of Findings and Questioned Costs

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## INDEPENDENT AUDITORS' REPORT

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to 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 Manitowoc Public School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress - post employment healthcare, and Wisconsin Retirement System 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 Manitowoc Public School District's basic financial statements. The schedule of changes in assets and liabilities - agency funds and schedule of state financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of the Manitowoc Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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* in considering the Manitowoc Public School District's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin  
December 28, 2016

**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**



## Manitowoc Public School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Manitowoc Public School District ("District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's basic financial statements, which follow this narrative.

#### FINANCIAL HIGHLIGHTS

Total governmental funds revenue was \$62,467,659; including \$20,766,166 of property taxes, \$31,376,040 of general state and federal aid, and \$9,600,798 of charges for services, grants and contributions. Total governmental fund expenditures were \$64,554,475; including \$38,321,621 for direct instruction.

The District's financial status, as reflected in total net position, decreased by \$2,086,816. The main reason for the decrease in net position was the decrease in capital assets being depreciated and the reduction of the Wisconsin Retirement System asset, and changes in deferred inflows of resources and deferred outflows of resources.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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



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

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

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, debt service, capital projects, and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of net position.  Statement of activities.	Balance sheet.  Statement of revenues, expenditures and changes in fund balances.	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.
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; received during or soon after expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

## DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of activities reports all revenues and expenses used to support the District. The statement of net position reports all assets and liabilities available to support District activities. The two district-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the district-wide financial statements, the District's activities are reported as governmental activities. The District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, food service, community programs and administration. Property taxes and state formula aid finance most of these activities.

## FUND FINANCIAL STATEMENTS

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

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* - The District serves as a trustee, or fiduciary, for retired employees, as well as student and parent organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2016, compared to 2015. The District's combined net position of \$50,247,422 in 2015, decreased from operations by \$2,086,816 or -4.2% to \$48,160,606 in 2016.

**Table 1**  
**Condensed Statement of Net Position**  
*(in thousands of dollars)*

	Governmental Activities		Total % Change
	2015	2016	2015 - 2016
Current and other assets	\$ 31,489	\$ 26,501	-15.8%
Capital assets	31,425	30,619	-2.6%
Total assets	<u>62,914</u>	<u>57,120</u>	-9.2%
Deferred outflow of resources	<u>5,005</u>	<u>19,865</u>	296.9%
Long-term liabilities outstanding	9,295	8,670	-6.7%
Other liabilities	8,377	12,330	47.2%
Total liabilities	<u>17,672</u>	<u>21,000</u>	18.8%
Deferred inflow of resources	<u>-</u>	<u>7,824</u>	n/a
Net position			
Net investment in capital assets	25,834	25,633	-0.8%
Restricted	9,699	17,045	75.7%
Unrestricted	<u>14,714</u>	<u>5,483</u>	-62.7%
Total net position	<u>\$ 50,247</u>	<u>\$ 48,161</u>	-4.2%

Note: Totals may not add due to rounding.

	Governmental Activities		Total % Change
	2015	2016	2015 - 2016
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 1,462	\$ 1,656	13.3%
Operating grants and contributions	7,571	7,944	4.9%
Capital grant and contributions	-	-	n/a
General revenues			
Property taxes	19,379	20,766	7.2%
State and federal aid	30,711	31,376	2.2%
Other	837	725	-13.4%
Total revenues	59,960	62,467	4.2%
<b>Expenses</b>			
Instruction	35,554	38,322	7.8%
Pupil and instructional services	5,060	5,438	7.5%
Administration and business	3,851	4,192	8.9%
Maintenance and operations	7,149	7,522	5.2%
Transportation	1,713	1,664	-2.9%
Food service	1,952	1,961	0.5%
Interest on debt	332	298	-10.2%
Other	4,809	5,157	7.2%
Total expenses	60,420	64,554	6.8%
(Decrease) increase in net position	\$ -460	\$ -2,087	353.7%
Note: Totals may not add due to rounding.			

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

The District relies primarily on property taxes (33.2%) and state and federal aids (50.2%) to fund governmental activities. There were only minor variations between years within the sources of revenue.

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

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

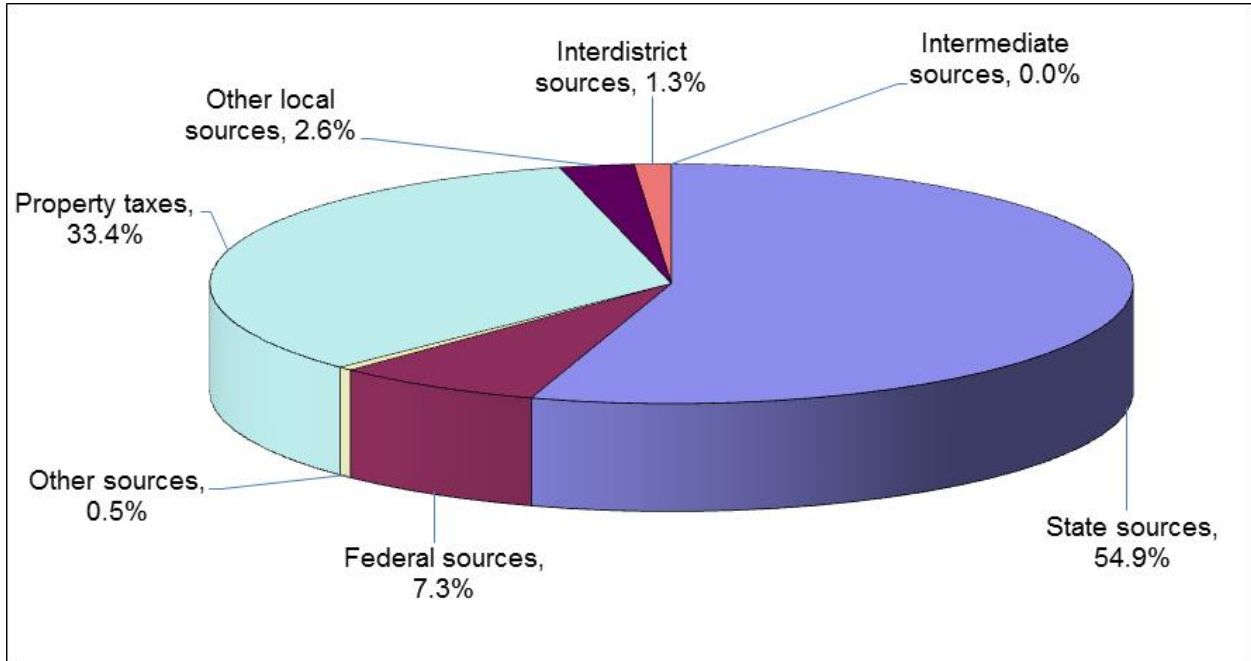
	Total Cost of Services		% Change	Net Cost of Services		% Change
	2015	2016	2015- 2016	2015	2016	2015- 2016
Instruction	\$ 35,554	\$ 38,322	7.8%	\$ 29,392	\$ 31,584	7.5%
Pupil and instructional services	5,060	5,438	7.5%	4,631	5,031	8.6%
Administration and business	3,851	4,192	8.9%	3,851	4,192	8.9%
Maintenance and operations	7,149	7,522	5.2%	7,141	7,514	5.2%
Transportation	1,713	1,664	-2.9%	1,653	1,607	-2.8%
Food service	1,952	1,961	0.5%	(16)	20	225.0%
Interest on debt	332	298	-10.2%	242	214	-11.6%
Other	4,809	5,157	7.2%	4,493	4,792	6.7%
<b>Total</b>	<b>\$ 60,420</b>	<b>\$ 64,554</b>	<b>6.8%</b>	<b>\$ 51,387</b>	<b>\$ 54,954</b>	<b>6.9%</b>

Note: Totals may not add due to rounding

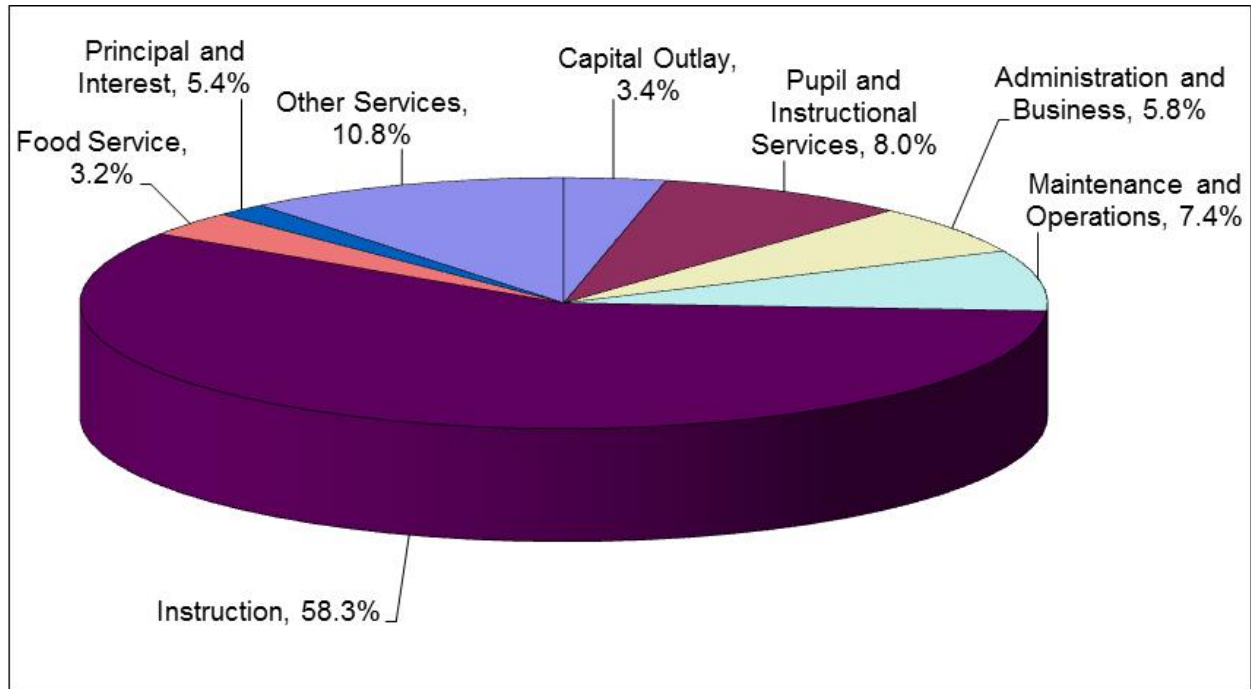
The cost of all governmental activities this year was \$64,554,475. Individuals who directly participated or benefited from a program offering paid for \$1,656,282 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$7,944,516. The net cost of governmental activities \$54,953,677 was financed by general revenues of the District, which includes state and federal aid, and local property taxes.

The composition of governmental revenues by type (Chart 1) and expenditures by type (Chart 2) are illustrated below.

**Governmental Activities Revenue by Type  
Chart 1**



**Governmental Activities Expenditure by Type  
Chart 2**



## **BUSINESS-TYPE ACTIVITIES**

The District does not have any business-type activities.

## **FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS**

The District completed the year with a total governmental fund balance of \$21,445,051 up from last year's ending fund balance of \$21,128,839.

- The general fund had an increase in fund balance of \$1,175,754.
- The special projects fund had a decrease in fund balance of \$34,916.
- The capital projects fund had a decrease in fund balance of \$862,615. The fund balance of the projects fund will fluctuate each year.
- The food service program had a decrease in fund balance of \$31,843.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District reviews an interim budget in May for the subsequent year (beginning July 1<sup>st</sup>). Consistent with current state statutes and regulations an original budget is adopted in October, following determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified. The District modified its original budget in 2015-2016 to reflect:

- Requirement to add teachers and other staff during the year
- Expenses for technology purchases.
- Modification in food service revenues and expenditures.
- Modification in several state and federal grants.

While the District's final budget for the general fund anticipated that expenditures would equal revenues, the actual results for the year show revenues exceeded expenditures by \$1,175,754.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of fiscal year 2016, the District had invested \$79,477,965 in capital assets, including sites, site improvements, buildings, and equipment. Total accumulated depreciation on these assets is \$48,859,279. Asset acquisitions for governmental activities totaled \$2,129,597. The District recognized depreciation expense of \$2,936,056 for governmental activities. Detailed information about capital assets can be found in Note 3 to the financial statements.

**Table 4**  
**Capital Assets**  
*(net of depreciation, in thousands of dollars)*

	Governmental Activities		Total % Change
	2015	2016	2015-2016
Sites	\$ 973	\$ 973	0.0%
Site improvements	1,828	2,140	17.1%
Buildings	66,897	67,337	0.7%
Furniture and equipment	8,292	9,028	8.9%
Construction in progress	-	-	n/a
Accumulated depreciation	(46,565)	(48,859)	4.9%
Total	\$ 31,425	\$ 30,619	-2.6%

Note: Totals may not add due to rounding.



## Long-Term Obligations

At year-end, the District had \$8,670,000 in general obligation notes, \$3,717,754 in Wisconsin Retirement System net pension liability and \$3,503,054 in other long-term liabilities outstanding for a total of \$15,890,808 or an increase of 22.3% from last year (see Table 5). The increase was a result of the Wisconsin Retirement System pension liability. The District made outstanding bonds/notes and other long-term liability payments of \$1,490,833 for the year. Detailed information about the District's long-term obligations is presented in Note 4 and Note 7, and Note 8 for other post employment benefits obligations to the financial statements.

	Total School District		% Change
	2015	2016	2015 - 2016
General obligation debt	\$ 9,595	\$ 8,670	-6.7%
Other	3,689	7,221	95.8%
Total	<u>\$ 12,984</u>	<u>\$ 15,891</u>	22.3%

Note: Totals may not add due to rounding.

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

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

In April 2015, the District approved 3 referendum questions for an increase of the revenue limit. The District is authorized to exceed the state revenue limit beginning with the 2015-16 school year through the 2017-18 school year on a nonrecurring basis by:

- \$1,000,000 each year to maintain current programs and services.
- \$600,000 each year to address major maintenance and security needs.
- \$400,000 each year to update classroom technology and replace existing computers.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact Mr. Kenneth Mischler, Director of Business Services, Manitowoc Public School District, 920-683-4795, 2902 Lindbergh Drive, PO Box 1657, Manitowoc, Wisconsin, 54221-1657.

**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN**

**BASIC  
FINANCIAL STATEMENTS**

**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN**

**DISTRICT-WIDE  
FINANCIAL STATEMENTS**

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**YEAR ENDED JUNE 30, 2016**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 19,517,445
Receivables	
Taxes	3,984,828
Accounts	76,876
Due from other governments	2,837,481
Other current assets	11,001
Inventories and prepaid items	73,329
Capital assets (net of accumulated depreciation)	
Capital assets not being depreciated	972,709
Capital assets being depreciated	29,645,977
<b>TOTAL ASSETS</b>	<b>57,119,646</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Wisconsin Retirement System net pension	19,865,172
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>76,984,818</b>
 <b>LIABILITIES</b>	
Current liabilities	
Accounts payable	568,115
Self insurance claims payable	1,630,579
Payroll, payroll taxes, insurance	2,688,497
Interest	53,544
Deposits payable	111,874
Unearned revenue	56,844
Wisconsin Retirement System net pension	3,717,754
Current portion of long-term obligations	1,114,867
Noncurrent portion of long-term obligations	11,058,187
<b>TOTAL LIABILITIES</b>	<b>21,000,261</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Wisconsin Retirement System net pension	7,823,951
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	25,633,117
Restricted:	
General fund	3,926,823
Special revenue funds	389,651
Capital projects	4,170,288
Other activities	8,557,676
Unrestricted:	5,483,051
<b>TOTAL NET POSITION</b>	<b>48,160,606</b>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITON</b>	
	<b>\$ 76,984,818</b>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular instruction	\$ 25,206,794	\$ 320,797	\$ 2,258,683	\$ (22,627,314)
Vocational instruction	1,870,782	267,633	109,748	(1,493,401)
Special instruction	8,654,925	-	3,402,969	(5,251,956)
Other instruction	2,589,120	283,657	94,493	(2,210,970)
Total instruction	<u>38,321,621</u>	<u>872,087</u>	<u>5,865,893</u>	<u>(31,583,641)</u>
Support services				
Pupil services	2,968,252	10,475	-	(2,957,777)
Instructional staff services	2,469,374	663	395,777	(2,072,934)
General administration services	500,415	360	-	(500,055)
Building administration services	3,121,502	-	-	(3,121,502)
Business services	570,479	-	-	(570,479)
Operations and maintenance	7,522,069	7,995	-	(7,514,074)
Pupil transportation	1,664,455	-	56,951	(1,607,504)
Food service program	1,961,410	680,633	1,260,934	(19,843)
Central services	1,687,145	192	-	(1,686,953)
Insurance	541,665	-	-	(541,665)
Interest and refinancing	297,808	83,877	-	(213,931)
Other support services	471,240	-	364,961	(106,279)
Total support services	<u>23,775,814</u>	<u>784,195</u>	<u>2,078,623</u>	<u>(20,912,996)</u>
Non-program transactions	2,457,040	-	-	(2,457,040)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 64,554,475</u></b>	<b><u>\$ 1,656,282</u></b>	<b><u>\$ 7,944,516</u></b>	<b><u>(54,953,677)</u></b>
<b>General revenues</b>				
Taxes				
Property taxes, levied for general purposes				20,766,166
State and federal aids not restricted to specific functions				
General				31,376,040
Other				9,437
Interest and investment earnings				41,330
Miscellaneous				673,888
Total general revenues				<u>52,866,861</u>
CHANGE IN NET POSITION				(2,086,816)
NET POSITION - BEGINNING OF YEAR				<u>50,247,422</u>
<b>NET POSITION - END OF YEAR</b>				<b><u>\$ 48,160,606</u></b>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN**

**FUND  
FINANCIAL STATEMENTS**

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	10 GENERAL & SPEC. ED. FUND	20 SPECIAL PROJECT FUND	30 DEBT SERVICE FUND	40 CAPITAL PROJECTS FUND	50 FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and Investments	\$ 14,696,848	\$ 389,978	\$ -	\$ 4,170,288	\$ 260,331	\$ 19,517,445
Receivables						
Taxes	3,984,828	-	-	-	-	3,984,828
Accounts	64,176	-	-	-	12,700	76,876
Due from other governments	2,753,379	-	-	-	84,102	2,837,481
Other current assets	11,001	-	-	-	-	11,001
Inventories and prepaid items	-	-	-	-	73,329	73,329
<b>TOTAL ASSETS</b>	<b><u>21,510,232</u></b>	<b><u>389,978</u></b>	<b><u>-</u></b>	<b><u>4,170,288</u></b>	<b><u>430,462</u></b>	<b><u>26,500,960</u></b>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>						
Accounts payable	460,606	327	-	-	107,182	568,115
Self insurance claims payable	1,630,579	-	-	-	-	1,630,579
Accrued liabilities						
Payroll, payroll taxes, insurance	2,688,497	-	-	-	-	2,688,497
Deposits payable	111,874	-	-	-	-	111,874
Unearned revenue	41,102	-	-	-	15,742	56,844
<b>TOTAL LIABILITIES</b>	<b><u>4,932,658</u></b>	<b><u>327</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>122,924</u></b>	<b><u>5,055,909</u></b>

**FUND BALANCES**

<b>Non-Spendable</b>						
General fund	9,801	-	-	-	-	9,801
Other activities	-	-	-	-	73,329	73,329
<b>Restricted</b>						
General fund	3,926,823	-	-	-	-	3,926,823
Special revenue funds	-	389,651	-	-	-	389,651
Capital projects	-	-	-	4,170,288	-	4,170,288
Other activities	-	-	-	-	234,209	234,209
<b>Committed</b>						
General fund	1,707,428	-	-	-	-	1,707,428
<b>Assigned</b>						
General fund	3,733,951	-	-	-	-	3,733,951
<b>Unassigned</b>						
General fund	7,199,571	-	-	-	-	7,199,571
<b>TOTAL FUND BALANCES</b>	<b><u>16,577,574</u></b>	<b><u>389,651</u></b>	<b><u>-</u></b>	<b><u>4,170,288</u></b>	<b><u>307,538</u></b>	<b><u>21,445,051</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 21,510,232</u></b>	<b><u>\$ 389,978</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,170,288</u></b>	<b><u>\$ 430,462</u></b>	

**Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:**

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:

Governmental capital assets	\$ 79,477,965	
Governmental accumulated depreciation	<u>(48,859,279)</u>	30,618,686

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements

12,041,221

Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	\$ (8,670,000)	
Capital Lease debt	(485,857)	
Accrued interest on general obligation debt	(53,544)	
WRS liability	(3,717,754)	
Vested employee benefits	(222,019)	
Other Post Employment Benefits	<u>(2,795,178)</u>	<u>(15,944,352)</u>

**Total net position - governmental activities**

**\$ 48,160,606**

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2016**

	10 GENERAL & SPEC. ED. FUND	20 SPECIAL PROJECT FUND	30 DEBT SERVICE FUND	40 CAPITAL PROJECTS FUND	50 FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Property taxes	\$ 20,766,166	\$ -	\$ -	\$ -	\$ -	\$ 20,766,166
Other local sources	753,541	175,113	-	4,449	680,633	1,613,736
Interdistrict sources	833,355	-	-	-	-	833,355
State sources	34,232,998	-	-	-	37,246	34,270,244
Federal sources	3,362,981	-	-	-	1,219,146	4,582,127
Other sources	<u>164,605</u>	<u>512</u>	<u>65,300</u>	<u>82,736</u>	<u>4,541</u>	<u>317,694</u>
<b>TOTAL REVENUES</b>	<u><b>60,113,646</b></u>	<u><b>175,625</b></u>	<u><b>65,300</b></u>	<u><b>87,185</b></u>	<u><b>1,941,566</b></u>	<u><b>62,383,322</b></u>
<b>EXPENDITURES</b>						
Instruction						
Regular instruction	23,615,025	110,481	-	-	-	23,725,506
Vocational instruction	1,755,551	-	-	-	-	1,755,551
Special instruction	8,250,203	-	-	-	-	8,250,203
Other instruction	<u>2,476,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,476,079</u>
<b>Total instruction</b>	<u><b>36,096,858</b></u>	<u><b>110,481</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>36,207,339</b></u>
Support services						
Pupil services	2,840,283	-	-	-	-	2,840,283
Instructional staff services	2,366,185	-	-	-	-	2,366,185
General administration services	478,728	-	-	-	-	478,728
Building administration services	2,962,036	-	-	-	-	2,962,036
Business Administration	537,867	-	-	-	4,475	542,342
Operations and maintenance	4,803,662	-	-	14,223	-	4,817,885
Pupil transportation	1,636,408	27,565	-	-	-	1,663,973
Food services	-	-	-	-	1,954,726	1,954,726
Central services	1,611,316	-	-	-	-	1,611,316
Insurance	541,665	-	-	-	-	541,665
Principal	243,108	-	625,000	-	-	868,108
Interest	-	-	214,178	-	-	214,178
Other support services	<u>409,506</u>	<u>2,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,169</u>
<b>Total support services</b>	<u><b>18,430,764</b></u>	<u><b>30,228</b></u>	<u><b>839,178</b></u>	<u><b>14,223</b></u>	<u><b>1,959,201</b></u>	<u><b>21,273,594</b></u>
Non-program transactions	<u>2,457,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,457,040</u>
Capital Outlay	<u>1,179,812</u>	<u>-</u>	<u>-</u>	<u>935,577</u>	<u>14,208</u>	<u>2,129,597</u>
<b>TOTAL EXPENDITURES</b>	<u><b>58,164,474</b></u>	<u><b>140,709</b></u>	<u><b>839,178</b></u>	<u><b>949,800</b></u>	<u><b>1,973,409</b></u>	<u><b>62,067,570</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><b>1,949,172</b></u>	<u><b>34,916</b></u>	<u><b>(773,878)</b></u>	<u><b>(862,615)</b></u>	<u><b>(31,843)</b></u>	<u><b>315,752</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sales of capital assets	460	-	-	-	-	460
Transfer to other funds	(773,878)	-	-	-	-	(773,878)
Transfer from other funds	<u>-</u>	<u>-</u>	<u>773,878</u>	<u>-</u>	<u>-</u>	<u>773,878</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>(773,418)</b></u>	<u><b>-</b></u>	<u><b>773,878</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>460</b></u>
<b>NET CHANGE IN FUND BALANCE</b>	1,175,754	34,916	-	(862,615)	(31,843)	316,212
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>15,401,820</u>	<u>354,735</u>	<u>-</u>	<u>5,032,903</u>	<u>339,381</u>	<u>21,128,839</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><b>\$ 16,577,574</b></u>	<u><b>\$ 389,651</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 4,170,288</b></u>	<u><b>\$ 307,538</b></u>	<u><b>\$ 21,445,051</b></u>

The accompanying notes are an integral part of these statements.



**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds \$ 316,212

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 2,129,597	
Depreciation expense reported in the statement of activities	<u>(2,936,056)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period		(806,459)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

(Increase) decrease in compensated vacation/absences/years of service liability		25,656
(Increase) decrease in Net OPEB Obligation and Supplemental Pension		(83,021)

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources changes		(2,410,508)
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Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

General long-term obligation debt (increased) decreased by:		867,929
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Qualified School Construction loans and capital leases were issued below market value. Interest expense is imputed at an appropriate effective interest rate, which is offset by a federal subsidy.

The amount of imputed interest expense in the current year is:	(83,877)	
The amount of imputed interest federal subsidy and lease interest income subsidy in the current year is:	<u>83,877</u>	
Net effect of imputation of interest:		-

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as it accrues.

The amount of interest paid during the current period.	298,055	
The amount of interest accrued during the current period.	<u>(294,680)</u>	
Interest paid is greater (less) than interest accrued by:		<u>3,375</u>

<b>Change in net position - governmental activities</b>		<b><u>\$ (2,086,816)</u></b>
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The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	<u>SCHOLARSHIPS/ OTHER TRUST</u>	<u>AGENCY STUDENT ACTIVITY</u>
<b>ASSETS</b>		
Cash and Investments	\$ <u>32,985</u>	\$ <u>73,008</u>
<b>LIABILITIES</b>		
Due to student organizations	<u>-</u>	<u>73,008</u>
TOTAL LIABILITIES	<u>-</u>	<u>73,008</u>
<b>NET ASSETS</b>		
Held in trust for scholarships/other	<u>32,985</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 32,985</u>	<u>\$ 73,008</u>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

	<u>SCHOLARSHIPS/ OTHER TRUST</u>
ADDITIONS	
Interest	\$ -
Contributions	-
<b>TOTAL ADDITIONS</b>	<u>-</u>
DEDUCTIONS	
Scholarships/other	<u>-</u>
CHANGES IN NET ASSETS	-
NET ASSETS - BEGINNING OF YEAR	<u>32,985</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 32,985</u></u>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN**

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016

**NOTE 1 - Summary of Significant Accounting Policies**

The financial statements of Manitowoc Public School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

**Reporting Entity** - The Manitowoc Public School District is organized as a common school district. The District, governed by an elected seven-member school board, operates grades pre-kindergarten through grade 12. The District is comprised of all or parts of nine taxing districts. The accompanying financial statements present the activities of the Manitowoc Public School District.

The District's basic financial statements do not include any component units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the District has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the District's financial accountability for a legally separate organization: the District 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 impose specific financial burdens on the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

**Basis Of Presentation**

**District-Wide Statements**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2016

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements**

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

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund.

Special Project Fund - The special revenue trust fund is used to account for funds that can be used for District operations. The source of the funds are gifts and donations from private parties.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Fund - This fund accounts for the activities of the District's capital projects.

Food Service Fund - This fund accounts for the activities of the District's food service.

The District accounts for assets held as an agent for various student organizations and scholarships in a fiduciary agency fund.

**Measurement Focus and Basis of Accounting**

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2016

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**Cash and Investments** - The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts, such as the debt service fund.

Investments are stated at fair value, if applicable, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

**Property Tax Levy** - Under Wisconsin law, personal property taxes and first and second installments of real estate taxes are collected by city and village treasurers who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Third installments of real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes. Taxes collected by the township are made in two installments, the first by the town, and the second by the county treasurer.

The District's property taxes are levied on or before November 1 on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two or more installments with the first installment payable the subsequent January 31<sup>st</sup>, and a final payment no later than the following July 31<sup>st</sup>. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15<sup>th</sup>, and by the 20<sup>th</sup> of each subsequent month thereafter. On or before August 20<sup>th</sup>, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2015 tax levy is used to finance operations of the District's fiscal year ended June 30, 2016. All property taxes are considered due on January 1<sup>st</sup>, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30<sup>th</sup> and are available to pay current liabilities.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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

**Inventories and Prepaid Items** - Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

A nonspendable fund balance has been recognized for these non-liquid assets (inventories and prepaid items) to signify that a portion of fund balance is not available for other subsequent expenditures, except in cases where inventories are offset by unearned revenues.

**Due To/From Other Funds** - The amounts reported on the statement of net position for receivable/payable from external parties represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

**Interfund Transactions** - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

**Capital Assets** - Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	50 years
Building improvements	\$ 5,000	Straight-line	20-30 years
Site improvements	\$ 2,500	Straight-line	10-20 years
Furniture and equipment	\$ 2,500	Straight-line	5-20 years
Computer and related technology	\$ 2,500	Straight-line	5-10 years
Vehicles	\$ 2,500	Straight-line	8 years
Library books*	\$ 2,500	Straight-line	7 years

\* For purposes of determining the capitalization threshold for these items the District groups all purchases for the year.



**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2016

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Compensated Absences** - The District's policy permits employees to accumulate earned, but unused vacation benefits, which are eligible for payment upon separation from government service.

Generally, sick leave can be accumulated depending on the employment agreement. Accumulated sick time may not be taken in compensation upon retirement. The District accrues that sick leave which it deems probable of payout for employee health insurance credit.

The liability for compensated absences is reported as incurred in the government-wide statements. A liability for those amounts is recorded in the government funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits where applicable.

**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 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.

**Deferred Outflows and Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and Wisconsin Retirement System pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Wisconsin Retirement System pension results from changes in the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has one type of item that qualifies for reporting in this category. The Wisconsin Retirement System pension results from changes in the pension plan.

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

**Net Position Classifications** - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Fund Balance Classifications** - The District classifies its fund equity as follows: 1) nonspendable fund balance consists of equity not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the District itself, using its highest level of decision making authority - Board of Education policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Board of Education has authorized the Director of Business Services to assign fund balances through its financial management policy and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the District's policy to record the net loss against unassigned fund balance, then assigned fund balance, then committed fund balance and lastly to restricted fund balance. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**NOTE 2 - Cash and Investments**

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund. No significant violations of these restrictions occurred during the year.

As of June 30, 2016, the District had the following investment:

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
State of Wisconsin Investment Pool	Less than one year	\$ 985,741
Wisconsin Investment Series Cooperative	Less than one year	<u>3,506,368</u>
Total		<u>\$ 4,492,109</u>

**Investment Pool Information** - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At June 30, 2016, the Pool's fair value was 100 percent of book value.

**Determining Fair Value** - The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2016

**NOTE 2 - Cash and Investments - Continued**

active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements:

- 1) State of Wisconsin Local Government Investment Pool fair value is determined monthly by the Pool's investment board based on published market quotations (level 2 inputs).
- 2) Wisconsin Investment Series Cooperative is determined based on published market quotations (level 2 inputs).

**Income Allocation** - Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment. Interest income from special education, food service, and scholarship trust funds is reported in the general fund.

**Interest Rate Risk** - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The District does not have a formal investment policy that would further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. The State of Wisconsin Local Government Investment Pool and Wisconsin Investment Series Cooperative are not rated.

**Custodial Credit Risk - Deposits** - Custodial credit is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2016, \$14,830,461 of the District's \$15,608,931 bank balance was exposed to custodial credit risk as uninsured collateral pledged by the bank in the bank's name.

**NOTE 3 - Capital Assets**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2016**

**NOTE 3 - Capital Assets - Continued**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 972,709	\$ -	\$ -	\$ 972,709
Capital assets being depreciated:				
Land improvements	1,828,207	311,447	-	2,139,654
Buildings and improvements	66,897,006	439,901	-	67,336,907
Furniture and equipment	7,964,058	1,342,920	(641,858)	8,665,120
Vehicles	<u>328,246</u>	<u>35,329</u>	-	<u>363,575</u>
Total capital assets being depreciated	<u>77,017,517</u>	<u>2,129,597</u>	<u>(641,858)</u>	<u>78,505,256</u>
Total capital assets	<u>77,990,226</u>	<u>2,129,597</u>	<u>(641,858)</u>	<u>79,477,965</u>
Less accumulated depreciation for:				
Land improvements	(954,506)	(100,103)	-	(1,054,609)
Buildings and improvements	(39,272,066)	(2,175,831)	-	(41,447,897)
Furniture and equipment	(6,046,849)	(652,815)	641,858	(6,057,806)
Vehicles	<u>(291,660)</u>	<u>(7,307)</u>	-	<u>(298,967)</u>
Total accumulated depreciation	<u>(46,565,081)</u>	<u>(2,936,056)</u>	<u>641,858</u>	<u>(48,859,279)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>30,452,436</u>	<u>(806,459)</u>	-	<u>29,645,977</u>
Capital assets, net of accumulated depreciation	<u>\$ 31,425,145</u>	<u>\$ (806,459)</u>	<u>\$ -</u>	<u>\$ 30,618,686</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 276,276
Vocational instruction	32,791
Special education instruction	4,578
Other instruction	17,103
Pupil services	213
Instructional staff services	4,599
General administration services	1,439
Building administration services	7,362
Business services	2,826
Operations and maintenance	2,558,348
Food service	6,684
Central services	20,628
Other support services	<u>3,209</u>
Total	<u>\$ 2,936,056</u>

The District does not capitalize interest on general fixed asset projects.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2016

**NOTE 4 - Long-Term Obligations**

Long-term obligations of the District are as follows:

	Beginning			Ending		Amounts
	Balance	Increases	Decreases	Balance	Due Within	One Year
Notes payable	\$ 9,295,000	\$ -	\$ (625,000)	\$ 8,670,000	\$ 332,000	
Leases payable	728,786	-	(242,929)	485,857	242,929	
Vested vacation pay	21,322	26,876	(43,376)	4,822	4,822	
Vested sick pay	226,353	907	(10,062)	217,198	217,198	
Supplemental pension	266,005	180,663	(171,971)	274,697	160,963	
Net OPEB obligation	<u>2,446,152</u>	<u>471,823</u>	<u>(397,495)</u>	<u>2,520,480</u>	<u>156,956</u>	
Total	<u>\$ 12,983,618</u>	<u>\$ 680,269</u>	<u>\$ (1,490,833)</u>	<u>\$ 12,173,054</u>	<u>\$ 1,114,868</u>	

Interest cost incurred during the year totaled \$294,680. Total interest paid during the year aggregated \$298,055.

**General Obligation Debt** - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The general obligation debt is expected to be repaid with general property taxes. General obligation debt at June 30, 2016, is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Date of Maturity</u>	<u>Balance 6/30/16</u>
Notes Payable	12/1/09	3.50%	9/15/19	\$ 2,010,000
Notes Payable	9/1/10	4.35%	4/1/20	1,615,000
Notes Payable	11/14/12	1.75%	4/1/21	1,035,000
Notes Payable	7/2/14	2.50-3.00%	4/1/24	<u>4,010,000</u>
Total				<u>\$ 8,670,000</u>

The note issued in 2009 above is a Qualified School Construction Note (QSCB) which is part of a federal program under which the federal government pays the interest either directly to the bond holders or through a rebate to the District for the total interest paid. There is no interest cost to the District resulting in a 0% interest rate on these notes. Generally Accepted Accounting Principles requires non-interest bearing notes to have interest imputed on the outstanding principal balance. \$70,350 of interest on these notes has been imputed based on an equivalent rate the District would pay for interest bearing notes/bonds and will be paid by the federal government. The following aggregate cash flow requirements include this imputed interest.

**General Obligation Debt Limit Calculation** - The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,325,422,523. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with section 67.03(1)(b) of Wisconsin Statutes follows:

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 4 - Long-Term Obligations - Continued**

Debt limit (10% of \$2,325,422,523)	\$ 232,542,252
Deduct long-term applicable to debt margin	(8,670,000)
Amount available in debt service fund	-
Margin of indebtedness	<u>\$ 223,872,252</u>

**Maturities of Long-Term Obligations** - Aggregate principal and interest payments for the retirement of long-term debt obligations are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 332,000	\$ 265,778	\$ 597,778
2018	669,000	265,778	934,778
2019	1,457,500	265,778	1,723,278
2020	2,021,500	230,603	2,252,103
2021	1,035,000	99,525	1,134,525
2022-2024	3,155,000	164,361	3,319,361
	<u>\$ 8,670,000</u>	<u>\$ 1,291,823</u>	<u>\$ 9,961,823</u>

**NOTE 5 - Wisconsin Retirement System**

**General Information about the Pension Plan**

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

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

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

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

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 5 - Wisconsin Retirement System - Continued**

partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

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

During the reporting period, the WRS recognized \$2,177,710 in contributions from the employer.

Contribution rates as of June 30, 2015 are:

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

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 5 - Wisconsin Retirement System - Continued**

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

At June 30, 2016, the District reported a liability (asset) of \$3,717,754 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.22878762%, which was a decrease of 0.0044576% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$4,496,168.

At June 30, 2016, the 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	\$ 641,193	\$ 7,823,951
Changes in assumptions	2,601,103	-
Net differences between projected and actual earnings on pension plan investments	15,261,334	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,338	-
Employer contributions subsequent to the measurement date	1,314,204	-
Total	\$ 19,865,172	\$ 7,823,951

\$1,314,204 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 4,821,433	\$ 1,893,410
2018	4,821,433	1,893,410
2019	4,821,433	1,893,410
2020	4,003,344	1,893,410
2021	83,325	250,311

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



**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2016

**NOTE 5 - Wisconsin Retirement System - Continued**

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

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

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

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

Retirement Funds Asset Allocation Targets and Expected Returns  
As of December 31, 2015

<u>Core Fund Asset Class</u>	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Core Fund	100%	100%	7.9%	5%

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2016**

**NOTE 5 - Wisconsin Retirement System - Continued**

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 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate** - The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (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%)
District's proportionate share of the net pension liability (asset)	\$ 26,076,401	\$ 3,717,754	\$ (13,744,747)

**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>.

**Payables to the Pension Plan** - The District reported a payable of \$826,403 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**NOTE 6 - Interfund Balance and Activity**

Interfund transfers at June 30, 2016 were as follows:

<u>Transfer from</u> General	<u>Transfer to</u> Debt service	<u>Amount</u>
		\$ 773,878

Generally, transfers are used to move revenue from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 7 - Post Employment Benefits Other Than Pensions**

**Plan Description** - Health insurance benefits are provided to certain groups of full time employees. The administrators are eligible for post employment health and dental benefits. The benefits differ depending upon the administrator's hire date. For administrators hired prior to July 1, 2004; the District will contribute 80% of the medical and dental premiums on behalf of the retiree until Medicare-eligibility. For those hired on or after July 1, 2004, the District's contributions will be limited to either \$714 or 80% of the medical premium and \$76 or 80% of the dental premium whichever is less, until Medicare eligibility.

The teacher group receives health insurance, if at retirement they are 57 years of age or older and have 15 years of service in the District. The District's annual contribution to medical insurance will be limited to 50% of the annual medical premiums, but not to exceed \$6,000 for a family plan and \$3,000 for a single plan. The benefit is for up to eight (8) years or until Medicare-eligibility, whichever comes first.

The District's single-employer self-insurance medical plan allows retirees to remain in the same medical and dental plan as active employees. The employer is required to record an implicit rate subsidy as another post employment benefit even though the retiree pays 100% of the premium and the employer pays 0%.

**Funding Policy** - Premiums under the Plan for post employment healthcare benefits are funded by retirees via co-pays paid to the District in accordance with rates established by the District and from the District itself from the appropriate governmental funds on a pay-as-you-go basis. For the year ended June 30, 2016, contributions rates for plan members were \$150 - \$1,700 per participant per month and \$250 - \$1,385 from the District, depending on the type of retiree plan. Plan members receiving benefits paid \$212,131 and the District paid \$166,586 for current year premiums due.

*Annual OPEB Cost and Net OPEB Obligation:*

The medical plan membership consisted of the following as of July 1, 2015, the date of the latest actuarial valuation:

Retirees receiving health and dental benefits	51
Active plan members	580
Total	631

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The pay as you go cost for OPEB benefits was \$397,495 for fiscal year 2016. The annual required contribution for fiscal year 2016 was \$471,201, with the annual OPEB cost of \$471,823. The OPEB obligation for health and dental benefit costs through fiscal year 2016 was \$2,520,480.

The District has elected not to pre-fund OPEB liabilities. The District is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 7 - Post Employment Benefits Other Than Pensions - Continued**

components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and the changes in the District's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$	471,201
Interest on net OPEB obligation		97,846
Adjustment to annual required contribution		<u>(97,224)</u>
Annual OPEB cost		471,823
Contributions made		<u>(397,495)</u>
Increase in net OPEB obligation		74,328
Net OPEB obligation - beginning of year		<u>2,446,152</u>
Net OPEB obligation - end of year	\$	<u><u>2,520,480</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation -</u> <u>End of Year</u>
6/30/14	\$538,284	74.23%	\$ 2,222,136
6/30/15	\$538,481	58.40%	\$ 2,446,152
6/30/16	\$471,823	84.25%	\$ 2,520,480

**Funding Status and Funding Progress** - As of July 1, 2015, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits equaled \$4,833,617, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,833,617.

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the District maintains no Plan assets, information relative to Plan assets required disclosures is not applicable.

The valuation, dated July 1, 2015, was based upon the data provided by the District to Key Benefit Concepts, LLC. In performing the actuarial study, Key Benefit Concepts, LLC utilized the premium rate history of the District's medical plans, and projected a stream of expected premium rates for each year in the future based on the data as of July 1, 2015. As such, the first year (fiscal year 2015-16) trends and expected future costs have been derived from historical premium rates for active employees and retirees.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 7 - Post Employment Benefits Other Than Pensions - Continued**

There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The actuarial valuation, dated July 1, 2015, used the entry age cost method. The assumptions and methods used in the valuation were: value of assets-fair market value, 4% investment return, 3% per annum salary increases, 10.0% - 5.0% medical healthcare cost trend rate, 5% dental healthcare cost trend rate and level percentage amortization method over 30 years with open period.

**NOTE 8 - Supplemental Pension**

**Description and Funding Policy** - The District will provide payment of the actuarial reduction to the Wisconsin Retirement System (WRS), if any, in the event of an Administrator's or Teacher's retirement prior to the age of 65.

**Supplemental Pension (Stipend) Benefit** - Administrators that do not participate in the District's medical plan upon their retirement will instead receive a cash benefit in lieu of such participation. The amount of this benefit is determined by individual years of service. The District will also provide all Administrators with an additional benefit wherein they will receive a retirement stipend based upon a percentage of their average salary prior to retirement. Furthermore, those classified as Teachers, Paraprofessionals, Clerical, Custodians and Non-Represented will also receive a stipend (cash benefit) upon their retirement based upon their individual years of service with the District.

Eligibility for this benefit varies by date of hire, if hired before July 1, 2003, and a minimum age of 54 with ten years of service; to being hired after July 1, 2003, and a minimum age of 57 with ten years of service.

Since retirees receive a pension benefit from the Wisconsin Retirement System (WRS), these post employment pension benefits (stipend benefit) are supplemental to the WRS benefit and therefore, we refer to them as a supplemental pension benefit. The benefit does not issue a separate annual financial report.

**Annual Pension Costs and Actuarial Assumptions Used** - The District's annual pension costs for the year ended June 30, 2016, and related actuarial assumptions used for the current year and related information for each Plan is as follows:

Annual required contribution	\$	180,596
Interest on net pension obligation		10,640
Adjustment to annual required contribution		<u>(10,573)</u>
Annual pension cost		180,663
Contributions made		<u>(171,971)</u>
Increase in net pension obligation		8,692
Net pension obligation - beginning of year		<u>266,005</u>
Net pension obligation - end of year	\$	<u><u>274,697</u></u>

The net pension obligation is included in long-term obligation on the statement of net position.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2016

**NOTE 8 - Supplemental Pension - Continued**

The actuarial valuation, dated July 1, 2015, used the entry age normal cost method. The assumptions and methods used in the valuation were: value of assets-fair market value, 4% investment return, 3% per annum salary increases and level percentage amortization method over 30 years with open period.

**Trend Information** - The following table of information is provided to assist users in assessing the Plan's progress in accumulating sufficient assets to pay benefits when due.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation - End of Year</u>
6/30/14	\$174,431	84.3%	\$ 198,461
6/30/15	\$174,470	61.3%	\$ 266,005
6/30/16	\$180,663	95.2%	\$ 274,697

**NOTE 9 - Fund Balance and Net Position**

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
Non spendable		
General	Prepaid expenses	\$ 9,801
Food Service	Inventory	\$ 73,329
Restricted		
General	Self-insurance	\$ 3,440,966
General	Contractual obligation	\$ 485,857
Special projects	DPI regulation	\$ 389,651
Capital projects	DPI regulation	\$ 4,170,288
Food service	DPI regulation	\$ 234,209
Committed		
General	Specific expenses	\$ 1,707,428
Assigned		
General	Specific expenses	\$ 3,733,951
 <u>Governmental Activities</u>		
Restricted		
General	Self-insurance	\$ 3,440,966
General	Contractual obligation	\$ 485,857
Special projects	DPI regulation	\$ 389,651
Capital projects	DPI regulation	\$ 4,170,288
Other activities	Food service	\$ 234,209
Other activities	Wisconsin Retirement System pension	\$ 8,323,467

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2016

**NOTE 10 - Risk Management**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. The District manages these risks through the purchase of commercial insurance, except for self-insured health and dental benefits as described in Note 14. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from coverage in the prior year.

**NOTE 11 - Capital Leases**

The District leases equipment under capital leases. These assets are included in the capital assets with a cost value of \$1,214,643. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ 242,929
2018	<u>242,928</u>
Total minimum lease payments	485,857
Less: amount representing interest	<u>-</u>
Present value of net minimum lease payments	<u>\$ 485,857</u>

**NOTE 12 - Commitments and Contingent Liabilities**

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

The District is aware that a number of their older school buildings contain some level of asbestos in which they will incur removal costs upon remodeling, selling, or abandoning these buildings at some future date. However, at this point, the District does not feel they have enough information to reasonably estimate the fair value of the asset retirement obligation and have not recorded a liability.

The District has entered into an agreement with Brandt Buses for transportation services. The agreement runs through 2020 with estimated increases of 2.0 - 3.0% per year.

**NOTE 13 - Limitation of School District Revenue**

Wisconsin statutes limit the amount of revenue school districts may derive from general school aids and property taxes. This limitation does not apply to revenue needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or by a referendum prior to August 12, 1993 and (b) a referendum on or after August 12, 1993.

**NOTE 14 - Self-Funded Insurance**

Self-Insured Risk - The District's self insurance is accounted for in the general fund, with appropriate charges to other funds as payroll is incurred in the other funds. Benefit maximums contained in the

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2016

**NOTE 14 - Self-Funded Insurance - Continued**

Plan limit the District's total liability under the Plan. An administrator processes claims and the District is liable for administrative expenses.

Claims Liabilities - The District records an estimated liability for health and dental care claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities - The following represent the changes in approximate aggregate liabilities for health and dental care for the current and prior year.

	Year Ended <u>June 30, 2016</u>	Year Ended <u>June 30, 2015</u>
Beginning liability balance	\$ 1,672,289	\$ 1,822,111
Claims and changes in estimates	9,589,285	8,936,221
Claim payments	<u>(9,630,998)</u>	<u>(9,086,043)</u>
Ending liability balance	<u>\$ 1,630,576</u>	<u>\$ 1,672,289</u>

Claim payments are principally funded through charges to employees, which are paid through payroll deductions, and employer contributions to the health and dental plan.



**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN**

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2016**

	ORIGINAL BUDGETED AMOUNTS			FINAL BUDGETED AMOUNTS			ACTUAL AMOUNTS			VARIANCE WITH
	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	FINAL BUDGET
										POSITIVE (NEGATIVE)
<b>REVENUES</b>										
Property taxes	\$ 20,750,575	\$ -	\$ 20,750,575	\$ 20,750,575	\$ -	\$ 20,750,575	\$ 20,750,575	\$ -	\$ 20,750,575	\$ -
Other local sources	510,990	-	510,990	510,990	-	510,990	769,132	-	769,132	258,142
Interdistrict sources	790,738	11,990	802,728	790,738	11,990	802,728	791,100	42,255	833,355	30,627
State sources	31,784,891	2,217,050	34,001,941	31,784,891	2,220,774	34,005,665	31,997,494	2,235,504	34,232,998	227,333
Federal sources	1,694,783	1,580,838	3,275,621	1,694,783	1,723,884	3,418,667	1,769,944	1,593,037	3,362,981	(55,686)
Other sources	104,220	3,910	108,130	104,220	3,910	108,130	162,887	1,719	164,606	56,476
<b>TOTAL REVENUES</b>	<b>55,636,197</b>	<b>3,813,788</b>	<b>59,449,985</b>	<b>55,636,197</b>	<b>3,960,558</b>	<b>59,596,755</b>	<b>56,241,132</b>	<b>3,872,515</b>	<b>60,113,647</b>	<b>516,892</b>
<b>EXPENDITURES</b>										
<b>Current</b>										
<b>Instruction</b>										
Regular instruction	23,868,085	-	23,868,085	23,614,729	-	23,614,729	23,534,905	-	23,534,905	79,824
Vocational instruction	1,700,740	4,631	1,705,371	1,762,459	3,131	1,765,590	1,755,086	464	1,755,550	10,040
Special instruction	-	8,246,162	8,246,162	-	8,274,406	8,274,406	-	8,250,204	8,250,204	24,202
Other instruction	2,507,057	860	2,507,917	2,526,203	4,335	2,530,538	2,469,862	2,217	2,472,079	58,459
Total instruction	28,075,882	8,251,653	36,327,535	27,903,391	8,281,872	36,185,263	27,759,853	8,252,885	36,012,738	172,525
<b>Support services</b>										
Pupil services	1,742,932	1,123,110	2,866,042	1,632,816	1,296,582	2,929,398	1,585,330	1,254,953	2,840,283	89,115
Instructional staff services	2,002,744	389,532	2,392,276	2,083,687	356,725	2,440,412	2,051,550	322,546	2,374,096	66,316
General administration services	451,865	-	451,865	486,417	-	486,417	478,728	-	478,728	7,689
Building administration services	2,978,587	-	2,978,587	2,985,506	-	2,985,506	2,962,036	-	2,962,036	23,470
Business services	523,545	16,200	539,745	522,514	16,200	538,714	521,668	16,200	537,868	846
Operations and maintenance	4,752,815	19,000	4,771,815	4,742,621	19,000	4,761,621	4,938,222	18,400	4,956,622	(195,001)
Pupil transportation	1,450,931	264,636	1,715,567	1,429,846	261,211	1,691,057	1,387,417	248,991	1,636,408	54,649
Central services	1,615,011	-	1,615,011	1,708,782	-	1,708,782	1,662,882	-	1,662,882	45,900
Insurance	590,390	-	590,390	544,988	-	544,988	541,665	-	541,665	3,323
Other support services	637,509	-	637,509	683,981	-	683,981	652,614	-	652,614	31,367
Total support services	16,746,329	1,812,478	18,558,807	16,821,158	1,949,718	18,770,876	16,782,112	1,861,090	18,643,202	127,674
Non-program transactions	2,218,937	131,076	2,350,013	2,393,087	122,257	2,515,344	2,345,929	111,111	2,457,040	58,304
Capital outlay	1,420,580	19,060	1,439,640	1,344,092	7,190	1,351,282	1,045,065	6,430	1,051,495	299,787
<b>TOTAL EXPENDITURES</b>	<b>48,461,728</b>	<b>10,214,267</b>	<b>58,675,995</b>	<b>48,461,728</b>	<b>10,361,037</b>	<b>58,822,765</b>	<b>47,932,959</b>	<b>10,231,516</b>	<b>58,164,475</b>	<b>658,290</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>7,174,469</b>	<b>(6,400,479)</b>	<b>773,990</b>	<b>7,174,469</b>	<b>(6,400,479)</b>	<b>773,990</b>	<b>8,308,173</b>	<b>(6,359,001)</b>	<b>1,949,172</b>	<b>1,175,182</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Sale of capital assets	30	-	30	30	-	30	460	-	460	430
Transfer (to) other funds	(7,174,499)	-	(7,174,499)	(7,174,499)	-	(7,174,499)	(7,132,879)	-	(7,132,879)	41,620
Transfer from other funds	-	6,400,479	6,400,479	-	6,400,479	6,400,479	-	6,359,001	6,359,001	(41,478)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(7,174,469)</b>	<b>6,400,479</b>	<b>(773,990)</b>	<b>(7,174,469)</b>	<b>6,400,479</b>	<b>(773,990)</b>	<b>(7,132,419)</b>	<b>6,359,001</b>	<b>(773,418)</b>	<b>572</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,175,754</b>	<b>-</b>	<b>1,175,754</b>	<b>1,175,754</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>15,401,820</b>	<b>-</b>	<b>15,401,820</b>	<b>15,401,820</b>	<b>-</b>	<b>15,401,820</b>	<b>15,401,820</b>	<b>-</b>	<b>15,401,820</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 15,401,820</b>	<b>\$ -</b>	<b>\$ 15,401,820</b>	<b>\$ 15,401,820</b>	<b>\$ -</b>	<b>\$ 15,401,820</b>	<b>\$ 16,577,574</b>	<b>\$ -</b>	<b>\$ 16,577,574</b>	<b>\$ 1,175,754</b>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL PROJECT FUND**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2016**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Other local sources	\$ 82,922	\$ 129,549	\$ 175,113	\$ 45,564
Other sources	-	-	512	512
TOTAL REVENUES	82,922	129,549	175,625	46,076
EXPENDITURES				
Current				
Instruction				
Regular instruction	28,900	114,482	110,480	4,002
Total instruction	28,900	114,482	110,480	4,002
Support services				
Pupil services	37,322	-	-	-
Pupil transportation	4,200	27,567	27,566	1
Other support services	8,000	8,000	2,663	5,337
Total support services	49,522	35,567	30,229	5,338
Capital Outlay Total	25,000	-	-	-
TOTAL EXPENDITURES	103,422	150,049	140,709	9,340
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,500)	(20,500)	34,916	55,416
NET CHANGE IN FUND BALANCE	(20,500)	(20,500)	34,916	55,416
FUND BALANCE - BEGINNING OF YEAR	354,735	354,735	354,735	-
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 334,235</b>	<b>\$ 334,235</b>	<b>\$ 389,651</b>	<b>\$ 55,416</b>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE CAPITAL PROJECTS FUND**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Other local sources	\$ 78,630	\$ 78,630	\$ 4,449	\$ (74,181)
Other sources	25,000	25,000	82,736	57,736
TOTAL REVENUES	<u>103,630</u>	<u>103,630</u>	<u>87,185</u>	<u>(16,445)</u>
EXPENDITURES				
Capital Projects	185,000	185,000	14,223	170,777
Total support services	185,000	185,000	14,223	170,777
Capital Outlay Total	<u>2,400,000</u>	<u>2,400,000</u>	<u>935,577</u>	<u>1,464,423</u>
TOTAL EXPENDITURES	<u>2,585,000</u>	<u>2,585,000</u>	<u>949,800</u>	<u>1,635,200</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,481,370)</u>	<u>(2,481,370)</u>	<u>(862,615)</u>	<u>1,618,755</u>
NET CHANGE IN FUND BALANCE	(2,481,370)	(2,481,370)	(862,615)	1,618,755
FUND BALANCE - BEGINNING OF YEAR	<u>5,032,903</u>	<u>5,032,903</u>	<u>5,032,903</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<b><u>\$ 2,551,533</u></b>	<b><u>\$ 2,551,533</u></b>	<b><u>\$ 4,170,288</u></b>	<b><u>\$ 1,618,755</u></b>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2016**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Other local sources	\$ 700,870	\$ 700,870	\$ 680,633	\$ (20,237)
State sources	40,720	40,720	37,246	(3,474)
Federal sources	1,244,300	1,244,300	1,219,147	(25,153)
Other sources	<u>8,840</u>	<u>8,840</u>	<u>4,541</u>	<u>(4,299)</u>
<b>TOTAL REVENUES</b>	<u>1,994,730</u>	<u>1,994,730</u>	<u>1,941,567</u>	<u>(53,163)</u>
<b>EXPENDITURES</b>				
Current				
Food service	<u>1,979,760</u>	<u>1,979,760</u>	<u>1,959,202</u>	<u>20,558</u>
Capital Outlay	<u>14,200</u>	<u>14,200</u>	<u>14,208</u>	<u>(8)</u>
<b>TOTAL EXPENDITURES</b>	<u>1,993,960</u>	<u>1,993,960</u>	<u>1,973,410</u>	<u>20,550</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>770</u>	<u>770</u>	<u>(31,843)</u>	<u>(32,613)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	770	770	(31,843)	(32,613)
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	<u>339,381</u>	<u>339,381</u>	<u>339,381</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ 340,151</u>	<u>\$ 340,151</u>	<u>\$ 307,538</u>	<u>\$ (32,613)</u>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**ON BUDGETARY ACCOUNTING AND CONTROL**  
**JUNE 30, 2016**

**NOTE 1 - Budgetary Information** - Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the two-digit sub-function level in the General Fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by the School Board resolution.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Based upon requests from District staff, District Administration recommends budget proposals to the School Board.
2. The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
3. A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
4. Pursuant to the public budget hearing, the School Board may alter the proposed budget.
5. After the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.
6. Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as a reserve of fund balance.
7. Encumbrance accounting is not used by the District.
8. Budgets are adopted on a basis consistent with generally accepted accounting principles.

**NOTE 2 - Excess of Actual Expenditure Over Budget** - The following functions had an excess of actual expenditures over budget.

General/Special Education	Operations and maintenance	\$ 195,001
Food Service	Capital outlay	8

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT**  
**HEALTHCARE AND SUPPLEMENTAL PENSION**  
**YEAR ENDED JUNE 30, 2016**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (b / a)	Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b - a) / c)
<u>Post Employment Healthcare</u>						
2014						
7/1/2013	\$ -	\$ 5,542,248	\$ 5,542,248	0.00%	\$ 31,805,361	17.43%
2015						
7/1/2013	-	5,542,248	5,542,248	0.00%	32,148,633	17.24%
2016						
7/1/2015	-	4,833,617	4,833,617	0.00%	32,476,462	14.88%
<u>Supplemental Pension</u>						
2014						
7/1/2013	-	1,753,514	1,753,514	0.00%	31,805,361	5.51%
2015						
7/1/2013	-	1,753,514	1,753,514	0.00%	32,148,633	5.45%
2016						
7/1/2015	-	1,628,170	1,628,170	0.00%	32,476,462	5.01%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
<u>Post Employment Healthcare</u>			
2014	\$ 538,284	\$ 399,571	74.23%
2015	538,481	314,465	58.40%
2016	471,823	397,495	84.25%
<u>Supplemental Pension</u>			
2014	\$ 174,431	\$ 146,993	84.27%
2015	174,470	106,926	61.29%
2016	180,663	171,971	95.19%

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**WISCONSIN RETIREMENT SYSTEM SCHEDULES**  
**JUNE 30, 2016**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
Last 10 Fiscal Years \*

	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.22878762%	0.23324522%
Proportionate share of the net pension liability (asset)	\$ 3,717,754	\$ (5,729,141)
Covered payroll	\$ 32,025,120	\$ 31,813,322
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	11.61%	-18.01%
Plan fiduciary net position as a percentage of the total pension liability	98.20%	102.74%

\* The amounts presented for each fiscal year were determined as of the calendar year end which occurred with the fiscal year.

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,177,710	\$ 2,226,937
Contributions in relation to the contractually required contribution	<u>(2,177,710)</u>	<u>(2,226,937)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 32,025,120	\$ 31,813,322
Contributions as a percentage of covered payroll	6.80%	7.00%

\* The amounts presented for each fiscal year were determined as of the calendar year end which occurred with the fiscal year.

The District implemented the Government Accounting Standards Board Statement No. 68 for the year ended June 30, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 proceeding years.

**Notes to Required Supplementary Information for the Year Ended June 30, 2016**

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes of assumptions - there were no changes in the assumptions.



**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN**

**OTHER  
SUPPLEMENTARY INFORMATION**

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2016**

	<u>BALANCE</u> <u>JUNE 30, 2015</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
<b>ASSETS</b>				
Cash and investments	\$ 80,913	\$ 680,410	\$ 688,315	\$ 73,008
<b>TOTAL ASSETS</b>	<u><u>80,913</u></u>	<u><u>680,410</u></u>	<u><u>688,315</u></u>	<u><u>73,008</u></u>
<b>LIABILITIES</b>				
Due to student organizations				
Elementary	12,558	98,904	104,825	6,637
Junior High	20,104	212,430	210,718	21,816
High	<u>48,251</u>	<u>369,076</u>	<u>372,772</u>	<u>44,555</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 80,913</u></u>	<u><u>\$ 680,410</u></u>	<u><u>\$ 688,315</u></u>	<u><u>\$ 73,008</u></u>

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

Awarding Agency Pass-Through Agency Award Description	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CATALOG NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED	REVENUES		ACCRUED	SUBRECIPIENT PASS-THROUGH EXPENDITURES
				RECEIVABLE (UNEARNED REVENUE) JULY 1, 2015	GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2016	
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
Wisconsin Department of Public Instruction								
School Breakfast Program								
July 1, 2014 - June 30, 2015	None	10.553	N/A	\$ 2,084	\$ 2,084	\$ -	\$ -	\$ -
July 1, 2015 - June 30, 2016	None		N/A	-	93,640	97,956	4,316	-
Food Distribution								
July 1, 2015 - June 30, 2016	None	10.555	N/A	-	124,268	124,268	-	-
National School Lunch Program								
July 1, 2014 - June 30, 2015	None	10.555	N/A	18,796	18,796	-	-	-
July 1, 2015 - June 30, 2016	None		N/A	-	807,417	838,547	31,130	-
Special Milk Program for Children								
July 1, 2014 - June 30, 2015	None	10.556	N/A	125	125	-	-	-
July 1, 2015 - June 30, 2016	None		N/A	-	3,611	3,611	-	-
National School Lunch Area Eligible Snack Program								
July 1, 2015 - June 30, 2016	None	10.556	N/A	-	5,283	5,283	-	-
Summer Food Service Program								
July 1, 2014 - June 30, 2015	None	10.559	N/A	43,530	43,530	-	-	-
July 1, 2015 - June 30, 2016	None		N/A	-	49,299	97,955	48,656	-
Total Child Nutrition Cluste				<u>64,535</u>	<u>1,148,053</u>	<u>1,167,620</u>	<u>84,102</u>	<u>-</u>
Fresh Fruit and Vegetable Program								
July 1, 2014 - June 30, 2015	None	10.582	N/A	-	-	-	-	-
July 1, 2015 - June 30, 2016	None		N/A	-	51,527	51,527	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>64,535</u>	<u>1,199,580</u>	<u>1,219,147</u>	<u>84,102</u>	<u>-</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Wisconsin Department of Public Instruction								
Title I - Grants to Local Educational Agencies								
July 1, 2014 - June 30, 2015	15-36-3290-TIA	84.010	N/A	310,405	310,405	-	-	-
July 1, 2015 - June 30, 2016	A141-00000-363290		\$ 1,119,402	-	577,922	1,077,181	499,259	-
				<u>310,405</u>	<u>888,327</u>	<u>1,077,181</u>	<u>499,259</u>	<u>-</u>
Special Education - Grants to States IDEA (Flow Thru)								
July 1, 2014 - June 30, 2015	2015-3290-730-341	84.027	N/A	239,556	239,556	-	-	-
July 1, 2015 - June 30, 2016	A341-00000-363290		1,323,285	-	799,494	1,085,407	285,913	-
Special Education - High Cost								
July 1, 2015 - June 30, 2016	None	84.027	N/A	-	2,471	2,471	-	-
Special Education - Preschool Grants								
July 1, 2014 - June 30, 2015	2015-3290-730-347	84.173	N/A	4,338	4,338	-	-	-
July 1, 2015 - June 30, 2016	A347-00000-363290		27,332	-	34,164	37,332	3,168	-
Total IDEA Cluster				<u>243,894</u>	<u>1,080,023</u>	<u>1,125,210</u>	<u>289,081</u>	<u>-</u>
Career and Technical Education - Basic Grants to States								
July 1, 2014 - June 30, 2015	None	84.048	N/A	14,996	14,996	-	-	-
July 1, 2015 - June 30, 2016	None		44,616	-	5,375	41,706	36,331	-
Twenty-First Century Community Learning Centers - Jefferson Elementary								
July 1, 2014 - June 30, 2015	None	84.287	N/A	15,786	15,786	-	-	-
July 1, 2015 - June 30, 2016	None		52,107	-	44,729	52,107	7,378	-
Twenty-First Century Community Learning Centers - Washington Jr. High								
July 1, 2014 - June 30, 2015	None	84.287	N/A	28,395	28,395	-	-	-
July 1, 2015 - June 30, 2016	None		111,019	-	66,588	92,488	25,900	-
English Language Acquisition Grants								
July 1, 2014 - June 30, 2015	15-36-3290-TIIIA-Formula	84.365	N/A	68,230	68,230	-	-	-
July 1, 2015 - June 30, 2016	A391-00000-363290		67,206	-	28,860	63,568	34,708	6,549
Improving Teacher Quality State Grants								
July 1, 2014 - June 30, 2015	15-34-3290-TIIA-Formula	84.367	N/A	233,338	233,338	-	-	-
July 1, 2015 - June 30, 2016	A365-00000-363290		256,098	-	11,631	251,182	239,551	-
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>915,044</u>	<u>2,486,278</u>	<u>2,703,442</u>	<u>1,132,208</u>	<u>6,549</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
Wisconsin Department of Health Services								
Medical Assistance								
July 1, 2014 - June 30, 2015	None	93.778	N/A	88,973	88,973	-	-	-
July 1, 2015 - June 30, 2016	None		N/A	-	541,621	659,540	117,919	-
Wisconsin Board for People with Development Disabilities:								
Employment First Community Action Team Grant								
July 1, 2014 - June 30, 2015	None	93.630	N/A	5,000	5,000	-	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>93,973</u>	<u>635,594</u>	<u>659,540</u>	<u>117,919</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 1,073,552</u>	<u>\$ 4,321,452</u>	<u>\$ 4,582,129</u>	<u>\$ 1,334,229</u>	<u>\$ 6,549</u>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2016**

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	PASS-THROUGH		RECEIVABLE			RECEIVABLE		SUBRECIPIENT PASS-THROUGH
	ENTITY IDENTIFYING NUMBER	STATE I.D. NUMBER	(UNEARNED REVENUE) JULY 1, 2015	REVENUE GRANTOR REIMBURSEMENTS	EXPENDITURES	(UNEARNED REVENUE) JUNE 30, 2016	EXPENDITURES	
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>								
Wisconsin Department of Public Instruction								
Special Education and School Age Parents:	LEA-100	255.101	\$ -	\$ 2,231,871	\$ 2,231,871	\$ -	\$ -	-
State School Lunch Aid	LEA-107	255.102	-	18,769	18,769	-	-	-
Common School Fund Library Aid	LEA-104	255.103	-	257,674	257,674	-	-	-
Bilingual/Bicultural Aid	LEA-111	255.106	-	82,945	82,945	-	-	-
General Transportation Aid	LEA-102	255.107	-	56,951	56,951	-	-	-
Wisconsin Morning Milk Program	LEA-109	255.109	-	13,503	13,503	-	-	-
Equalization Aid	LEA-116	255.201	512,917	29,674,410	29,695,972	534,479	-	-
High Cost Special Education Aid	LEA-119	255.210	-	3,633	3,633	-	-	-
School Breakfast Program	LEA-108	255.344	-	4,974	4,974	-	-	-
Student Achievement Guarantee in Education	LEA-160	255.504	-	842,610	842,610	-	-	-
Educator Effectiveness Evaluation System	LEA-154	255.940	-	33,520	67,040	33,520	-	-
Per Pupil Aid	LEA-135	255.945	-	-	778,650	778,650	-	-
Career and Technical Education Incentive	LEA-151	255.950	-	27,453	27,453	-	-	-
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			<u>512,917</u>	<u>33,248,313</u>	<u>34,082,045</u>	<u>1,346,649</u>		<u>-</u>
<b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>								
Aquatic Invasive Species	None	370.663	-	666	666	-	-	-
Payment in Lieu of Taxes	None	None	-	9,173	9,173	-	-	-
TOTAL WISCONSIN DEPARTMENT OF NATURAL RESOURCES			<u>-</u>	<u>9,839</u>	<u>9,839</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>WISCONSIN DEPARTMENT OF REVENUE</b>								
Exempt Computer Aid	None	None	95,815	95,815	110,318	110,318	-	-
<b>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</b>								
Youth Apprenticeship Grant	None	445.112	6,070	36,436	68,042	37,676	-	-
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<u>\$ 614,802</u>	<u>\$ 33,390,403</u>	<u>\$ 34,270,244</u>	<u>\$ 1,494,643</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2016

**NOTE 1 - Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Manitowoc Public School District. The information in these schedules is presented in accordance with the requirements of Uniform Guidance and *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

**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 the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable and are limited as to reimbursement.

**NOTE 3 - Special Education and School Age Parents Program**

2015-2016 eligible costs under the State Special Education Program are \$8,814,462.

**NOTE 4 - Food Distribution Program**

Non-monetary assistance is reported in the schedule of federal awards at the fair market value of the commodities received and used.

**NOTE 5 - 10% De Minimis Cost Rate**

Elected not to use.

**MANITOWOC PUBLIC SCHOOL DISTRICT  
MANITOWOC, WISCONSIN**

**OTHER REPORTS**



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

To the Board of Education  
Manitowoc Public School District  
Manitowoc, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manitowoc Public School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Manitowoc Public School District's basic financial statements, and have issued our report thereon dated December 28, 2016.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Manitowoc Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

HAWKINS ASH CPAS, LLP

A handwritten signature in black ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, flowing style.

Manitowoc, Wisconsin  
December 28, 2016





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

To the Board of Education  
Manitowoc Public School District  
Manitowoc, Wisconsin

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

We have audited the Manitowoc Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *State Single Audit Guidelines* that could have a direct and material effect on each of the Manitowoc Public School District's major federal and state programs for the year ended June 30, 2016. The Manitowoc Public School District's major federal and 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 federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Manitowoc Public School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Manitowoc Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Manitowoc Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal or state programs for the year ended June 30, 2016.

### ***Report on Internal Control Over Compliance***

Management of the Manitowoc Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered the Manitowoc Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and *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 Manitowoc Public School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin  
December 28, 2016

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

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

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:  
 Material weakness identified?  Yes  No  
 Significant deficiency(ies) identified not considered to be material weaknesses?  Yes  None reported  
 Noncompliance material to the financial statements?  Yes  No

*Federal Awards*

Internal control over financial reporting:  
 Material weakness identified?  Yes  No  
 Significant deficiency(ies) identified not considered to be material weaknesses?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  Yes  No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.556/10.559	Child Nutrition Cluster

*State Assistance*

Internal control over financial reporting:  
 Material weakness identified?  Yes  No  
 Significant deficiency(ies) identified not considered to be material weaknesses?  Yes  None reported

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

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

**MANITOWOC PUBLIC SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
JUNE 30, 2016

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.201	General Equalization Aid

Dollar threshold used to distinguish between:

Type A and Type B federal programs:	\$750,000
Type A and Type B state programs:	\$250,000

Auditee qualified as a low-risk auditee?                        X   Yes                             No

**Section II & III - Financial Statements, Federal and State Award Findings and Questioned Costs**

None

**Section IV - Prior Year Findings**

None