

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2017

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JUNE 30, 2017

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MANITOWOC PUBLIC SCHOOL DISTRICT

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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, 2017, 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, 2017, 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.

Emphasis of Matter

As discussed in Note 1, the District has implemented Governmental Accounting Standards Board Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

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, Wisconsin Retirement System schedules, and supplemental pension defined benefit plan 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 charter school authorizer operating costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State Single Audit Guidelines, and are also not a required part of the basic financial statements.

The schedule of changes in assets and liabilities - agency funds, schedule of charter school authorizer operating costs, 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 November 21, 2017, 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
November 21, 2017

**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, 2017. 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 \$63,080,164; including \$19,705,969 of property taxes, \$32,732,852 of general state and federal aid, and \$9,954,711 of charges for services, grants and contributions. Total governmental fund expenditures were \$67,090,124; including \$39,162,688 for direct instruction.

The District's financial status, as reflected in total net position, decreased by \$4,009,961. 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, the increase in OPEB supplemental pension liability 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, 2017, compared to 2016. The District's combined net position of \$48,160,608 in 2016, decreased from operations by \$4,009,961 and a decrease from a change in accounting principal by \$1,441,439 to a net position of \$42,709,208 in 2017 or a reduction of 11.3%.

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

	<u>Governmental Activities</u>		Total % Change
	<u>2016</u>	<u>2017</u>	<u>2016 - 2017</u>
Current and other assets	\$ 26,501	\$ 26,057	-1.7%
Capital assets	<u>30,619</u>	<u>28,853</u>	-5.8%
Total assets	<u><u>57,120</u></u>	<u><u>54,910</u></u>	-3.9%
Deferred outflow of resources	<u>19,865</u>	<u>15,521</u>	-21.9%
Long-term liabilities outstanding	10,111	8,338	-17.5%
Other liabilities	<u>12,330</u>	<u>11,695</u>	-5.2%
Total liabilities	<u><u>22,441</u></u>	<u><u>20,033</u></u>	-10.7%
Deferred inflow of resources	<u>7,824</u>	<u>7,689</u>	-1.7%
Net position			
Net investment in capital assets	25,633	24,381	-4.9%
Restricted	17,045	14,352	-15.8%
Unrestricted	<u>4,042</u>	<u>3,976</u>	-1.6%
Total net position	<u><u>\$ 46,720</u></u>	<u><u>\$ 42,709</u></u>	-8.6%

Note: Totals may not add due to rounding.

Table 2			
Changes in Net Position			
(in thousands of dollars)			
	<u>Governmental Activities</u>		<u>Total</u>
	<u>2016</u>	<u>2017</u>	<u>2016 - 2017</u>
Revenues			
Program revenues			
Charges for services	\$ 1,656	\$ 1,600	-3.4%
Operating grants and contributions	7,944	8,354	5.2%
General revenues			
Property taxes	20,766	19,706	-5.1%
State and federal aid	31,376	32,733	4.3%
Other	725	687	-5.2%
Total revenues	<u>62,467</u>	<u>63,080</u>	1.0%
Expenses			
Instruction	38,322	39,163	2.2%
Pupil and instructional services	5,438	5,910	8.7%
Administration and business	4,192	4,388	4.7%
Maintenance and operations	7,522	7,725	2.7%
Transportation	1,664	1,774	6.6%
Food service	1,961	1,982	1.1%
Interest on debt	298	271	-9.1%
Other	5,157	5,877	14.0%
Total expenses	<u>64,554</u>	<u>67,090</u>	3.9%
(Decrease) increase in net position	<u>\$ -2,087</u>	<u>\$ -4,010</u>	-92.1%
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 (31.2%) and state and federal aids (51.9%) 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)

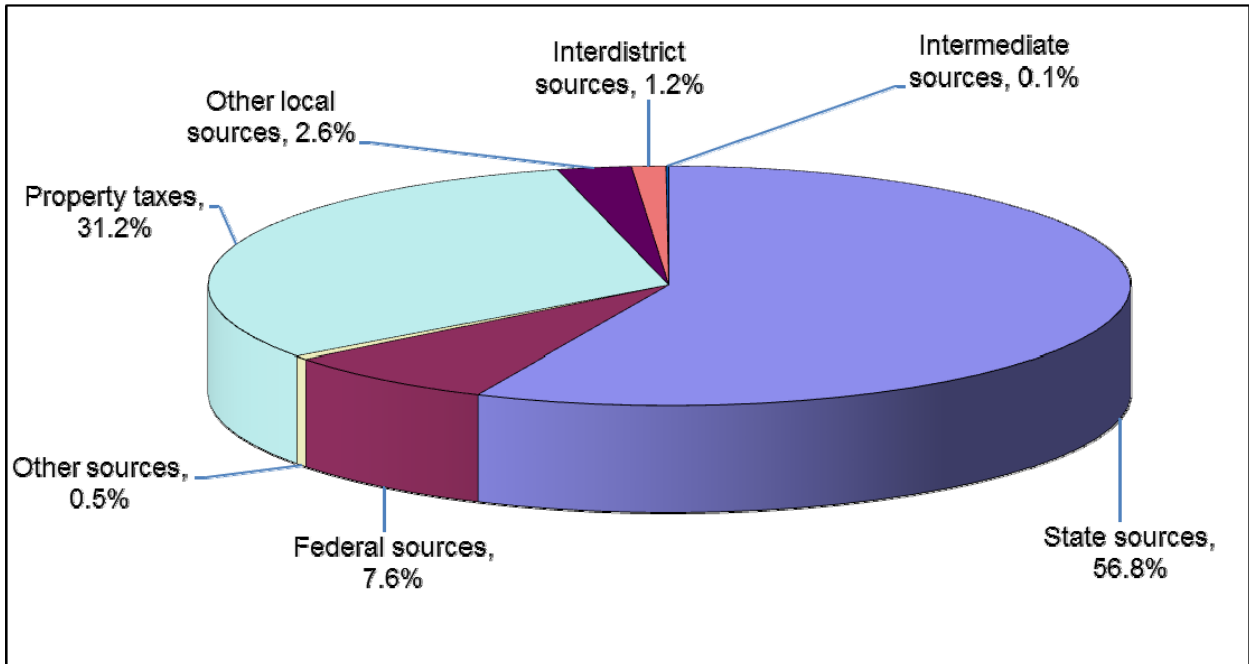
	Total Cost of Services		% Change	Net Cost of Services		% Change
	2016	2017	2016- 2017	2016	2017	2016- 2017
Instruction	\$ 38,322	\$ 39,163	2.2%	\$ 31,584	\$ 32,190	1.9%
Pupil and instructional services	5,438	5,910	8.7%	5,031	5,527	9.9%
Administration and business	4,192	4,388	4.7%	4,192	4,388	4.7%
Maintenance and operations	7,522	7,725	2.7%	7,514	7,704	2.5%
Transportation	1,664	1,774	6.6%	1,607	1,717	6.8%
Food service	1,961	1,982	1.1%	20	-78	-490.0%
Interest on debt	298	271	-9.1%	214	194	-9.3%
Other	5,157	5,877	14.0%	4,792	5,493	14.6%
Total	\$ 64,554	\$ 67,090	3.9%	\$ 54,954	\$ 57,135	4.0%

Note: Totals may not add due to rounding

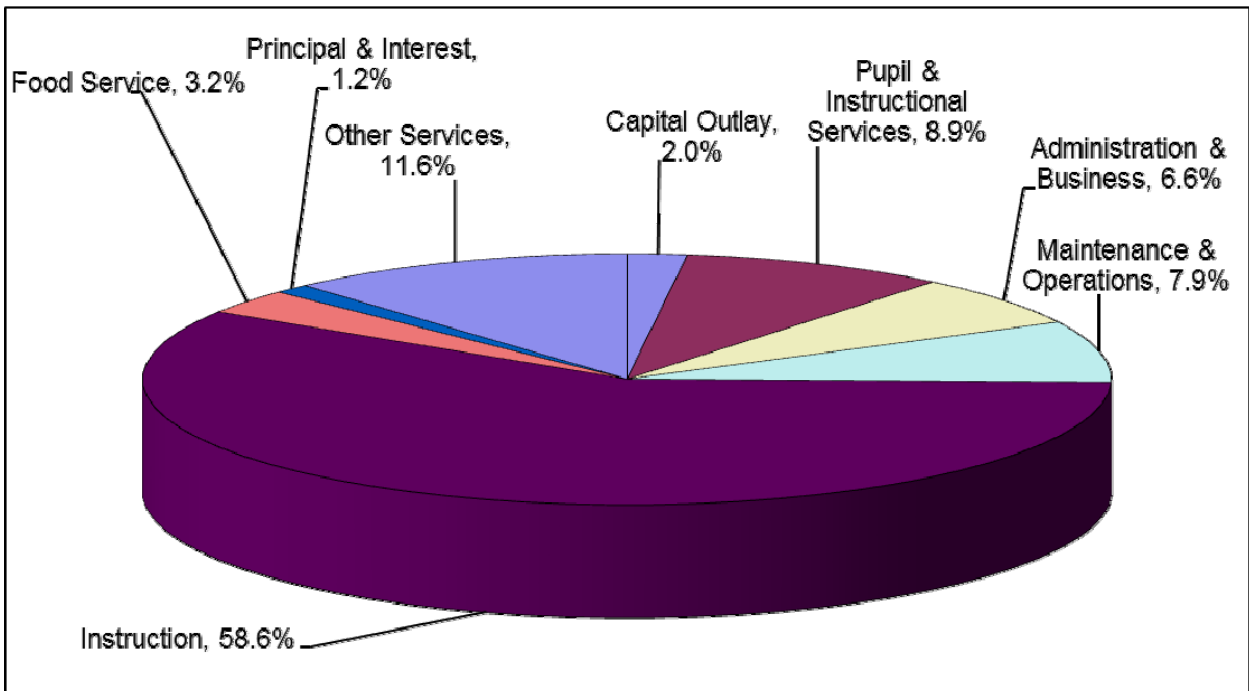
The cost of all governmental activities this year was \$67,090,124. Individuals who directly participated or benefited from a program offering paid for \$1,600,423 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$8,354,288. The net cost of governmental activities \$57,135,414 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 \$21,182,587 down from last year's ending fund balance of \$21,445,052.

- The general fund had a decrease in fund balance of \$232,476.
- The special projects fund had a decrease in fund balance of \$37,508.
- The capital projects fund had a decrease in fund balance of \$60,534. The fund balance of the capital projects fund will fluctuate each year.
- The food service program had an increase in fund balance of \$68,053.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reviews an interim budget in May for the subsequent year (beginning July 1st). 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 2016-2017 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 exceed revenues by \$1,200,000, the actual results for the year show expenditures exceeded revenues by \$232,476.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2017, the District had invested \$79,827,003 in capital assets, including sites, site improvements, buildings, and equipment. Total accumulated depreciation on these assets is \$50,974,362. Asset acquisitions for governmental activities totaled \$1,251,717. The District recognized depreciation expense of \$3,017,762 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
	2016	2017	2016-2017
Sites	\$ 973	\$ 973	0.0%
Site improvements	2,140	2,266	5.9%
Buildings	67,337	67,799	0.7%
Furniture and equipment	9,028	8,789	-2.6%
Accumulated depreciation	(48,859)	(50,974)	-4.3%
Total	\$ 30,619	\$ 28,853	-5.8%

Note: Totals may not add due to rounding.

Long-Term Obligations

At year-end, the District had \$8,338,000 in general obligation notes, \$1,861,411 in Wisconsin Retirement System net pension liability, \$1,722,912 in OPEB supplemental pension liability and \$3,186,820 in other long-term liabilities outstanding for a total of \$15,109,143 or a decrease of 12.8% from last year (see Table 5). The decrease was a result of the Wisconsin Retirement System pension liability. The District made outstanding bonds/notes and other long-term liability payments of \$1,017,984 for the year. Detailed information about the District's long-term obligations is presented in Note 4, Note 7, and Note 8 for other post employment benefits obligations to the financial statements.

	Total School District		% Change
	2016	2017	2016 - 2017
General obligation debt	\$ 8,670	\$ 8,338	-3.8%
Other	8,662	6,771	-21.8%
Total	\$ 17,332	\$ 15,109	-12.8%

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, 2017

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current assets	
Cash and investments	\$ 20,296,757
Receivables	
Taxes	3,997,699
Accounts	7,062
Due from other governments	1,657,652
Other current assets	13,634
Inventories and prepaid items	84,742
Capital assets (net of accumulated depreciation)	
Capital assets not being depreciated	972,709
Capital assets being depreciated	27,879,933
TOTAL ASSETS	54,910,188
 DEFERRED OUTFLOWS OF RESOURCES	
OPEB supplemental pension	213,215
Wisconsin Retirement System net pension	15,308,042
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,521,257
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 70,431,445
 LIABILITIES	
Current liabilities	
Accounts payable	302,185
Self insurance claims payable	1,720,271
Accrued liabilities	
Payroll, payroll taxes, insurance	2,736,568
Interest	48,857
Deposits payable	82,009
Unearned revenue	33,926
Wisconsin Retirement System net pension	1,861,411
Supplemental pension	1,722,912
Current portion of long-term obligations	1,525,518
Noncurrent portion of long-term obligations	9,999,302
TOTAL LIABILITIES	20,032,959
 DEFERRED INFLOWS OF RESOURCES	
Wisconsin Retirement System net pension	7,689,278
 NET POSITION	
Invested in capital assets, net of related debt	24,381,469
Restricted:	
General fund	3,841,460
Special revenue funds	352,143
Capital projects	4,109,755
Other activities	6,048,202
Unrestricted:	3,976,179
TOTAL NET POSITION	42,709,208
 TOTAL LIABILITIES AND NET POSITION	 \$ 70,431,445

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular instruction	\$ 25,805,389	\$ 296,737	\$ 2,348,336	\$ (23,160,316)
Vocational instruction	1,682,966	251,630	64,101	(1,367,235)
Special instruction	9,102,723	-	3,648,346	(5,454,377)
Other instruction	2,571,610	294,283	68,763	(2,208,564)
Total instruction	<u>39,162,688</u>	<u>842,650</u>	<u>6,129,546</u>	<u>(32,190,492)</u>
Support services				
Pupil services	3,180,296	8,947	-	(3,171,349)
Instructional staff services	2,729,981	160	373,610	(2,356,211)
General administration services	568,614	560	-	(568,054)
Building administration services	3,209,926	-	-	(3,209,926)
Business services	609,610	-	-	(609,610)
Operations and maintenance	7,724,959	20,910	-	(7,704,049)
Pupil transportation	1,773,744	-	56,345	(1,717,399)
Food service program	1,981,889	649,450	1,410,647	78,208
Central services	1,854,586	112	-	(1,854,474)
Insurance	512,033	-	-	(512,033)
Interest and refinancing	271,178	77,634	-	(193,544)
Other support services	663,175	-	384,140	(279,035)
Total support services	<u>25,079,991</u>	<u>757,773</u>	<u>2,224,742</u>	<u>(22,097,476)</u>
Non-program transactions	2,847,446	-	-	(2,847,446)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 67,090,125	1,600,423	\$ 8,354,288	(57,135,414)
General revenues				
Taxes				
Property taxes, levied for general purposes				19,705,969
State and federal aids not restricted to specific functions				
General				32,732,852
Other				762
Interest and investment earnings				91,761
Miscellaneous				594,109
Total general revenues				<u>53,125,453</u>
CHANGE IN NET POSITION				(4,009,961)
NET POSITION - BEGINNING OF YEAR				48,160,608
CHANGE IN ACCOUNTING PRINCIPLE				(1,441,439)
NET POSITION - END OF YEAR				\$ 42,709,208

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, 2017

	10 GENERAL & SPEC. ED. FUND	20 SPECIAL PROJECT FUND	30 DEBT SERVICE FUND	40 CAPITAL PROJECTS FUND	50 FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	\$ 15,488,332	\$ 359,188	\$ -	\$ 4,133,139	\$ 316,098	\$ 20,296,757
Receivables						
Taxes	3,997,699	-	-	-	-	3,997,699
Accounts	5,029	-	-	-	2,033	7,062
Due from other governments	1,572,873	-	-	-	84,779	1,657,652
Other current assets	13,634	-	-	-	-	13,634
Due from other funds	6,119	-	-	-	-	6,119
Inventories and prepaid items	-	-	-	-	84,742	84,742
TOTAL ASSETS	<u>21,083,686</u>	<u>359,188</u>	<u>-</u>	<u>4,133,139</u>	<u>487,652</u>	<u>26,063,665</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	181,685	7,045	-	17,265	96,190	302,185
Self insurance claims payable	1,720,271	-	-	-	-	1,720,271
Payroll, payroll taxes, insurance	2,736,568	-	-	-	-	2,736,568
Deposits payable	82,009	-	-	-	-	82,009
Due to other funds	-	-	-	6,119	-	6,119
Unearned revenue	18,055	-	-	-	15,871	33,926
TOTAL LIABILITIES	<u>4,738,588</u>	<u>7,045</u>	<u>-</u>	<u>23,384</u>	<u>112,061</u>	<u>4,881,078</u>
FUND BALANCES						
Non-Spendable						
General fund	13,634	-	-	-	-	13,634
Other activities	-	-	-	-	84,742	84,742
Restricted						
General fund	3,841,460	-	-	-	-	3,841,460
Special revenue funds	-	352,143	-	-	-	352,143
Capital projects	-	-	-	4,109,755	-	4,109,755
Other activities	-	-	-	-	290,849	290,849
Committed						
General fund	2,299,427	-	-	-	-	2,299,427
Assigned						
General fund	4,085,087	-	-	-	-	4,085,087
Unassigned						
General fund	6,105,490	-	-	-	-	6,105,490
TOTAL FUND BALANCES	<u>16,345,098</u>	<u>352,143</u>	<u>-</u>	<u>4,109,755</u>	<u>375,591</u>	<u>21,182,587</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,083,686</u>	<u>\$ 359,188</u>	<u>\$ -</u>	<u>\$ 4,133,139</u>	<u>\$ 487,652</u>	

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	\$ 79,827,003	
Governmental accumulated depreciation	<u>(50,974,361)</u>	28,852,642

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

7,618,764

Other post employment benefits deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in the fund statements

(1,509,697)

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	\$ (8,338,000)	
Capital Lease debt	(242,928)	
Accrued interest on general obligation debt	(48,857)	
WRS Liability	(1,861,411)	
Vested employee benefits	(192,994)	
Other Post Employment Benefits	<u>(2,750,898)</u>	<u>\$ (13,435,088)</u>

Total net position - governmental activities **\$ 42,709,208**

MANITOWOC PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	10 GENERAL & SPEC. ED. FUND	20 SPECIAL PROJECT FUND	30 DEBT SERVICE FUND	40 CAPITAL PROJECTS FUND	50 FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property taxes	\$ 19,690,124	\$ -	\$ -	\$ -	\$ -	\$ 19,690,124
Other local sources	828,249	125,624	-	27,070	649,449	1,630,392
Interdistrict sources	745,763	-	-	-	-	745,763
Intermediate sources	65,080	-	-	-	-	65,080
State sources	35,728,325	-	-	-	38,152	35,766,477
Federal sources	3,423,676	-	-	-	1,365,475	4,789,151
Other sources	230,619	-	65,440	6,613	5,667	308,339
TOTAL REVENUES	60,711,836	125,624	65,440	33,683	2,058,743	62,995,326
EXPENDITURES						
Instruction						
Regular instruction	24,208,112	131,988	-	-	-	24,340,100
Vocational instruction	1,583,791	-	-	-	-	1,583,791
Special instruction	8,700,362	-	-	-	-	8,700,362
Other instruction	2,465,690	-	-	-	-	2,465,690
Total instruction	36,957,955	131,988	-	-	-	37,089,943
Support services						
Pupil services	3,045,703	-	-	-	-	3,045,703
Instructional staff services	2,613,963	-	-	-	-	2,613,963
General administration services	547,333	-	-	-	-	547,333
Building administration services	3,055,355	-	-	-	-	3,055,355
Business administration	577,318	-	-	-	6,957	584,275
Operations and maintenance	4,874,445	-	-	91,597	-	4,966,042
Pupil transportation	1,742,458	30,814	-	-	-	1,773,272
Food services	-	-	-	-	1,976,291	1,976,291
Central services	1,770,770	-	-	-	-	1,770,770
Insurance	512,033	-	-	-	-	512,033
Principal	242,929	-	332,000	-	-	574,929
Interest	-	-	195,427	-	-	195,427
Other support services	460,166	330	-	-	-	460,496
Total support services	19,442,473	31,144	527,427	91,597	1,983,248	22,075,889
Non-program transactions	2,847,446	-	-	-	-	2,847,446
Capital outlay	1,240,301	-	-	2,620	8,796	1,251,717
TOTAL EXPENDITURES	60,488,175	163,132	527,427	94,217	1,992,044	63,264,995
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	223,661	(37,508)	(461,987)	(60,534)	66,699	(269,669)
OTHER FINANCING SOURCES (USES)						
Sales of capital assets	5,850	-	-	-	1,354	7,204
Transfer to other funds	(7,263,490)	-	-	-	-	(7,263,490)
Transfer from other funds	6,801,503	-	461,987	-	-	7,263,490
TOTAL OTHER FINANCING SOURCES (USES)	(456,137)	-	461,987	-	1,354	7,204
NET CHANGE IN FUND BALANCE	(232,476)	(37,508)	-	(60,534)	68,053	(262,465)
FUND BALANCE - BEGINNING OF YEAR	16,577,574	389,651	-	4,170,289	307,538	21,445,052
FUND BALANCE - END OF YEAR	\$ 16,345,098	\$ 352,143	\$ -	\$ 4,109,755	\$ 375,591	\$ 21,182,587

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds \$ (262,465)

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	1,251,717	
Depreciation expense reported in the statement of activities	<u>(3,017,762)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period:		(1,766,045)

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:		29,026
(Increase) decrease in Net OPEB Obligation:		(230,418)

Wisconsin Retirement System asset, deferred inflows of resources, liability, and deferred outflows of resources changes:		(2,566,114)
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OPEB supplemental pension deferred outflows of resources, liability, and deferred inflows of resources changes:		206,439
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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:		574,929
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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 the federal subsidy.

The amount of imputed interest expense in the current year is:	(77,634)	
The amount of imputed interest federal subsidy and lease interest income subsidy in the current year is:	<u>77,634</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.	273,061	
The amount of interest accrued during the current period.	<u>(268,374)</u>	
Interest paid is greater (less) than interest accrued by:		<u>4,687</u>

Change in net position - governmental activities \$ (4,009,961)

MANITOWOC PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>SCHOLARSHIPS/ OTHER TRUST</u>	<u>AGENCY STUDENT ACTIVITY</u>
ASSETS		
Cash and investments	<u>\$ 32,985</u>	<u>\$ 96,246</u>
LIABILITIES		
Due to student organizations	<u>-</u>	<u>96,246</u>
TOTAL LIABILITIES	<u>-</u>	<u>96,246</u>
NET POSITION		
Held in trust for scholarships/other	<u>32,985</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 32,985</u>	<u>\$ 96,246</u>

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

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

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, 2017

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, 2017

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, 2017

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, and a final payment no later than the following July 31. 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, and by the 20 of each subsequent month thereafter. On or before August 20, 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 2016 tax levy is used to finance operations of the District's fiscal year ended June 30, 2017. All property taxes are considered due on January 1, 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 and are available to pay current liabilities.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

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, 2017

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 Wisconsin Retirement System pension and OPEB supplemental pension reported in the government-wide statement of net position. The Wisconsin Retirement System pension result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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 two types of items, Wisconsin Retirement System pension and OPEB supplemental pension that qualify for reporting in this category. The Wisconsin Retirement System pension and OPEB supplemental pension result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 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.

Change in Accounting Principle - The District has implemented GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in 2017.

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, 2017, 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	\$ 1,691,763
Wisconsin Investment Series Cooperative	Less than one year	<u>3,528,345</u>
Total		<u>\$ 5,220,108</u>

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 2 - Cash and Investments - Continued

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, 2017, 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 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, 2017, \$15,090,614 of the District's \$15,490,614 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, 2017 were as follows:

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

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	2,139,654	126,125	-	2,265,779
Buildings and improvements	67,336,907	462,290	-	67,799,197
Furniture and equipment	8,665,120	642,219	(902,679)	8,404,660
Vehicles	363,575	21,083	-	384,658
Total capital assets being depreciated	<u>78,505,256</u>	<u>1,251,717</u>	<u>(902,679)</u>	<u>78,854,294</u>
Less accumulated depreciation for:				
Land improvements	(1,054,609)	(115,318)	-	(1,169,927)
Buildings and improvements	(41,447,897)	(2,179,409)	-	(43,627,306)
Furniture and equipment	(6,057,806)	(712,538)	902,679	(5,867,665)
Vehicles	(298,967)	(10,497)	-	(309,464)
Total accumulated depreciation	<u>(48,859,279)</u>	<u>(3,017,762)</u>	<u>902,679</u>	<u>(50,974,362)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>29,645,977</u>	<u>(1,766,045)</u>	<u>-</u>	<u>27,879,932</u>
Capital assets, net of accumulated depreciation	<u>\$ 30,618,686</u>	<u>\$ (1,766,045)</u>	<u>\$ -</u>	<u>\$ 28,852,641</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 297,509
Vocational instruction	32,034
Special education instruction	2,546
Other instruction	11,310
Instructional staff services	4,553
General administration services	1,439
Building administration services	7,348
Business services	1,945
Operations and maintenance	2,620,429
Food service	8,591
Central services	26,849
Other support services	3,209
Total	<u>\$ 3,017,762</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, 2017

NOTE 4 - Long-Term Obligations

Long-term obligations of the District are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Notes payable	\$ 8,670,000	\$ -	\$ (332,000)	\$ 8,338,000	\$ 669,000
Leases payable	485,857	-	(242,929)	242,928	242,928
Vested vacation pay	4,822	-	(4,822)	-	-
Vested sick pay	217,198	634	(24,838)	192,994	192,994
Supplemental pension	1,716,136	178,747	(171,971)	1,722,912	213,215
Net OPEB obligation	<u>2,520,480</u>	<u>471,842</u>	<u>(241,424)</u>	<u>2,750,898</u>	<u>400,446</u>
Total	<u>\$ 13,614,493</u>	<u>\$ 651,223</u>	<u>\$ (1,017,984)</u>	<u>\$ 13,247,732</u>	<u>\$ 1,718,583</u>

Interest cost incurred during the year totaled \$268,374. Total interest paid during the year aggregated \$273,061.

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, 2017, 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 6/30/17</u>
Notes Payable	12/1/09	3.50%	9/15/19	\$ 2,010,000
Notes Payable	9/1/10	4.35%	4/1/20	1,283,000
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>\$ 8,338,000</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 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,350,453,619. The legal debt limit and margin of indebtedness as of June 30, 2017, 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, 2017

NOTE 4 - Long-Term Obligations - Continued

Debt limit (10% of \$2,350,453,619)	\$ 235,045,362
Deduct long-term applicable to debt margin	(8,338,000)
Amount available in debt service fund	-
Margin of indebtedness	<u>\$ 226,707,362</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
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	1,055,000	81,412	1,136,412
2023-2024	2,100,000	82,949	2,182,949
	<u>\$ 8,338,000</u>	<u>\$ 1,026,045</u>	<u>\$ 9,364,045</u>

NOTE 5 - Wisconsin Retirement System

General Information about the Pension Plan

Plan Description - The Wisconsin Retirement System (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, 2017

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
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

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

During the reporting period, the WRS recognized \$2,144,314 in contributions from the employer.

Contribution rates as of June 30, 2017 are:

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

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

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

At June 30, 2017, the District reported a liability (asset) of \$1,861,411 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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, 2016, the District's proportion was 0.22583391%, which was a decrease of 0.00295371% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,845,921.

At June 30, 2017, 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	\$ 709,756	\$ 5,853,975
Net differences between projected and actual earnings on pension plan investments	11,100,815	1,835,303
Changes in assumption	1,946,177	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	180,769	-
Employer contributions subsequent to the measurement date	1,370,525	-
Total	\$ 15,308,042	\$ 7,689,278

\$1,370,525 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 4,852,410	\$ 2,327,792
2019	4,852,410	2,327,792
2020	4,060,061	2,327,792
2021	168,650	705,902
Thereafter	3,986	-

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

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

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

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

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

Asset Allocation Targets and Expected Returns
As of December 31, 2016

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100%	100%	7.9%	5%

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

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

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

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)	\$ 24,488,050	\$ 1,861,411	\$ (15,562,127)

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>

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 5 - Wisconsin Retirement System - Continued

Payables to the Pension Plan - The District reported a payable of \$860,567 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 6 - Interfund Balance and Activity

Interfund receivable and payable balances on June 30, 2017, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital projects	\$ 6,119

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

Interfund transfers at June 30, 2017 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Debt service	\$ 461,987

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.

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%.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

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, 2017, contributions rates for plan members were \$134 - \$1,964 per participant per month and \$250 - \$1,455 from the District, depending on the type of retiree plan. Plan members receiving benefits paid \$187,305 and the District paid \$190,052 for current year premiums due.

Employees Covered - 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

Annual OPEB Cost and Net OPEB Obligation - 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 \$241,424 for fiscal year 2017. The annual required contribution for fiscal year 2017 was \$471,201, with the annual OPEB cost of \$471,842. The OPEB obligation for health and dental benefit costs through fiscal year 2017 was \$2,750,898.

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 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	100,819
Adjustment to annual required contribution	<u>(100,178)</u>
Annual OPEB cost	471,842
Contributions made	<u>(241,424)</u>
Increase in net OPEB obligation	230,418
Net OPEB obligation - beginning of year	<u>2,520,480</u>
Net OPEB obligation - end of year	<u><u>\$ 2,750,898</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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
6/30/15	\$538,481	58.40%	\$ 2,446,152
6/30/16	\$471,823	84.25%	\$ 2,520,480
6/30/17	\$471,842	51.17%	\$ 2,750,898

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2017

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

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.

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 Defined Benefit Plan

General Information about the Supplemental Pension Plan

Plan Description - The supplemental pension is a single employer defined benefit pension plan. Benefit terms are established by employee handbooks and may be modified by the Board of Education. The plan is administered by the District and included in the District's financial statements.

Benefits Provided - The District will provide a lump sum payout upon retirement to employees. Each teacher who has accumulated fifteen (15) years of service in the District and is at least 55 years of age, will be entitled to a post-employment benefit of \$100 for each year of service to be paid in cash. Teachers will be credited for one full year of service if they have worked one (1) semester or ninety (90) days, whichever is less, during any one (1) school year.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 8 - Supplemental Pension Defined Benefit Plan - Continued

Teachers working less than the above will receive no credit for years of service for the purposes of this benefit. This benefit will be paid in cash as one lump sum upon retirement ranging from \$1,500 to \$3,900.

Each non- teacher employee who has accumulated ten (10) or more years of service in this School District will be entitled to a retirement benefit of \$113 for each year of service to the District to be paid at the time of retirement from the District under social security or Wisconsin Retirement. Such payment will be paid in cash. Total years of service will be computed by rounding off to the nearest full-year of active employee status. This benefit will be paid in cash as one lump sum upon retirement ranging from \$1,469 to \$3,729.

Each separating administrator who is presently serving in the district as administrators and who has completed ten (10) years of District service as an administrator, shall receive an amount equal to the average annual salary per the individual contract for the three (3) years prior to separation. This amount will be paid over a 3-year period to a special pay deferral plan. This benefit will be paid in cash as 12 installments (four per year for three years) upon retirement ranging from \$13,825 to \$44,009 for the fiscal year.

Employees Covered - As of the June 30, 2016 measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>660</u>
Total	<u>669</u>

Contributions - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended June 30, 2017, contribution rates for Plan members were \$0 per participant per year and \$1,469 - \$44,009 from the District, depending on the type of retiree plan. Plan members receiving benefits paid \$0 and the District paid \$213,215 for current year premiums due.

Actuarial Assumptions - The total supplemental pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	July 1, 2015
Measurement Date of Pension Liability:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal - Level %
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	4%
Discount Rate:	3%
Salary Increases:	3%
Mortality:	Wisconsin 2012 Mortality Table

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 8 - Supplemental Pension Defined Benefit Plan - Continued

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total supplemental pension liability for June 30, 2017 is based upon an update of the liability calculated from the July 1, 2015 actuarial valuation. There were no material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The OPEB liability for June 30, 2016 is based upon an update of the liability calculated from the July 1, 2015 actuarial valuation. There were no material changes in assumptions or benefit terms which occurred between the actuarial valuation date and the measurement date.

Changes in the Total Pension Liability

	Increase (Decrease)
	Total Pension Liability
Beginning balance	\$ 1,716,136
Changes for the year:	
Service cost	127,924
Interest	50,823
Benefit payments, including refunds of employee contributions	(171,971)
Net changes	6,776
Ending Balance	\$ 1,722,912

Sensitivity of the Total Supplemental Pension Liability to Changes in the Discount Rate - The following presents the total supplemental pension liability calculated using the discount rate of 3 percent, as well as what the total supplemental pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2 percent) or 1-percentage-point higher (4 percent) than the current rate:

	1% Decrease to Discount Rate (2%)	Current Discount Rate (3%)	1% Increase to Discount Rate (4%)
Total supplemental pension liability	\$ 1,785,401	\$ 1,722,912	\$ 1,661,682

Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the District recognized pension expense of \$171,971.

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

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 8 - Supplemental Pension Defined Benefit Plan - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	-
Employer contributions subsequent to the measurement date	213,215	-
Total	\$ 213,215	\$ -

\$213,215 reported as deferred outflows related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction on the total pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ -	\$ -
2019	-	-
2020	-	-
2021	-	-
2022	-	-
Thereafter	-	-

Payables to the Pension Plan - The District reported a payable of zero for the outstanding amount of contributions to the supplemental pension plan required for the year ended June 30, 2017.

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	\$ 13,634
Food Service	Inventory	\$ 84,743
Restricted		
General	Self-insurance	\$ 3,598,531
General	Contractual obligation	\$ 242,929
Special projects	DPI regulation	\$ 352,143
Capital projects	DPI regulation	\$ 4,109,755
Food service	DPI regulation	\$ 290,849
Committed		
General	Specific expenses	\$ 2,299,428
Assigned		
General	Specific expenses	\$ 4,085,087

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

NOTE 9 - Fund Balance and Net Position - Continued

Governmental Activities

Restricted

General	Self-insurance	\$	3,598,531
General	Contractual obligation	\$	242,929
Special projects	DPI regulation	\$	352,143
Capital projects	DPI regulation	\$	4,109,755
Other activities	Food service	\$	290,849
Other activities	Wisconsin Retirement System pension	\$	5,757,353

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>
2018	\$ 242,929
Less: amount representing interest	-
Present value of net minimum lease payments	<u>\$ 242,929</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 for 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 2021 with estimated increases of 2.0 - 3.0% per year.

The District has entered into an agreement with Heartland Business Systems for a wired network update and three year service agreement to be paid for in 2017-2018. Expected costs are \$641,515.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2017

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 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, 2017</u>	Year Ended <u>June 30, 2016</u>
Beginning liability balance	\$ 1,630,576	\$ 1,672,289
Claims and changes in estimates	10,811,765	9,589,285
Claim payments	<u>(10,722,070)</u>	<u>(9,630,998)</u>
Ending liability balance	<u>\$ 1,720,271</u>	<u>\$ 1,630,576</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.

NOTE 15 - Change in Account Principle

The change in accounting principle of \$1,441,439 on the statement of activities is due to the adoption of GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

**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, 2017

	ORIGINAL BUDGETED AMOUNTS			FINAL BUDGETED AMOUNTS			ACTUAL AMOUNTS			VARIANCE WITH
	GENERAL	SPECIAL		GENERAL	SPECIAL		GENERAL	SPECIAL		POSITIVE
		EDUCATION	TOTAL		EDUCATION	TOTAL		EDUCATION	TOTAL	
REVENUES										
Property taxes	\$ 19,690,124	\$ -	\$ 19,690,124	\$ 19,690,124	\$ -	\$ 19,690,124	\$ 19,690,124	\$ -	\$ 19,690,124	\$ -
Other local sources	768,238	-	768,238	768,238	-	768,238	828,249	-	828,249	60,011
Interdistrict sources	876,710	19,720	896,430	876,710	19,720	896,430	728,099	17,664	745,763	(150,667)
Intermediate sources	-	-	-	44,230	-	44,230	64,330	750	65,080	20,850
State sources	33,471,767	2,226,400	35,698,167	33,471,767	2,246,000	35,717,767	33,382,347	2,345,977	35,728,324	10,557
Federal sources	1,754,172	1,765,977	3,520,149	1,709,942	1,765,977	3,475,919	1,689,438	1,734,238	3,423,676	(52,243)
Other sources	87,035	2,110	89,145	87,035	2,110	89,145	220,642	9,977	230,619	141,474
TOTAL REVENUES	56,648,046	4,014,207	60,662,253	56,648,046	4,033,807	60,681,853	56,603,229	4,108,606	60,711,835	29,982
EXPENDITURES										
Current										
Instruction										
Regular instruction	25,021,056	-	25,021,056	24,723,959	-	24,723,959	24,208,113	-	24,208,113	515,846
Vocational instruction	1,832,562	2,114	1,834,676	1,692,762	764	1,693,526	1,583,791	-	1,583,791	109,735
Special instruction	-	8,476,795	8,476,795	-	8,696,576	8,696,576	-	8,700,362	8,700,362	(3,786)
Other instruction	2,473,949	-	2,473,949	2,541,004	-	2,541,004	2,465,690	-	2,465,690	75,314
Total instruction	29,327,567	8,478,909	37,806,476	28,957,725	8,697,340	37,655,065	28,257,594	8,700,362	36,957,956	697,109
Support services										
Pupil services	1,707,090	1,305,876	3,012,966	1,731,710	1,327,605	3,059,315	1,717,850	1,327,852	3,045,702	13,613
Instructional staff services	2,121,275	353,931	2,475,206	2,360,453	358,695	2,719,148	2,265,457	348,506	2,613,963	105,185
General administration services	626,460	-	626,460	560,367	-	560,367	547,333	-	547,333	13,034
Building administration services	3,036,276	-	3,036,276	3,064,658	-	3,064,658	3,055,355	-	3,055,355	9,303
Business services	532,756	19,000	551,756	554,847	22,475	577,322	554,843	22,475	577,318	4
Operations and maintenance	4,750,021	19,000	4,769,021	4,365,166	19,000	4,384,166	4,856,244	18,200	4,874,444	(490,278)
Pupil transportation	1,439,542	255,173	1,694,715	1,435,536	326,392	1,761,928	1,425,278	317,180	1,742,458	19,470
Central services	1,659,311	-	1,659,311	1,876,251	-	1,876,251	1,770,770	-	1,770,770	105,481
Insurance	554,495	-	554,495	554,495	-	554,495	512,033	-	512,033	42,462
Other support services	653,669	-	653,669	707,399	-	707,399	703,094	-	703,094	4,305
Total support services	17,080,895	1,952,980	19,033,875	17,210,882	2,054,167	19,265,049	17,408,257	2,034,213	19,442,470	(177,421)
Non-program transactions	2,601,357	159,601	2,760,958	2,750,505	167,244	2,917,749	2,711,113	155,934	2,867,047	50,702
Capital outlay	1,786,055	12,760	1,798,815	1,577,501	4,360	1,581,861	1,240,301	-	1,240,301	341,560
TOTAL EXPENDITURES	50,795,874	10,604,250	61,400,124	50,496,613	10,923,111	61,419,724	49,617,265	10,890,509	60,507,774	911,950
EXCESS (DEFICIENCY) OF REVENUES										
OVER EXPENDITURES	5,852,172	(6,590,043)	(737,871)	6,151,433	(6,889,304)	(737,871)	6,985,964	(6,781,903)	204,061	941,932
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	-	-	-	-	-	-	5,850	-	5,850	5,850
Transfer (to) other funds	(7,052,172)	-	(7,052,172)	(7,351,433)	-	(7,351,433)	(7,243,890)	-	(7,243,890)	107,543
Transfer from other funds	-	6,590,043	6,590,043	-	6,889,304	6,889,304	19,600	6,781,903	6,801,503	(87,801)
TOTAL OTHER FINANCING										
SOURCES (USES)	(7,052,172)	6,590,043	(462,129)	(7,351,433)	6,889,304	(462,129)	(7,218,440)	6,781,903	(436,537)	25,592
NET CHANGE IN FUND BALANCE	(1,200,000)	-	(1,200,000)	(1,200,000)	-	(1,200,000)	(232,476)	-	(232,476)	967,524
FUND BALANCE - BEGINNING OF YEAR	16,577,574	-	16,577,574	16,577,574	-	16,577,574	16,577,574	-	16,577,574	-
FUND BALANCE - END OF YEAR	\$ 15,377,574	\$ -	\$ 15,377,574	\$ 15,377,574	\$ -	\$ 15,377,574	\$ 16,345,098	\$ -	\$ 16,345,098	\$ 967,524

MANITOWOC PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL PROJECT FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Other local sources	\$ 53,070	\$ 126,157	\$ 125,624	\$ (533)
TOTAL REVENUES	<u>53,070</u>	<u>126,157</u>	<u>125,624</u>	<u>(533)</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	<u>30,900</u>	<u>133,150</u>	<u>131,988</u>	<u>1,162</u>
Total instruction	<u>30,900</u>	<u>133,150</u>	<u>131,988</u>	<u>1,162</u>
Support services				
Pupil services	35,000	-	-	-
Pupil transportation	25,000	30,837	30,814	23
Other support services	<u>8,000</u>	<u>8,000</u>	<u>330</u>	<u>7,670</u>
Total support services	<u>68,000</u>	<u>38,837</u>	<u>31,144</u>	<u>7,693</u>
TOTAL EXPENDITURES	<u>98,900</u>	<u>171,987</u>	<u>163,132</u>	<u>8,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45,830)	(45,830)	(37,508)	8,322
NET CHANGE IN FUND BALANCE	(45,830)	(45,830)	(37,508)	8,322
FUND BALANCE - BEGINNING OF YEAR	<u>389,651</u>	<u>389,651</u>	<u>389,651</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 343,821</u>	<u>\$ 343,821</u>	<u>\$ 352,143</u>	<u>\$ 8,322</u>

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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Other local sources	\$ 77,750	\$ 77,750	\$ 27,070	\$ (50,680)
Other sources	<u>-</u>	<u>-</u>	<u>6,613</u>	<u>6,613</u>
TOTAL REVENUES	<u>77,750</u>	<u>77,750</u>	<u>33,683</u>	<u>(44,067)</u>
EXPENDITURES				
Capital projects	<u>-</u>	<u>-</u>	<u>91,597</u>	<u>(91,597)</u>
Total support services	<u>-</u>	<u>-</u>	<u>91,597</u>	<u>(91,597)</u>
Capital outlay total	<u>3,075,000</u>	<u>3,075,000</u>	<u>2,620</u>	<u>3,072,380</u>
TOTAL EXPENDITURES	<u>3,075,000</u>	<u>3,075,000</u>	<u>94,217</u>	<u>2,980,783</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,997,250)</u>	<u>(2,997,250)</u>	<u>(60,534)</u>	<u>2,936,716</u>
NET CHANGE IN FUND BALANCE	(2,997,250)	(2,997,250)	(60,534)	2,936,716
FUND BALANCE - BEGINNING OF YEAR	<u>4,170,289</u>	<u>4,170,289</u>	<u>4,170,289</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,173,039</u>	<u>\$ 1,173,039</u>	<u>\$ 4,109,755</u>	<u>\$ 2,936,716</u>

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, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Other local sources	\$ 698,825	\$ 698,825	\$ 649,449	\$ (49,376)
State sources	42,110	42,110	38,152	(3,958)
Federal sources	1,242,905	1,242,905	1,365,475	122,570
Other sources	<u>11,740</u>	<u>11,740</u>	<u>5,667</u>	<u>(6,073)</u>
TOTAL REVENUES	<u>1,995,580</u>	<u>1,995,580</u>	<u>2,058,743</u>	<u>63,163</u>
EXPENDITURES				
Current				
Support services				
Business services	2,600	6,958	6,957	1
Food service	<u>1,978,320</u>	<u>1,973,962</u>	<u>1,976,291</u>	<u>(2,329)</u>
Total support services	<u>1,980,920</u>	<u>1,980,920</u>	<u>1,983,248</u>	<u>(2,328)</u>
Capital outlay	<u>14,200</u>	<u>14,200</u>	<u>8,796</u>	<u>5,404</u>
TOTAL EXPENDITURES	<u>1,995,120</u>	<u>1,995,120</u>	<u>1,992,044</u>	<u>3,076</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	460	460	66,699	66,239
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>1,354</u>	<u>1,354</u>
NET CHANGE IN FUND BALANCE	460	460	68,053	67,593
FUND BALANCE - BEGINNING OF YEAR	<u>307,538</u>	<u>307,538</u>	<u>307,538</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 307,998</u>	<u>\$ 307,998</u>	<u>\$ 375,591</u>	<u>\$ 67,593</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, 2017

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	Special instruction	\$ 3,786
General/Special Education	Operations and maintenance	490,278
Capital Projects	Capital projects	91,597
Food Service	Food service	2,329

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE
YEAR ENDED JUNE 30, 2017

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)
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%
2017						
7/1/2015	-	4,833,617	4,833,617	0.00%	32,712,208	14.78%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2015	\$ 538,481	\$ 314,465	58.40%
2016	471,823	397,495	84.25%
2017	471,842	241,424	51.17%

MANITOWOC PUBLIC SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM SCHEDULES
JUNE 30, 2017

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.22583391%	0.22878762%	0.23324522%
Proportionate share of the net pension liability (asset)	\$ 1,861,411	\$ 3,717,754	\$ (5,729,141)
Covered payroll	\$ 32,489,589	\$ 32,025,120	\$ 31,813,322
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	5.73%	11.61%	-18.01%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.12%	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,144,314	\$ 2,177,710	\$ 2,226,937
Contributions in relation to the contractually required contribution	<u>(2,144,314)</u>	<u>(2,177,710)</u>	<u>(2,226,937)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 32,489,589	\$ 32,025,120	\$ 31,813,322
Contributions as a percentage of covered employee payroll	6.60%	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 7 preceding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2017

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
SUPPLEMENTAL PENSION DEFINED BENEFIT PLAN SCHEDULES
JUNE 30, 2017

SCHEDULE OF CHANGES IN THE PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>2017</u>
Total Pension Liability	
Service cost	\$ 127,924
Interest	50,823
Benefit payments	(171,971)
Net Changes in Total Pension Liability	6,776
Total Pension Liability - Beginning	1,716,136
Total Pension Liability - Ending (a)	\$ 1,722,912
Covered payroll	\$ 32,712,208
Pension liability as a percentage of covered payroll	5.27%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>2017</u>
Actuarially determined contributions	\$ 180,596
Contributions in relation to the actuarially determined contributions	(171,971)
Contribution deficiency (excess)	<u>\$ 8,625</u>
Covered payroll	\$ 32,712,208
Contributions as a percentage of covered payroll	0.53%
Actuarial valuation date	6/30/2016
Measurement date	6/30/2016

The District implemented the Government Accounting Standards Board Statement No. 73 for the year ended June 30, 2017. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 9 proceeding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2017

Methods and assumptions used to determine actuarially calculations - entry age normal cost, 12 year level % open amortization, fair market value asset valuation, 5% discount rate, 3% inflation, 3% salary increases, Wisconsin 2012 mortality table.

Changes of benefit terms - there were no changes of benefit terms.

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

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**OTHER
SUPPLEMENTARY INFORMATION**

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

	<u>BALANCE</u> <u>JUNE 30, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
ASSETS				
Cash and investments	\$ 73,008	\$ 560,540	\$ 537,302	\$ 96,246
TOTAL ASSETS	<u><u>73,008</u></u>	<u><u>560,540</u></u>	<u><u>537,302</u></u>	<u><u>96,246</u></u>
 LIABILITIES				
Due to student organizations				
Elementary	6,637	95,257	90,959	10,935
Junior High	21,817	138,621	138,296	22,142
High	44,554	326,662	308,047	63,169
TOTAL LIABILITIES	<u><u>\$ 73,008</u></u>	<u><u>\$ 560,540</u></u>	<u><u>\$ 537,302</u></u>	<u><u>\$ 96,246</u></u>

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS
YEAR ENDED JUNE 30, 2017

OPERATING ACTIVITY	WUFAR OBJECT CODE	COST
Employee salary	100	\$ 377,705
Employee benefits	200	121,999
Purchased services	300	28,141
Non-capital objects	400	8,896
Employee dues	800	515
Field trip registrations	900	321
Total		<u>\$ 537,577</u>

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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, 2016	GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2017	
U.S. DEPARTMENT OF AGRICULTURE								
Wisconsin Department of Public Instruction								
School Breakfast Program								
July 1, 2015 - June 30, 2016	None	10.553	N/A	\$ 4,316	\$ 4,316	\$ -	\$ -	-
July 1, 2016 - June 30, 2017	None		N/A	-	178,542	187,667	9,125	-
Food Distribution								
July 1, 2016 - June 30, 2017	None	10.555	N/A	-	130,606	130,606	-	-
National School Lunch Program								
July 1, 2015 - June 30, 2016	None	10.555	N/A	31,130	31,130	-	-	-
July 1, 2016 - June 30, 2017	None		N/A	-	869,320	896,955	27,635	-
Special Milk Program for Children								
July 1, 2016 - June 30, 2017	None	10.556	N/A	-	3,325	3,415	90	-
National School Lunch Area Eligible Snack Program								
July 1, 2016 - June 30, 2017	None	10.555	N/A	-	11,238	11,320	82	-
Summer Food Service Program								
July 1, 2015 - June 30, 2016	None	10.559	N/A	48,656	48,656	-	-	-
July 1, 2016 - June 30, 2017	None		N/A	-	68,059	115,906	47,847	-
Total Child Nutrition Cluste				<u>84,102</u>	<u>1,345,192</u>	<u>1,345,869</u>	<u>84,779</u>	<u>-</u>
Fresh Fruit and Vegetable Program								
July 1, 2016 - June 30, 2017	None	10.582	N/A	-	19,604	19,604	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>84,102</u>	<u>1,364,796</u>	<u>1,365,473</u>	<u>84,779</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Wisconsin Department of Public Instruction								
Title I - Grants to Local Educational Agencies								
July 1, 2015 - June 30, 2016	A141-N/A-363290	84.010	N/A	499,259	499,259	-	-	-
July 1, 2016 - June 30, 2017	A141-N/A-363290		\$ 1,170,140	-	856,848	1,118,464	261,616	-
				<u>499,259</u>	<u>1,356,107</u>	<u>1,118,464</u>	<u>261,616</u>	<u>-</u>
Special Education - Grants to States IDEA (Flow Thru)								
July 1, 2015 - June 30, 2016	A341-N/A-363290	84.027	N/A	285,913	285,913	-	-	-
July 1, 2016 - June 30, 2017	A341-N/A-363290		1,382,741	-	1,024,193	1,228,571	204,378	-
Special Education - High Cost								
July 1, 2016 - June 30, 2017	None	84.027	N/A	-	8,921	8,921	-	-
Autism Evidence Based Grant								
July 1, 2016 - June 30, 2017	None	84.027	8,000	-	-	7,709	7,709	-
Special Education - Preschool Grants								
July 1, 2015 - June 30, 2016	A347-N/A-363290	84.173	N/A	3,168	3,168	-	-	-
July 1, 2016 - June 30, 2017	A347-N/A-363290		39,279	-	34,242	38,754	4,512	-
Cooperative Educational Service Agency #11								
Transition Improvement Grant								
July 1, 2016 - June 30, 2017	None	84.027	N/A	-	750	750	-	-
Total IDEA Cluster				<u>289,081</u>	<u>1,357,187</u>	<u>1,284,705</u>	<u>216,599</u>	<u>-</u>
Wisconsin Department of Public Instruction								
Twenty-First Century Community Learning Centers - Jefferson Elementary								
July 1, 2015 - June 30, 2016	None	84.287	N/A	7,378	7,378	-	-	-
July 1, 2016 - June 30, 2017	None		50,000	-	44,749	49,789	5,040	-
Twenty-First Century Community Learning Centers - Washington Jr. High								
July 1, 2015 - June 30, 2016	None	84.287	N/A	25,900	25,900	-	-	-
July 1, 2016 - June 30, 2017	None		118,531	-	40,362	81,370	41,008	-
English Language Acquisition Grants								
July 1, 2015 - June 30, 2016	A391-N/A-363290	84.365	N/A	34,708	34,708	-	-	-
July 1, 2016 - June 30, 2017	A391-N/A-363290		77,602	-	28,622	73,794	45,172	7,804
Title II - Supporting Effective Instruction State Grants								
July 1, 2015 - June 30, 2016	A365-N/A-363290	84.367	N/A	239,551	239,551	-	-	-
July 1, 2016 - June 30, 2017	A365-N/A-363290		250,294	-	-	242,452	242,452	-
Cooperative Educational Service Agency #6								
Career and Technical Education Basic Grants to State:								
July 1, 2015 - June 30, 2016	None	84.048	N/A	36,331	36,331	-	-	-
July 1, 2016 - June 30, 2017	None		N/A	-	44,501	44,501	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,132,208</u>	<u>3,215,396</u>	<u>2,895,075</u>	<u>811,887</u>	<u>7,804</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Wisconsin Department of Health Services								
Medical Assistance								
July 1, 2015 - June 30, 2016	None	93.778	N/A	117,919	117,919	-	-	-
July 1, 2016 - June 30, 2017	None		N/A	-	522,320	573,852	51,532	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>117,919</u>	<u>640,239</u>	<u>573,852</u>	<u>51,532</u>	<u>-</u>
TOTAL FEDERAL AWARDS				<u>\$ 1,334,229</u>	<u>\$ 5,220,431</u>	<u>\$ 4,834,400</u>	<u>\$ 948,198</u>	<u>\$ 7,804</u>

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	PASS-THROUGH		RECEIVABLE		REVENUE		RECEIVABLE	SUBRECIPIENT
	ENTITY IDENTIFYING NUMBER	STATE I.D. NUMBER	(UNEARNED REVENUE) JULY 1, 2016	GRANTOR REIMBURSEMENTS	EXPENDITURES	(UNEARNED REVENUE) JUNE 30, 2017	PASS-THROUGH EXPENDITURES	
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Wisconsin Department of Public Instruction								
Special Education and School Age Parents:	363290-100	255.101	\$ -	\$ 2,306,567	\$ 2,306,567	\$ -	\$ -	-
State School Lunch Aid	363290-107	255.102	-	18,632	18,632	-	-	-
Common School Fund Library Aid	363290-104	255.103	-	220,115	220,115	-	-	-
Bilingual/Bicultural Aid	363290-111	255.106	-	84,468	84,468	-	-	-
General Transportation Aid	363290-102	255.107	-	56,345	56,345	-	-	-
Wisconsin Morning Milk Program	363290-109	255.109	-	14,840	14,840	-	-	-
Equalization Aid	363290-116	255.201	534,479	30,636,149	30,622,874	521,204	-	-
High Cost Special Education Aid	363290-119	255.210	-	31,043	31,043	-	-	-
School Breakfast Program	363290-108	255.344	-	4,680	4,680	-	-	-
Student Achievement Guarantee in Education	363290-160	255.504	-	837,008	837,008	-	-	-
Educator Effectiveness Evaluation System	363290-154	255.940	33,520	66,720	33,200	-	-	-
Per Pupil Aid	363290-135	255.945	778,650	2,062,900	1,284,250	-	-	-
Career and Technical Education Incentive	363290-151	255.950	-	28,193	28,193	-	-	-
Assessment of Reading Readiness	363290-166	255.956	-	7,141	7,141	-	-	-
Aid for Special Education Transition Grant BBL	363290-168	255.960	-	1,324	1,324	-	-	-
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			<u>1,346,649</u>	<u>36,376,125</u>	<u>35,550,680</u>	<u>521,204</u>		
WISCONSIN DEPARTMENT OF NATURAL RESOURCES								
Aquatic Invasive Species	None	370.663	-	666	666	-	-	-
Payment in Lieu of Taxes	None	None	-	92	92	-	-	-
TOTAL WISCONSIN DEPARTMENT OF NATURAL RESOURCES			<u>-</u>	<u>758</u>	<u>758</u>	<u>-</u>	<u>-</u>	<u>-</u>
WISCONSIN DEPARTMENT OF REVENUE								
Exempt Computer Aid	None	None	110,318	110,318	97,629	97,629	-	-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Blueprint for Prosperity	None	445.109	-	-	90,622	90,622	-	-
Youth Apprenticeship Grant	None	445.112	37,676	37,676	-	-	-	-
Cooperative Educational Service Agency #6								
Youth Apprenticeship Grant	None	445.112	-	19,600	19,600	-	-	-
TOTAL WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT			<u>37,676</u>	<u>57,276</u>	<u>110,222</u>	<u>90,622</u>		
UNIVERSITY OF WISCONSIN - STEVENS POINT								
Wisconsin Environmental Education Board	None	None	-	19,744	19,744	-	-	-
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 1,494,643</u>	<u>\$ 36,564,221</u>	<u>\$ 35,779,033</u>	<u>\$ 709,455</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, 2017

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

2016-2017 eligible costs under the State Special Education Program are \$9,225,690.

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, 2017, 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 November 21, 2017.

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
November 21, 2017



**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, 2017. 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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, 2017.

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 requirements 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
November 21, 2017

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

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>
84.010	Title I
93.778	Medical Assistance

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, 2017

Identification of major state programs:

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

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