



# ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2017

ACADEMICS. OPPORTUNITY. SUCCESS

**KENOSHA UNIFIED SCHOOL DISTRICT  
SCHOOL BOARD AND ADMINISTRATION  
2016-2017**

**Our Vision:**       *"To be Wisconsin's top performing urban school district that is highly regarded for continuously exceeding all expectations."*

**Our Mission:**     *"Provide excellent, challenging learning opportunities and experiences that prepare each student for success."*

**MEMBERS OF THE BOARD OF EDUCATION**

Tamarra Coleman	President
Mary Snyder	Vice President
Daniel Wade	Clerk
Mike Falkofske	Treasurer
Gary Kunich	Member
Anthony Garcia	Member
Rebecca Stevens	Member

**2016-17 ADMINISTRATION**

Dr. Sue Savaglio-Jarvis	Superintendent of Schools
Tarik Hamdan	Chief Financial Officer
Julie Housaman	Chief Academic Officer
Dr. Bethany Ormseth	Chief of School Leadership
Annie Petering	Chief Human Resource Officer
Kristopher Keckler	Chief Information Officer
Tanya Ruder	Chief Communication Officer
Susan Valeri	Chief of Special Education and Student Support

**ANNUAL FINANCIAL REPORT PREPARED BY**

Lisa M. Salo, CPA, Accounting Manager

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

June 30, 2017

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**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

June 30, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Kenosha Unified School District No. 1  
Kenosha, 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 Kenosha Unified School District No. 1, Kenosha, Wisconsin ("the District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the District'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 District'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 District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As discussed in Note C.1, the District also adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are 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 on pages 4 through 15 the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 51 through 55 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of 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 the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements.

The supplementary information and schedules of expenditures of federal awards and 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 supplementary information, the schedule of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the 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 the 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 District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Schuck SC".

Certified Public Accountants  
Green Bay, Wisconsin  
November 28, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# Management's Discussion and Analysis

## For the Year Ended June 30, 2017

The discussion and analysis of the Kenosha Unified School District's financial performance provide an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, required supplementary information and supplementary information is provided in the annual financial report.

#### District-wide Financial Statements

The District-wide financial statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*.

- The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net position changed during the year. This statement reports the cost of government functions and how those functions were financed in the fiscal year.

#### Fund Financial Statements

There are three kinds of fund types: *governmental*, *proprietary*, and *fiduciary*. The District has governmental funds and fiduciary funds. The District does not have any proprietary funds. A fund is a grouping of related accounts, which is used to maintain control over resources that have been segregated for specific activities. Fund statements report operations in more detail than the District-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.

##### **1. Governmental Funds**

*Governmental funds* are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. In general, this means that the focus of the fund types is what revenues have come in and what expenditures have been paid out. *Governmental funds* include the general fund, special revenue funds (Head Start, Trust, Food Service and Community Service), debt service fund and capital projects fund. Under generally accepted accounting principles, the activities of the Special Education Fund (Fund 27) are reported with general fund activities because the excess expenditures within the Special Education Fund are financed by a transfer from the Fund 10 General Fund.

The District produces *fund financial statements* for this fund type. There are two fund financial statements, the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances* (operating statement). Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances* for the general fund and the capital projects fund as these are considered to be major funds. Data for the special

## **Management's Discussion and Analysis For the Year Ended June 30, 2017**

revenue trust fund, Head Start fund, food service fund, community service fund, and debt service fund is combined into a single, aggregated column. Data for each of these individual non-major funds is provided separately as supplementary information.

A reconciliation to facilitate the comparison of the Statement of Net Position to the Governmental Funds Balance Sheet is presented at the bottom of the governmental funds statement. A separate statement to reconcile the Statement of Activities to the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds is also presented.

The District adopts an annual budget for its governmental funds. Budgetary comparison statements for the general fund and any major special revenue funds have been provided in the required supplementary information to demonstrate budget compliance as required by generally accepted accounting principles.

### **2. Proprietary Funds**

*Proprietary funds* operate similar to a business. These funds have exchange transactions where each party receives and gives up essentially equal value for the essential activity for that fund. This fund type uses the accrual basis of accounting. The District does not have any proprietary funds.

### **3. Fiduciary Funds**

The District also serves as a trustee, or *fiduciary*, for student organizations called the pupil activity fund, a retiree insurance fund used to provide for premiums the District has obligated itself related to prior service of retired employees, and a private benefit trust fund for scholarships. The assets of these organizations do not directly benefit the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations. These funds follow the accrual basis of accounting that is described above in the District-wide Financial Statement section. There are two fiduciary financial statements, the *statement of net position* and the *statement of changes in net position* (operating statement).

### **Notes to the Financial Statements**

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

### **Required Supplementary Information**

The *required supplementary information and related notes* contain information that is required to be reported under generally accepted accounting principles (GAAP). This information is not audited and although not part of the basic financial statements, it is considered to be an essential part of financial reporting. The required supplementary information and related notes follow the notes to the financial statements.

### **Supplementary Information**

The *supplementary information* is provided for additional analysis and is not part of the basic financial statements. It includes the combining fund statements which provide additional details for the non-major governmental funds. This information follows the required supplementary information section.

# Management's Discussion and Analysis

## For the Year Ended June 30, 2017

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded the liabilities and deferred inflows at the close of the fiscal year by \$97.3 million (*net position*), an increase of \$10.6 million over the prior year. Of this amount, \$93.7 million represents the net investment in capital assets and \$9.4 million is restricted; \$3.2 million for food service programs, \$3.0 million for community service programs and \$3.2 million for debt service. This results in an unrestricted net deficit balance of \$5.8 million. The unrestricted net deficit balance occurred in 2017, because the state of Wisconsin Retirement System's (WRS) actuarial study performed with a measurement date of December 31, 2016, determined a net pension liability.
- Total capital assets increased by \$17.1 million due to the continuation of athletic facility upgrades and the beginning of phase II energy efficiency projects.
- Other liabilities increased by \$0.5 million.
- Long-term obligations increased by \$62.1 million because the District issued \$75 million in debt obligations to complete phase II of the energy efficiency projects.
- Accrued OPEB obligation decreased \$0.5 million.
- Net pension liability decreased \$7.9 million.
- In the governmental funds, total fund balance increased by \$63.2 million. The net increase is comprised of the General Fund experiencing an increase from operations of \$4.4 million, a Capital Projects Fund increase of \$57.0 million of unspent bond proceeds and an increase in the other governmental funds of \$1.7 million.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$46.4 million dollars.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Governmental Activities

As noted earlier, the District-wide financial statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*.

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2017 compared to 2016.

# Management's Discussion and Analysis

## For the Year Ended June 30, 2017

<div>Table 1</div> <div>Condensed Statement of Net Position</div> <div>(in thousands of dollars)</div>				
	Governmental Activities		\$ Change	% Change
	2017	2016		
<b>Assets</b>				
Current assets	\$ 179,283	\$ 115,680	\$ 63,603	55.0%
Capital assets	193,345	176,244	17,101	9.7%
Total Assets	372,628	291,924	80,704	27.6%
<b>Deferred Outflows</b>				
Loss on advance refunding	604	722	(118)	-16.3%
Related to OPEB	2,187	-	2,187	100.0%
Related to pension	59,620	87,147	(27,527)	-31.6%
Total Deferred Outflows	62,411	87,869	(25,458)	-29.0%
<b>Liabilities</b>				
Other liabilities	52,688	52,186	502	1.0%
Long-term obligations	170,320	108,268	62,052	57.3%
Accrued OPEB obligation	76,080	76,655	(575)	-0.8%
Net pension liability	8,305	16,281	(7,976)	-49.0%
Total Liabilities	307,393	253,390	54,003	21.3%
<b>Deferred Inflows</b>				
Related to OPEB	4,054	-	4,054	100.0%
Related to pension	26,284	34,264	(7,980)	-23.3%
Total Deferred Inflows	30,338	34,264	(3,926)	-11.5%
<b>Net Position</b>				
Net investment in capital assets	93,783	88,014	5,769	6.6%
Restricted	9,382	7,606	1,776	23.3%
Unrestricted (deficit)	(5,857)	(3,481)	(2,376)	-68.3%
Total Net Position	\$ 97,308	\$ 92,139	\$ 5,169	-5.6%

*Note: may be rounding differences.*

The largest portion of the District's net position is its net investment in capital assets (e. g. land, buildings, and equipment); less related outstanding debt used to acquire those assets. These assets are used to provide services to students and consequently are not available for future spending.

Restricted net position accounts for 10% of total net position. The restricted net position is a result of restrictions imposed by external groups such as creditors, grantors or other governments or through enabling legislation. The District's restricted net position consists of \$3.2 million for food service programs, \$3.0 million for community service programs and \$3.2 million for debt service. These restrictions have been imposed by bond

## Management's Discussion and Analysis For the Year Ended June 30, 2017

issuance and through legislation from the state of Wisconsin. The remaining net position is called unrestricted net position which decreased \$2.4 million to a \$5.9 million deficit from a \$3.5 million net deficit in the previous year. The unrestricted net deficit balance occurred in 2017, because the state of Wisconsin Retirement System's (WRS) actuarial study performed with a measurement date of December 31, 2016, determined a net pension liability.

Table 2 provides summarized operating results and their impact on net position for the year ended June 30, 2017, compared to 2016.

<b>Table 2</b> <b>Changes in Net Position from Operating Results</b> <b>(in thousands of dollars)</b>				
	Governmental Activities		\$ Change	% Change
	2017	2016		
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 4,264	\$ 4,195	\$ 69	1.6%
Operating grants and contributions	40,402	36,880	3,522	9.5%
General Revenues				
Property taxes	87,432	89,548	(2,116)	-2.4%
State and Federal Aids				
Not restricted	162,410	157,784	4,626	2.9%
Interest and investment earnings	456	100	356	356.0%
Miscellaneous	3,977	1,399	2,578	184.3%
Total Revenues	298,941	289,906	9,035	3.1%
<b>Expenses</b>				
Instruction	170,633	172,635	(2,002)	-1.2%
Support services	105,036	102,438	2,598	2.5%
Interest and fiscal charges	7,053	5,849	1,204	20.6%
Community services	1,004	879	125	14.2%
Non-program transactions	4,522	3,702	820	22.2%
Total Expenses	288,248	285,503	2,745	1.0%
Change in Net Position	\$ 10,693	\$ 4,403	\$ 6,290	142.9%

*Note: May be rounding differences.*

The District relies primarily on property taxes (29.25%), state and federal aids that are not restricted (54.33%) and operating grants and contributions (13.52%) to fund District activities. There were only minor variations between years within the sources of revenue, except for miscellaneous general revenues and interest and investment earnings. Miscellaneous general revenues include general donations and gifts to the District, and those sources may vary from year to year. In addition, the CDO lawsuit settlement of \$2.9 million is included in miscellaneous general revenues. Interest and investment earnings are earnings on all cash sources. In 2016-17, investment rates doubled from the prior year as a result of increased rates of return.

## Management's Discussion and Analysis For the Year Ended June 30, 2017

Program revenues, in the form of charges for services and operating grants and contributions, increased \$3.6 million for governmental activities due to receiving a \$2 million E-Rate grant and other increased federal operating grant revenues.

Overall, expenses increased \$2.7 million or 1.0% compared to the prior year with the increases being in the interest and fiscal charges function related to the additional energy efficiency debt issued in the fiscal year 2017 and related to the non-program transactions function related to the private school voucher program increased costs.

Table 3 presents the cost of the five 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.

<b>Table 3</b> <b>Total and Net Cost of Governmental Activities</b> <b>(in thousands of dollars)</b>								
	Total Cost of Services		\$ Change	% Change	Net Cost of Services		\$ Change	% Change
	2017	2016			2017	2016		
Instruction	\$ 170,633	\$ 172,635	\$ (2,002)	-1.2%	\$ 146,499	\$ 149,680	\$ (3,181)	-2.1%
Support services	105,036	102,438	2,598	2.5%	86,340	85,982	358	0.4%
Interest and fiscal charges	7,053	5,849	1,204	20.6%	6,135	4,830	1,305	27.0%
Community services	1,004	879	125	14.2%	850	753	97	12.9%
Non-program transactions	4,522	3,702	820	22.2%	3,742	3,183	559	17.6%
Totals	<u>\$ 288,248</u>	<u>\$ 285,503</u>	<u>\$ 2,745</u>	<u>1.0%</u>	<u>\$ 243,566</u>	<u>\$ 244,428</u>	<u>\$ (862)</u>	<u>-0.4%</u>

*Note: May be rounding differences.*

The cost of all governmental activities this year was \$288,248,652. Individuals who directly participated or benefited from a program offering paid \$4,264,211 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$40,402,479. The net cost of governmental activities totaling \$243,581,962 was financed by general revenues of the District.

The District relies primarily on property taxes and general state aid to fund governmental activities. School funding regulations restrict the amount by which these two revenue sources, in combination, may be increased. This restriction, called revenue limit, is intended to help hold down increases in property taxes throughout the state. The 2016-2017 District equalized property value of \$8,580,130,959 represents a 4.47% increase over the previous year and the total tax mill rate for 2016-2017 is \$10.17 and represents a 6.54% decrease over the previous year.

General state aid is paid according to a complex formula taking into consideration district spending, pupil counts and property values as compared to spending and property values for the state as a whole. The District's general equalization state aid increased by \$2,528,048 over the prior year due to increased spending. The 2016-17 aid is based on 2015-16 spending which increased in comparison to the 2014-15 spending and resulted in a higher shared cost per member.

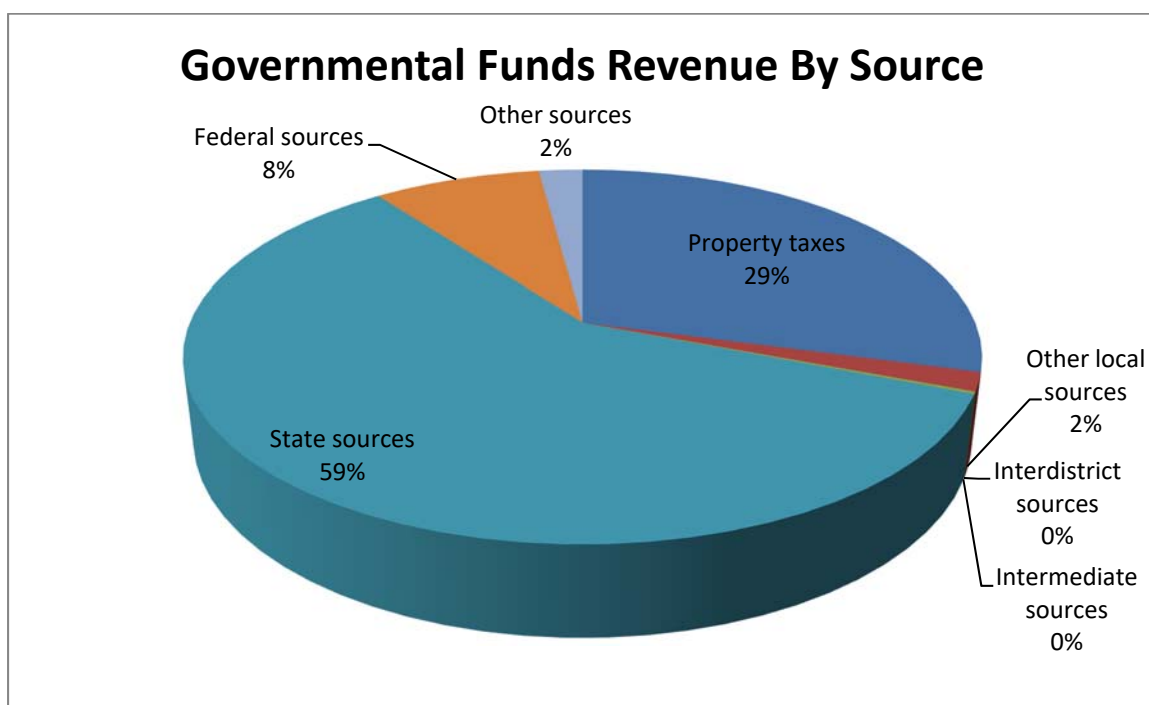
# Management's Discussion and Analysis For the Year Ended June 30, 2017

## Governmental Funds

The District uses fund accounting to provide information on inflows, outflows and balances of spendable resources. Fund statements report operations in more detail than the District-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.

Total governmental fund revenues increased from the prior year in total by 2.7% due to an increase in state categorical aids, such as per pupil categorical aid.

<b>Table 4</b> <b>Governmental Funds Revenue By Source</b> <b>(in thousands of dollars)</b>				
			\$	%
	2017	2016	Change	Change
Property taxes	\$ 87,256	\$ 89,366	\$ (2,110)	-2.36%
Other local sources	4,829	4,663	166	3.56%
Interdistrict sources	611	487	124	25.46%
Intermediate sources	15	15	-	0.00%
State sources	175,720	170,794	4,926	2.88%
Federal sources	24,206	23,847	359	1.51%
Other sources	6,305	2,004	4,301	214.62%
<b>Total</b>	<b>\$ 298,942</b>	<b>\$ 291,176</b>	<b>\$ 7,766</b>	<b>2.7%</b>

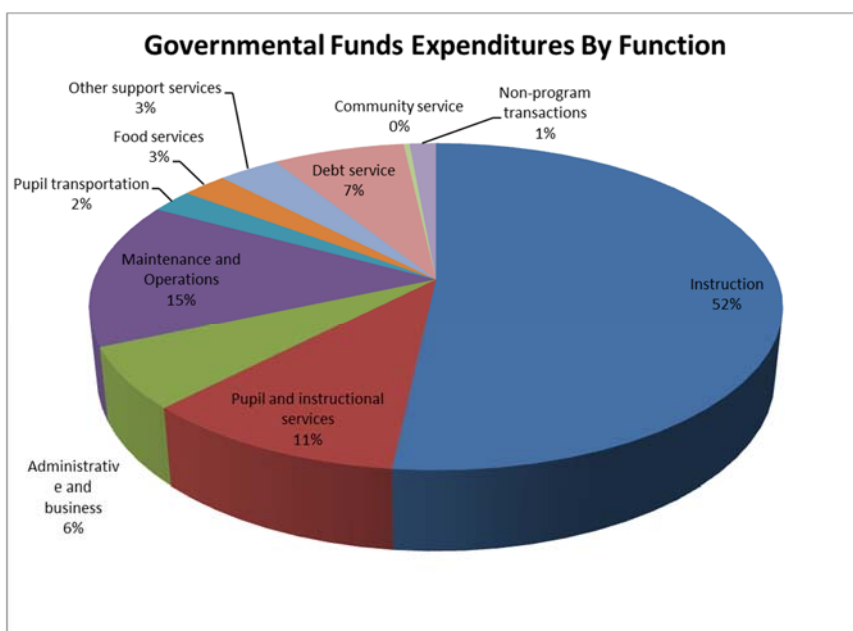


*Note: May be rounding differences.*

## Management's Discussion and Analysis For the Year Ended June 30, 2017

Total governmental expenditures experienced an overall increase by 5.6% from the prior year. The increase in expenditures was seen in the maintenance and operations, other support services, debt services, community service and non-program transaction functions. The increase in maintenance and operations of \$9.7 million occurred because of phase II of the energy efficiency projects. The other support services function increased \$2.5 million because of a one-time wireless project where \$2 million was funded through an E-rate grant and the remaining half a million was matched by district funds. The debt services function increased due to the bond costs associated with the additional energy efficiency debt issuances that occurred in June 2017. The community service expenditures increased from the prior year due a full year of expenditures for the Kenosha Youth Performance Arts Center (KYPAC) Theater and Marching Band programs. Finally, Non-program expenditures increased as a result of the state program called the general voucher program. The general voucher program's participation increased from the prior year.

			\$	%
	2017	2016	Change	Change
Instruction	\$ 162,194	\$ 163,942	\$ (1,748)	-1.1%
Pupil and instructional services	33,320	32,332	988	3.1%
Administrative and business	19,127	19,089	38	0.2%
Maintenance and Operations	45,332	35,618	9,714	27.3%
Pupil transportation	7,247	6,958	289	4.2%
Food services	7,791	8,236	(445)	-5.4%
Other support services	10,456	7,952	2,504	31.5%
Debt service	22,726	18,304	4,422	24.2%
Community service	1,006	884	122	13.8%
Non-program transactions	4,522	3,702	820	22.2%
<b>Total</b>	<b>\$ 313,721</b>	<b>\$ 297,017</b>	<b>\$ 16,704</b>	<b>5.6%</b>



*Note: May be rounding differences.*



## Management's Discussion and Analysis For the Year Ended June 30, 2017

<b>Table 6</b> <b>Comparison of Governmental Fund Balances</b> <b>(in thousands of dollars)</b>				
Fund	Fund Balance		\$ Change	% Change
	2017	2016		
General Fund	\$ 49,045	\$ 44,557	\$ 4,488	10.1%
Head Start	-	-	-	0.0%
Special Revenue Trust	157	266	(109)	100.0%
Food service	3,170	2,905	265	9.1%
Community service	3,012	2,703	309	11.4%
Debt service	4,644	3,378	1,266	37.5%
Capital projects	67,783	10,812	56,971	526.9%
	<u>\$ 127,811</u>	<u>\$ 64,621</u>	<u>\$ 63,190</u>	<u>97.8%</u>

*Note: May be rounding differences.*

The District completed the year with a fund balance of \$127,811,237 which increased from last year's ending fund balance of \$64,621,300 due to the following:

- The general fund had an increase in fund balance of \$4,488,079, of which was achieved as a result of conservative staffing practices, and an overall conservative spending approach. The general fund actual results are discussed further in the General Fund Budgetary Highlights below.
- The special revenue trust fund had a decrease in fund balance of \$108,473. The special revenue trust fund is used to track the use of gifts and donations from private parties. As a result of the planned athletic facilities capital projects, Mary D. Bradford High School received approximately \$170,000 in sponsorships from area businesses in fiscal year 2016 to purchase a new video scoreboard for the Mary D. Bradford Stadium. The scoreboard was purchased and installed during fiscal year 2017.
- The food service fund balance had an increase of \$265,146. The food service department continued to replace various equipment and coolers at the individual schools in addition to providing students with nutritious meals.
- The debt service fund balance had an increase of \$1,266,197. The fund balance of the debt service fund will fluctuate each year, based on bond activity and the timing of bond payments.
- The capital project fund had an increase in fund balance of \$56,970,660. The capital projects fund balance will fluctuate depending on the status of the various projects and the corresponding unspent bond proceeds. The District issued \$75 million in debt obligations to complete phase II of the energy efficiency projects. The energy efficiency expenditures for this fiscal year were \$10 million. The District expects the energy efficiency projects to be completed by 2022. In addition, the district continued the athletic facility upgrades in fiscal year 2017 and spent \$8.2 million on these projects. The District anticipates the athletic facilities upgrades to be completed by the end of fiscal year 2018.

# Management's Discussion and Analysis For the Year Ended June 30, 2017

## GENERAL FUND BUDGETARY HIGHLIGHTS

The District authorizes expenditures prior to formal adoption of the budget in June for the subsequent fiscal year (beginning July 1st). Consistent with current state statutes and regulations an *original* budget is adopted in October, following a determination of the official enrollment, the certification of general state aids, and equalized property valuations. After the October budget adoption, the District then notifies its respective municipalities of their share of the tax levy no later than November 10<sup>th</sup>, in compliance with Wis. Stats. 120.12(3)(a).

For budgetary purposes, DPI requires the District to separate the special education revenues and expenditures from other general fund amounts. The budgetary schedules are displayed in the required supplementary information section.

The general fund budgeted a net change in fund balance of (\$147,173). The actual general fund net change in fund balance was \$4,488,079. There are several reasons for the surplus. When final enrollments were determined at the start of the year, there were positions budgeted for that remained vacant. The District also saw a decrease in various insurance costs. In addition, contracted transportation costs were less than anticipated and an approved curriculum adoption of \$800,000 was delayed. Lastly, the District benefited from another mild winter, and as a result, utility expenditures were less than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2017, the District had invested \$323,724,446 in capital assets, including buildings, sites, and equipment (See Table 7). Total accumulated depreciation on these assets total \$130,380,154. Capital Asset acquisitions for governmental activities totaled \$23,328,220. The District recognized depreciation expense of \$6,228,808 for governmental activities. The increase in the construction in progress is a result of the athletic facilities and energy efficiency capital projects. Detailed information about capital assets can be found in Note B(2) to the financial statements.

<b>Table 7</b> <b>Capital Assets</b> <b>(in thousands of dollars)</b>				
	Governmental Activities		\$ Change	% Change
	2017	2016		
Land	\$ 8,830	\$ 8,830	\$ -	0.0%
Construction in progress	25,303	6,668	18,635	279.5%
Land improvements	6,208	6,208	-	0.0%
Buildings and improvements	232,041	227,926	4,115	1.8%
Furniture and equipment	51,342	50,764	578	1.1%
<b>Total</b>	<b>\$ 323,724</b>	<b>\$ 300,396</b>	<b>\$ 23,328</b>	<b>7.8%</b>

*Note: May be rounding differences.*

# Management's Discussion and Analysis

## For the Year Ended June 30, 2017

### OUTSTANDING LONG-TERM OBLIGATIONS

Outstanding long-term obligations include general obligation debt and related premiums and/or discounts, compensated absences, other post-employment benefits liabilities and net pension liability. These liabilities are shown below in Table 8. At year-end, the District had \$161,172,000 in general obligation bonds – an increase of 57.4% over last year, because the District issued the remaining debt needed to complete the energy efficiency projects needed at the various school locations. Premiums on long-term debt also increase due to the debt issuances. The net pension liability decreased by 49% from the prior year. The net pension obligation is the District's portion owed as a result of participating in the Wisconsin Retirement System.

<b>Table 8</b> <b>Outstanding Long-term Obligations</b> <b>(in thousands of dollars)</b>				
	Governmental Activities		\$ Change	% Change
	2017	2016		
General obligation debt				
Bonds and notes payable	\$ 161,172	\$ 102,380	\$ 58,792	57.4%
Premium on long-term debt	6,776	3,502	3,274	93.5%
Other liabilities				
Compensated absences	2,372	2,386	(14)	-0.6%
Other post-employment benefits liability	76,080	76,655	(575)	-0.8%
Net pension liability	8,305	16,281	(7,976)	-49.0%
Total	<u>\$ 254,705</u>	<u>\$ 201,204</u>	<u>\$ 62,052</u>	<u>30.8%</u>

*Note: May be rounding differences.*

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.

On May 22, 2017, Moody's affirmed the District's general obligation bond rating Aa3. The Aa3 rating reflects the District's large tax base, healthy reserve levels that have strengthened in recent years, marked improvement in management practices, an average debt burden and payout and affordable pension liabilities.

### FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District is continuing to experience declining enrollment, which can be primarily attributed to a decrease of births in the community. This lower birthrate occurred most significantly during the years of 2008 to 2012, which first had an impact on kindergarten enrollments during the 2013-2014 school year. The 2016-17 enrollment was 21,929. The projected 2017-18 enrollment is 21,660.

## **Management's Discussion and Analysis For the Year Ended June 30, 2017**

- The 2016-17 state budget did not include changes to the allowed per pupil amount for revenue limit calculation purposes; however additional revenues were allocated in the form of per pupil categorical aid that is outside of the revenue limit formula. Looking ahead to the 2017-19 state budget, the District is expecting an increase of \$4.2 million in per pupil aid.
- On September 14, 2017, Moody's Investors Service affirmed a MIG 1 short-term rating to the District's short-term tax and revenue anticipation promissory notes. This is the highest rating for short-term debt obligations. The MIG 1 short-term rating incorporates the historical timeliness and predictability of pledged revenues, which include property tax receipts and state aid, the accuracy of the District's past cash flow projections, as well as the reasonableness of the District's future cash flow projections.
- On December 6, 2016, a global settlement between the parties involved in the CDO transactions became final and the case the District had been pursuing against the RBC Defendants since 2008 was dismissed with prejudice. Pursuant to that settlement, KUSD received an additional \$3,272,500 in cash, and both it and its Post-employment Benefits Trust were fully and finally released from any and all remaining obligations under the Trust Notes, which have now been canceled.

In addition, the District and its Trust were released of any claims by RBC, including the counterclaims alleged against them in 2012, without any payment being made by the District or Trust to resolve them. The RBC Defendants' counterclaims have likewise been dismissed with prejudice.

With the global settlement and dismissal of the District's case against RBC and the SEC's case against Stifel, all litigation relating to the 2006 Wisconsin Schools CDO transaction is now complete. There are no further proceedings or claims pending related to the transactions, at least to the District's knowledge.

- The District's tax base has experience modest growth given the recent recovery in property valuations and ongoing development in the local economy. The District is located in Kenosha County along the busy 1-94 transportation corridor and benefits from its position between the converging Milwaukee and Chicago metro areas. There has been significant development activity in within the District's boundaries, and Kenosha County is one of the fastest growing areas in the State of Wisconsin. The Village of Somers has created a new industrial park called First Park 94 which features 309 acres with frontage along the Canadian Pacific Railroad and potential railroad access. The Ariens Company is currently the key tenant in this park. Also, construction on the 500,000 square foot confectionary facility for the German-based company, Haribo, will begin sometime in 2018 in the Prairie Highlands Corporate Park located in the Village of Pleasant Prairie. Other companies such as Aldi, Amazon, Costco, Meijer, Uline, and Froedert/Medical College of Wisconsin have also invested in the Kenosha area. With this success, the Kenosha Area Business Alliance continues its efforts to recruit new businesses to Kenosha County.

### **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 Kenosha Unified School District Finance Department (262-359-6300), Kenosha Unified School District, 3600 52<sup>nd</sup> Street, Kenosha, WI 53144.

## **BASIC FINANCIAL STATEMENTS**

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Statement of Net Position

June 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 143,672,250
Receivables	
Taxes	18,382,749
Accounts	6,603,679
Due from other governments	9,544,385
Inventories	492,306
Prepaid items	588,081
Capital assets	
Land	8,830,458
Construction in progress	25,303,241
Land improvements	6,208,343
Buildings and building improvements	232,040,599
Furniture and equipment	51,341,805
Less: Accumulated depreciation	<u>(130,380,154)</u>
<b>TOTAL ASSETS</b>	<u>372,627,742</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	603,719
Deferred outflows related to OPEB	2,187,671
Deferred outflows related to pension	<u>59,620,260</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>62,411,650</u>
<b>LIABILITIES</b>	
Short-term notes payable	15,000,000
Accounts payable	18,384,610
Accrued payroll liabilities	17,301,775
Accrued interest payable	1,651,421
Unearned revenues	120,385
Deposits payable	230,787
Long-term obligations	
Due within one year	11,323,908
Due in more than one year	158,995,587
Other post-employment benefits liability	76,080,126
Net pension liability	<u>8,304,843</u>
<b>TOTAL LIABILITIES</b>	<u>307,393,442</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to OPEB	4,053,921
Deferred inflows related to pension	<u>26,284,280</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>30,338,201</u>
<b>NET POSITION</b>	
Net investment in capital assets	93,782,883
Restricted for	
Food service programs	3,169,811
Community services	3,011,589
Debt service	3,201,012
Unrestricted (deficit)	<u>(5,857,546)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 97,307,749</u></u>

The notes to the basic financial statements are an integral part of this statement.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 170,632,985	\$ 1,259,048	\$ 22,846,028	\$ (146,527,909)
Support services	105,035,919	2,226,486	16,469,705	(86,339,728)
Interest and fiscal charges	7,053,742	-	918,883	(6,134,859)
Community services	1,004,389	167,751	-	(836,638)
Non-program transactions	4,521,617	610,926	167,863	(3,742,828)
Total School District	<u>\$ 288,248,652</u>	<u>\$ 4,264,211</u>	<u>\$ 40,402,479</u>	<u>(243,581,962)</u>
General revenues				
Property taxes, levied for general purposes				69,282,075
Property taxes, levied for debt service				16,473,727
Property taxes, levied for community service				1,500,000
Other taxes				176,297
State and federal aids not restricted to specific functions				
General				162,034,782
Other				374,713
Interest and investment earnings				455,512
Miscellaneous				
Gifts and donations				280,788
Other				3,697,120
Total General Revenues				<u>254,275,014</u>
Change in net position				<u>10,693,052</u>
Net position - July 1, as originally reported				92,138,609
Cumulative Effect of Change in Accounting Principle				<u>(5,523,912)</u>
Net position - July 1, as restated				<u>86,614,697</u>
Net position - June 30				<u><u>\$ 97,307,749</u></u>

The notes to the basic financial statements are an integral part of this statement.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Balance Sheet  
Governmental Funds  
June 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 59,568,368	\$ 73,264,417	\$ 10,839,465	\$ 143,672,250
Receivables				
Taxes	18,382,749	-	-	18,382,749
Accounts	6,384,194	-	219,485	6,603,679
Due from other funds	210,989	-	-	210,989
Due from other governments	9,088,731	-	455,654	9,544,385
Inventories	2,185	-	490,121	492,306
Prepaid items	555,581	-	32,500	588,081
<b>TOTAL ASSETS</b>	<b>\$ 94,192,797</b>	<b>\$ 73,264,417</b>	<b>\$ 12,037,225</b>	<b>\$ 179,494,439</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Short-term notes payable	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000
Accounts payable	12,211,121	5,481,896	691,593	18,384,610
Accrued payroll liabilities	17,528,243	-	-	17,528,243
Accrued interest payable	208,188	-	-	208,188
Due to other funds	-	-	210,989	210,989
Unearned revenues	120,385	-	-	120,385
Deposits payable	79,468	-	151,319	230,787
<b>Total Liabilities</b>	<b>45,147,405</b>	<b>5,481,896</b>	<b>1,053,901</b>	<b>51,683,202</b>
<b>Fund Balances</b>				
Nonspendable				
Inventories	2,185	-	490,121	492,306
Prepaid items	555,581	-	32,500	588,081
Restricted				
Retirement of long-term debt	-	-	4,644,245	4,644,245
Capital expansion	-	67,782,521	-	67,782,521
Food service	-	-	2,679,690	2,679,690
Community service	-	-	2,979,089	2,979,089
Committed				
Contracts	87,669	-	-	87,669
Donations	-	-	157,679	157,679
Assigned				
Charter schools	1,958,043	-	-	1,958,043
Unassigned	46,441,914	-	-	46,441,914
<b>Total Fund Balances</b>	<b>49,045,392</b>	<b>67,782,521</b>	<b>10,983,324</b>	<b>127,811,237</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 94,192,797</b>	<b>\$ 73,264,417</b>	<b>\$ 12,037,225</b>	<b>\$ 179,494,439</b>

(Continued)



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Balance Sheet (Continued)

Governmental Funds

June 30, 2017

Total Governmental Funds
--------------------------------

Reconciliation to the Statement of Net Position

Total Fund Balances from previous page

\$ 127,811,237

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

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

193,344,292

Deferred outflow of resources is reported in the statement of net position for:  
Loss on advance refinancing

603,719

The District's proportionate share of Wisconsin Retirement System pension plan  
is not an available financial resource; therefore, it is not reported in the fund  
financial statements

Deferred outflows of resources

59,620,260

Net pension liability

(8,304,843)

Deferred inflows of resources

(26,284,280)

The District's other post-employment benefit liability is not an available resource;  
therefore, is not reported in the fund financial statements:

Deferred outflows of resources

2,187,671

Other post-employment benefit liability

(76,080,126)

Deferred inflows of resources

(4,053,921)

Some liabilities, including bonds and notes payable, are not due and payable  
in the current period and therefore are not reported in the funds.

General obligation debt

(161,172,000)

Premium on long-term debt

(6,775,649)

Accrued interest on long-term obligations

(1,443,233)

Compensated absences

(2,145,378)

Net Position of Governmental Activities as Reported on the  
Statement of Net Position (see page 16)

\$ 97,307,749

The notes to the basic financial statements are an integral part of this statement.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 69,282,075	\$ -	\$ 17,973,727	\$ 87,255,802
Other local sources	2,267,200	216,966	2,344,610	4,828,776
Interdistrict sources	610,926	-	-	610,926
Intermediate sources	15,100	-	-	15,100
State sources	175,575,605	-	144,158	175,719,763
Federal sources	15,710,994	-	8,494,931	24,205,925
Other sources	2,432,641	-	3,872,771	6,305,412
<b>Total Revenues</b>	<b>265,894,541</b>	<b>216,966</b>	<b>32,830,197</b>	<b>298,941,704</b>
<b>Expenditures</b>				
Instruction				
Regular instruction	111,660,748	-	292,823	111,953,571
Vocational instruction	4,604,077	-	-	4,604,077
Special education instruction	36,553,010	-	733,017	37,286,027
Other instruction	8,186,384	-	164,152	8,350,536
<b>Total Instruction</b>	<b>161,004,219</b>	<b>-</b>	<b>1,189,992</b>	<b>162,194,211</b>
Support Services				
Pupil services	17,379,406	-	417,387	17,796,793
Instructional staff services	15,334,239	-	187,892	15,522,131
General administration services	1,200,057	-	383,307	1,583,364
School administration services	14,942,865	-	307,094	15,249,959
Business services	2,294,418	-	-	2,294,418
Operation and maintenance of plant	26,397,483	18,236,306	698,172	45,331,961
Pupil transportation	7,177,656	-	69,176	7,246,832
Food services	-	-	7,790,926	7,790,926
Central services	9,721,708	-	-	9,721,708
Insurance	636,633	-	-	636,633
Other support services	98,370	-	-	98,370
<b>Total Support Services</b>	<b>95,182,835</b>	<b>18,236,306</b>	<b>9,853,954</b>	<b>123,273,095</b>
Debt Service				
Principal	-	-	15,643,000	15,643,000
Interest and fiscal charges	197,791	-	6,885,419	7,083,210
<b>Total Debt Service</b>	<b>197,791</b>	<b>-</b>	<b>22,528,419</b>	<b>22,726,210</b>
Community services	-	-	1,005,992	1,005,992
Non-program transactions				
General tuition payments	4,212,617	-	-	4,212,617
Special education tuition payments	149,185	-	-	149,185
Adjustments and refunds	159,815	-	-	159,815
<b>Total Non-program transactions</b>	<b>4,521,617</b>	<b>-</b>	<b>-</b>	<b>4,521,617</b>
<b>Total Expenditures</b>	<b>260,906,462</b>	<b>18,236,306</b>	<b>34,578,357</b>	<b>313,721,125</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,988,079</b>	<b>(18,019,340)</b>	<b>(1,748,160)</b>	<b>(14,779,421)</b>
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	74,990,000	6,265,000	81,255,000
Premium on long-term debt issued	-	-	3,622,941	3,622,941
Payment to current bondholder	-	-	(4,991,041)	(4,991,041)
Payment to refunded bond escrow agent	-	-	(1,917,542)	(1,917,542)
Transfers in	-	-	500,000	500,000
Transfers out	(500,000)	-	-	(500,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(500,000)</b>	<b>74,990,000</b>	<b>3,479,358</b>	<b>77,969,358</b>
<b>Net Change in Fund Balances</b>	<b>4,488,079</b>	<b>56,970,660</b>	<b>1,731,198</b>	<b>63,189,937</b>
<b>Fund Balances - July 1</b>	<b>44,557,313</b>	<b>10,811,861</b>	<b>9,252,126</b>	<b>64,621,300</b>
<b>Fund Balances - June 30</b>	<b>\$ 49,045,392</b>	<b>\$ 67,782,521</b>	<b>\$ 10,983,324</b>	<b>\$ 127,811,237</b>

(Continued)

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2017

	Total Governmental Funds
<u>Reconciliation to the Statement of Activities</u>	
Net Change in Fund Balances from previous page	\$ 63,189,937
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay reported in governmental fund statements	\$ 23,328,220
Depreciation expense reported in the statement of activities	<u>(6,228,808)</u>
Amount in which depreciation is less than capital outlays	17,099,412
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. The accrual of these benefits (increased) decreased by:	
Accrued sick leave and vacation payable	38,339
The change in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan	(11,570,507)
Change in the OPEB liability and related deferred inflows and outflows of resources as a result of employer contributions and related other post-employment costs of the plan	4,232,761
The loss on advance refunding is reported in the governmental funds as an expenditure when paid. In the statement of activities, this cost is deferred and amortized over the life of the bonds. The change reported related to these items on the statement of activities in the current year is:	(118,274)
Premiums are reported in the governmental funds as an other financing source while discounts are shown as expenditures. In the statement of activities, these items are deferred and amortized over the life of the bonds. The change reported related to these items on the statement of activities in the current year is:	(3,273,002)
The District issued bonds during the year to both refinance previous bond issues and for capital projects. The amount of the debt issue is reported in the governmental funds as a source of financing. In the statement of net position however, debt is not reported as a financing source, but rather constitutes a long-term liability. The amount of long-term debt reported as proceeds in the governmental funds statement is:	(81,255,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is:	
General obligation debt	22,463,000
Accrued interest as presented in the governmental funds does not include an estimate of the interest expense incurred during the current period which relates to bonds and notes payable that were not recorded in the governmental funds.	<u>(113,614)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 17)	<u><u>\$ 10,693,052</u></u>

The notes to the basic financial statements are an integral part of this statement.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

## Statement of Net Position

## Fiduciary Funds

June 30, 2017

	Retiree Health Insurance	Private-Benefit Trust	Agency Fund Pupil Activity	Total Fiduciary Funds
<b>ASSETS</b>				
Cash and investments	\$ 17,963,040	\$ 251,019	\$ 1,797,402	\$ 20,011,461
Accounts receivable	10,051,154	-	-	10,051,154
<b>TOTAL ASSETS</b>	<b>\$ 28,014,194</b>	<b>\$ 251,019</b>	<b>\$ 1,797,402</b>	<b>\$ 30,062,615</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,187,246	\$ -	\$ 8,058	\$ 6,195,304
Due to student organizations	-	-	1,789,344	1,789,344
<b>TOTAL LIABILITIES</b>	<b>6,187,246</b>	<b>-</b>	<b>1,797,402</b>	<b>7,984,648</b>
<b>NET POSITION</b>				
Restricted for:				
Retiree health insurance	21,826,948	-	-	21,826,948
Scholarships	-	251,019	-	251,019
<b>TOTAL NET POSITION</b>	<b>21,826,948</b>	<b>251,019</b>	<b>-</b>	<b>22,077,967</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 28,014,194</b>	<b>\$ 251,019</b>	<b>\$ 1,797,402</b>	<b>\$ 30,062,615</b>

The notes to the basic financial statements are an integral part of this statement.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

## Statement of Changes in Net Position

## Fiduciary Funds

For the Year Ended June 30, 2017

	Retiree Health Insurance	Private-Benefit Trust	Total Fiduciary Funds
<b>ADDITIONS</b>			
Employer contributions	\$ 12,316,038	\$ -	\$ 12,316,038
Employee contributions	386,295	-	386,295
Earnings on investments	104,661	957	105,618
Other income	400,512	12,050	412,562
Total Additions	13,207,506	13,007	13,220,513
<b>DEDUCTIONS</b>			
Trust fund disbursements	8,699,457	12,451	8,711,908
Other expenditures	27,655	-	27,655
Total Deductions	8,727,112	12,451	8,739,563
Change in Net Position	4,480,394	556	4,480,950
Net Position - July 1	17,346,554	250,463	17,597,017
Net Position - June 30	<u>\$ 21,826,948</u>	<u>\$ 251,019</u>	<u>\$ 22,077,967</u>

The notes to the basic financial statements are an integral part of this statement.

## KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Kenosha Unified School District No. 1 ("the District"), Kenosha, Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (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:

#### 1. Reporting Entity

The Kenosha Unified School District No. 1 is organized as a common school district governed by an elected seven-member school board. The District operates grades pre-kindergarten through grade 12, Head Start, and several adult education and recreation programs. The District is comprised of four municipal taxing districts (City of Kenosha, Village of Pleasant Prairie, Village of Somers and Town of Somers).

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

#### 2. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District reports no business-type activities.

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

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. The District has no enterprise or internal service funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

### MAJOR FUNDS

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 accounted for in another fund. The District follows the regulatory requirements of the Wisconsin Department of Public Instruction, which requires educational programs for students with disabilities to be reported in a separate Special Education Fund (Fund 27) from other instructional activities reported in the General Fund (Fund 10). Under GAAP, the activities of the Special Education Fund are reported with General Fund activities because excess expenditures within the Special Education Fund are financed by a transfer from Fund 10. General fund sources include financial aid received from the state and federal government and payments from other school districts.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

CAPITAL PROJECTS FUND

This fund accounts for the resources restricted for the acquisition or construction of specific capital projects or items.

**NON-MAJOR FUNDS**

The District reports the following non-major governmental funds:

HEAD START FUND

This fund is used to account for the federal Head Start program.

TRUST FUND

This fund is used to account for trust funds that can be used for district operations.

FOOD SERVICE FUND

This fund accounts for the activities of the District's food service, generally school breakfast, lunch and snack programs.

COMMUNITY SERVICE FUND

This fund is used to account for activities such as adult education, community recreation programs such as sports leagues, and other programs which are not elementary and secondary educational programs but have the primary function of serving the community.

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.

Additionally, the District reports the following fund types:

The District accounts for assets held as an agent for various student organizations in a *fiduciary agency fund – pupil activity*.

The District accounts for assets that are accumulated to finance retiree health insurance benefits in the *fiduciary fund – retiree health insurance trust*.

The District accounts for assets that are accumulated to finance scholarships in the *fiduciary fund – private benefit trust*.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to employee benefit programs and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance**

**a. Cash and Investments**

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

**b. Accounts Receivable**

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

**c. Property Taxes**

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent December 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

d. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

e. Inventories

Inventories are recorded at cost which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

f. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items, and are accounted for on the consumption method.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

g. 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 acquisition value at the time received.

Capitalization thresholds (the dollar 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:

	Governmental Activities		
	Capitalization Threshold	Depreciation Method	Estimated Useful Life
<u>Assets</u>			
Buildings	\$ 5,000	Straight-line	50 years
Building improvements	5,000	Straight-line	20 to 25 years
Site improvements	5,000	Straight-line	10 to 20 years
Furniture & equipment	5,000	Straight-line	4 to 15 years
Computer & related technology	5,000	Straight-line	4 to 10 years

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h. Unearned Revenues

The District reports unearned revenues on its balance sheet. Unearned revenues arise when potential revenue does not meet the "measurable" criteria for recognition in the current period.

i. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Generally, sick leave can be accumulated up to a maximum of 90 to 120 days depending on the employment agreement. Accumulated sick time may not be taken in compensation but, upon retirement for certain collective bargaining groups, the employee is granted a payout equal to 50% of cumulative sick days times their daily rate. The District accrues that sick leave which it deems probable of payout for employee retirement. Only sick leave relating to employees qualifying for retirement is accrued.

The entire compensated absence liability is reported on the district-wide financial statements. The estimated liabilities include required salary-related payments. For governmental fund financial statements only, the matured compensated absences payable to currently terminating employees are reported as a liability.

j. Pensions

District employees participate in the Wisconsin Retirement System (WRS). 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 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.

k. Other Postemployment Benefits Other Than Pensions (OPEB)

The District provides varying amounts of health insurance to eligible retired employees until age 65, based on the employment agreement in existence at the date of their retirement. The benefit is offered to all employees who retire from the District on or after attaining age 55 (age 58 under a certain employment agreement) with at least fifteen years of service. The District will cover the cost of a single premium or a family premium based on the applicable employment agreement.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kenosha Unified School District No. 1's Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. One is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the District's proportionate share of the Wisconsin Retirement System pension plan. The item includes District contributions to the pension plan subsequent to the measurement date which are recognized as expenditures in the subsequent year. The remaining portion is deferred and amortized over the expected remaining service lives of the plan participants. The third item is related to the District's other post-employment benefits plan and is amortized over the expected remaining service lives of the plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has two items that qualify for reporting in this category. The first item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the plan participants. The second item is related to the District's other post-employment benefits plan and is amortized over the expected remaining service lives of the plan participants.

**m. Long-term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. For the district-wide statements, bond issuance costs are reported as expenses while bond discounts and premiums are included with long-term obligations. Bond premiums and discounts are amortized over the life of the issue using the straight-line method.

In the fund financial statements, governmental funds recognize bond issuance costs, bond premium and discounts during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures while bond premiums and discounts are recorded as other financing sources or uses.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

n. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the Chief Financial Officer to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

DISTRICT-WIDE STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

5. Use of Estimates

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

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS****1. Cash and Investments**

The District maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "*Uniform Prudent Investor Act*".

The carrying amount of the District's cash and investments totaled \$163,683,711 on June 30, 2017 as summarized below:

Petty cash funds	\$ 13,935
Deposits with financial institutions	20,347,160
Investments	143,322,616
	<u>\$ 163,683,711</u>

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 143,672,250
Fiduciary funds Statement of Net Position	
Retiree Health Insurance Trust Fund	17,963,040
Private-Purpose Trust Fund	251,019
Agency Fund - Pupil Activity Fund	1,797,402
	<u>\$ 163,683,711</u>

**Fair Value Measurements**

The District categorizes its fair value measurements 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 observable inputs; Level 3 inputs are significant unobservable inputs.

The District had the following fair value measurements as of June 30, 2017:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
WISC Investments			
Limited Term Duration Series	\$ -	\$ 10,001,985	\$ -

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings accounts and \$250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposit accounts per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of June 30, 2017, \$14,374,210 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits and were collateralized.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The District does not have an additional credit risk policy. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Amount	Exempt From Disclosure	Rating as of Year End		
			AAA	AA	Not Rated
Wisconsin local government investment pool	\$ 1,154	\$ -	\$ -	\$ -	\$ 1,154
WISC investments					
Cash management series	407,108	-	407,108	-	-
Investment series	128,912,369	-	128,912,369	-	-
Limited term duration series	10,001,985	-	-	10,001,985	-
Repurchase agreements	4,000,000	4,000,000	-	-	-
Totals	<u>\$ 143,322,616</u>	<u>\$ 4,000,000</u>	<u>\$ 129,319,477</u>	<u>\$ 10,001,985</u>	<u>\$ 1,154</u>

On June 30, 2017, the District held repurchase agreement investment of \$4,000,000 of which the underlying securities are held by the investment's counterparty, not in the name of the District.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

On June 30, 2017, the District held Wisconsin Investment Series Cooperative Cash Management Series of \$407,108 of which the underlying investments are held by the investment's counterparty, not in the name of the District.

On June 30, 2017, the District held Wisconsin Investment Series Limited Term Duration Series of \$10,001,985 of which the underlying investments are held by the investment's counterparty, not in the name of the District.

On June 30, 2017, the District held Wisconsin Investment Series Cooperative Investment Series of \$128,912,369 of which the underlying certificates of deposit were covered by FDIC insurance.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin local government investment pool	\$ 1,154	\$ 1,154	\$ -	\$ -	\$ -
WISC investments					
Cash management series	407,108	407,108	-	-	-
Investment series	128,912,369	128,912,369	-	-	-
Limited term duration series	10,001,985	10,001,985	-	-	-
Repurchase agreements	4,000,000	4,000,000	-	-	-
Totals	<u>\$ 143,322,616</u>	<u>\$ 143,322,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuation

The District's investments do not include investments that are highly sensitive to interest rate fluctuations.

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$1,154 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$154,437,961 at year end consisting of \$407,108 invested in the Cash Management Series, \$128,912,369 invested in the Investment Series, \$10,001,985 in the Limited Term Duration Series, \$9,368,199 in savings deposit accounts, and \$5,748,300 in certificates of deposit. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less. The Limited Term Duration series requires a 30 day advance notice for quarterly withdrawals, and the average dollar weighted maturity does not exceed two years.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value. At June 30, 2017, the fair value of the District's share of the WISC assets was substantially equal to the carrying value.

2. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Sites (land)	\$ 8,830,458	\$ -	\$ -	\$ 8,830,458
Construction in progress	6,667,422	19,336,160	700,341	25,303,241
Total capital assets, not being depreciated	15,497,880	19,336,160	700,341	34,133,699
Capital assets, being depreciated:				
Land improvements	6,208,343	-	-	6,208,343
Buildings & building improvements	227,926,174	4,114,425	-	232,040,599
Furniture and equipment	50,763,829	577,976	-	51,341,805
Total capital assets being depreciated	284,898,346	4,692,401	-	289,590,747
Less accumulated depreciation for:				
Land improvements	5,380,387	208,982	-	5,589,369
Buildings & building improvements	72,837,675	4,942,260	-	77,779,935
Furniture and equipment	45,933,284	1,077,566	-	47,010,850
Total accumulated depreciation	124,151,346	6,228,808	-	130,380,154
Total capital assets, being depreciated, net	160,747,000	(1,536,407)	-	159,210,593
Governmental activities capital assets, net	\$ 176,244,880	\$ 17,799,753	\$ 700,341	193,344,292
Less: Related long-term outstanding debt				(93,389,479)
Less: premium on related long term outstanding debt				(6,775,649)
Plus: deferred amount on advance refunding				603,719
Net investment in capital assets				<u>\$ 93,782,883</u>



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Depreciation expense was charged to the following functions of the District as follows:

## Governmental activities

## Instruction

Regular instruction	\$ 3,492,216
Vocational instruction	45,456
Special education instruction	3,588
Other instruction	58,794
Total instruction	<u>3,600,054</u>

## Support Services

Pupil services	10,030
Instructional staff services	39,036
General administration services	740
School administration services	15,805
Business services	1,203
Operation and maintenance of plant	2,313,834
Pupil transportation services	1,929
Central services	97,100
Community services	1,848
Food service	147,229
Total support services	<u>2,628,754</u>

Total depreciation expense - governmental activities	<u>\$ 6,228,808</u>
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3. Interfund Receivable, Payables, and Transfers

The balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables at June 30, 2017 were as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 210,989	\$ -
Head Start Fund	-	210,989
Total Governmental Activities	<u>\$ 210,989</u>	<u>\$ 210,989</u>

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital acquisitions or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
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June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund transfers for the year ended June 30, 2017 were as follows:

Transfers from: General Fund	Transfer to:
	Debt
	Service
	\$ 500,000

4. Short-term Debt

The District issues tax anticipation notes in advance of property tax collections. The notes are necessary because payments for the year begin in July whereas the tax collections are received from the municipalities beginning in January. Short-term debt activity for the year ended June 30, 2017 was as follows:

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17
Tax anticipation notes	\$ 15,000,000	\$ 25,000,000	\$ 25,000,000	\$ 15,000,000

Interest paid on short-term debt for the year ended June 30, 2017, was \$265,417.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2017:

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds and notes payable	\$ 102,380,000	\$ 81,255,000	\$ 22,463,000	\$ 161,172,000	\$ 10,728,000
Premium on long term debt	3,502,647	3,622,941	349,939	6,775,649	369,440
Total	105,882,647	84,877,941	22,812,939	167,947,649	11,097,440
Compensated absences	2,384,935	-	13,089	2,371,846	226,468
Governmental activities					
Long-term obligations	\$ 108,267,582	\$ 84,877,941	\$ 22,826,028	\$ 170,319,495	\$ 11,323,908

Total interest paid during the year on long-term debt totaled \$5,963,018.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

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Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**General Obligation Debt

The full faith, credit, and taxing powers of the District secure all general obligation debt. Bonds and notes payable is comprised of the following individual issues:

	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/17
General Obligation Bonds and Notes				
Bond - Mahone	07/15/09	4.50% - 5.0%	04/01/20	\$ 530,000
Bond - ITA Refinancing	07/15/09	5.00% - 5.25%	04/01/24	13,950,000
Bond - ITA BAB	07/15/09	8.00%	04/01/29	20,000,000
State Trust Fund Loan - Reuther QSCB	06/10/10	4.25%	03/15/18	550,000
State Trust Fund Loan - ITA QSCB	06/10/10	4.25%	03/15/19	4,278,000
State Trust Fund Loan - Reuther QZAB	06/10/10	4.25%	03/15/20	2,439,000
Bond - Refinancing	02/15/12	2.00%-2.50%	04/01/18	1,855,000
Bond - Refinancing & Energy Efficiency Project	09/17/13	3.00%	04/01/33	15,135,000
Bond - Refinancing & Athletic Building	07/15/15	3.00% - 5.00%	04/01/35	26,205,000
Bond - Energy Efficiency Project	07/26/16	2.50% - 5.00%	04/01/36	23,470,000
Bond - Refunding	06/15/17	3.00%	04/01/20	1,895,000
Bond - Refunding & Energy Efficiency Project	06/15/17	3.00% - 5.00%	04/01/37	34,510,000
State Trust Fund Loan - Energy Efficiency Project	06/15/17	3.50%	03/15/27	16,355,000
Total General Obligation Bonds and Notes				<u>\$ 161,172,000</u>

Aggregate cash flow requirements for retirement of long-term principal and interest on notes and bonds (including State Trust Loans) as of June 30, 2017 as follows:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 10,728,000	\$ 6,861,833	\$ 17,589,833
2019	8,795,000	6,827,411	15,622,411
2020	9,454,000	6,445,362	15,899,362
2021	8,630,000	6,012,591	14,642,591
2022	9,000,000	5,611,716	14,611,716
2023-2027	48,750,000	21,142,368	69,892,368
2028-2032	38,900,000	8,696,881	47,596,881
2033-2037	26,915,000	2,276,520	29,191,520
	<u>\$ 161,172,000</u>	<u>\$ 63,874,682</u>	<u>\$ 225,046,682</u>

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**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**Advance Refunding

During fiscal year 2017 the District advance refunded a portion of a general obligation bond issue from 2015. The District issued \$1,895,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The advance refunding increased total debt service payments over the next four years by \$75,325 and resulted in an economic loss (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$14,794.

At June 30, 2017, \$1,880,000 of outstanding general obligation bonds and notes are considered defeased.

Current Refunding

During 2017, the District currently refunded a general obligation bond issue from 2007. The District issued \$4,605,000 of general obligation refunding bonds to call the refunded debt. This current refunding was undertaken to reduce total debt service payments over the next ten years by \$551,222 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$487,103.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2017 was \$700,042,108 as follows:

Equalized valuation of the District		\$8,580,130,959
Statutory limitation percentage		(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		858,013,096
Total outstanding general obligation debt	\$ 161,172,000	
Less: Amounts available for financing general obligation debt		
Debt service fund <sup>(1)</sup>	3,201,012	
Net outstanding general obligation debt applicable to debt limitation		157,970,988
Legal Margin for New Debt		<u>\$ 700,042,108</u>

(1) Less accrued interest

Operating Leases

The District leases buildings and other equipment under non-cancelable operating leases. Total costs for such leases were \$491,143 for facility leases, \$253,266 for vehicle leases, \$187,996 for copier leases, and \$14,816 for musical instrument leases for the year ended June 30, 2017. The future minimum lease payments totaling \$2,513,706 for these leases are as follows:

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Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

**6. Pension Plan**

**a. Plan Description**

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

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

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.

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

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

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

The WRS also provides death and disability benefits for employees.

**b. 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:

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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)

**c. 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 \$9,576,635 in contributions from the District.

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At June 30, 2017, the District reported a liability of \$8,304,843 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability 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 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 1.00757730%, which was an increase of 0.00563029% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$21,486,356.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

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Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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	\$ 3,166,637	\$ 26,118,012
Changes in assumptions	8,683,035	-
Net differences between projected and actual earnings on pension plan investments	41,338,876	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	412,218	166,268
Employer contributions subsequent to the measurement date	6,019,494	-
Total	<u>\$ 59,620,260</u>	<u>\$ 26,284,280</u>

\$6,019,494 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 19,509,291	\$ 8,379,625
2018	19,509,291	8,379,625
2019	15,941,985	8,379,625
2020	(1,374,236)	1,143,429
2021	14,435	1,976
Total	<u>\$ 53,600,766</u>	<u>\$ 26,284,280</u>

**e. 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 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.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<b>Core Fund Asset Class</b>				
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%
<b>Variable Fund Asset Class</b>				
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.



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

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Notes to Basic Financial Statements

June 30, 2017

**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

*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 calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability 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 (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the the net pension liability (asset)	\$ 109,255,529	\$ 8,304,843	\$(69,431,759)

*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>.

## f. Payable to the WRS

At June 30, 2017, the District reported a payable of \$3,772,109 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

7. Minimum Fund Balance Policy

The Board of Education has adopted a policy that unassigned fund balance in the general fund will be equal to a minimum of 15% and a maximum of 20% of the ensuing year's budgeted general fund expenditures be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2017-18 General Fund Expenditures	\$251,442,491
Minimum Fund Balance %	(x) 15% - 20%
Minimum Fund Balance Amount	<u>\$37,716,374 to \$50,288,498</u>

The District's general fund balance is in compliance with this policy.

**NOTE C - OTHER INFORMATION**1. Other Postemployment Benefits Other Than Pension Benefits (OPEB)

The District has adopted GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2017. These statements revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended June 30, 2016 have not been restated.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

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Notes to Basic Financial Statements

June 30, 2017

**NOTE C - OTHER INFORMATION (Continued)**

The cumulative effect of this change was to decrease the June 30, 2016 net position by \$5,523,912 as follows:

Other postemployment liability	
Balance previously reported	\$ (76,655,225)
Actuarially determined balance	<u>(82,179,137)</u>
Change in other postemployment liability	<u>\$ 5,523,912</u>

**a. Plan Description**

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plan. District paid medical benefits are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

**b. Benefits Provided**

The District provides medical (including prescription drugs) and dental coverage for retired employees through the district's group plans.

**c. At June 30, 2017, the following employees were covered by the benefit terms:**

Inactive employees or beneficiaries currently receiving benefit payments	361
Active employees	<u>2,129</u>
	<u>2,490</u>

**d. Contributions****Certified Teachers****Eligibility:**

Dental Benefits - Any retiree who was working more than half-time and has attained age 62 and 15 years of service

All other benefits - Any retiree who was working more than half-time and has attained age 55 and 15 years of service

**Retiree Health Benefits:**

District pays 100% of the health insurance premium for single or family coverage for employees retiring at age 62 or older buy before age 65. District pays 100% of the health insurance premium for single coverage for employees retiring prior to age 62. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

**Retiree Dental Benefits:**

District pays 90% of the dental insurance premiums for family coverage. The dental benefits coverage will terminate when the retiree attains age 65.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

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Notes to Basic Financial Statements

June 30, 2017

**NOTE C - OTHER INFORMATION (Continued)**

**Service Employees**

Eligibility: Any retiree who was working full-time and has attained age 55 and 15 years of service.

Retiree Health Benefits: District pays 98.3% of the health insurance premium for single coverage. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

**Carpenters and Painters**

Eligibility: Any retiree who was working full-time and has attained age 57 and 15 years of service.

Retiree Health Benefits: District pays 98% of the health insurance premium for single coverage. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

**Secretaries**

Eligibility: Any retiree who was working full-time and has attained age 57 and 15 years of service.

Retiree Health Benefits: District pays 98.3% of the health insurance premium for single coverage. District portion is 90% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

**Educational Assistants**

Eligibility: Any retiree who was working full-time and has attained age 57 and 15 years of service.

Retiree Health Benefits: District pays 100% of the health insurance premium for single coverage. The health benefits coverage will terminate when the retiree attains age 65.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

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Notes to Basic Financial Statements

June 30, 2017

**NOTE C - OTHER INFORMATION (Continued)**

**Administrators, Supervisors, and Technical Employees**

Eligibility: Any retiree who was working full-time and has attained 55 and 15 years of service

Retiree Health Benefits: District pays 100% of the health insurance premium. District portion is 88% for retirements after September 1, 2014.

Retiree Dental Benefits: District pays 90% of the dental insurance premium for family coverage. The health benefits coverage will terminate at age 65 for employees retiring with less than 20 years of service, at age 66 for employees retiring with 20 or more years of service but less than 25 years of service, and at age 67 for employees retiring with more than 25 years of service. No coverage for retirees after July 1, 2011.

Retiree Life Insurance Benefits: District pays a life insurance amount of 200% of the employee's compensation in the year before retirement if less than 66 years old, 150% of their salary if 66 years old, and 100% of their salary if 67 years old or older. No coverage for retirees after July 1, 2011

**Miscellaneous and interpreters**

Eligibility: Any Retiree who was working full-time and has attained age 55

Retiree Health Benefits: Retiree pays 100% of the health insurance premium. The health benefits coverage will terminate when the retiree attains age 65

**e. Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

*Actuarial Assumptions.* The total OPEB liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.3%
Salary Increases:	N/A
Investment Rate of Return:	2.8%
Healthcare cost trend rates:	Medical - 7.1% for 2016-17, then 7.3% decreasing to an ultimate rate of 4.1% in 2074 Dental - 5% decreasing to an ultimate rate of 4.1% in 2074

Mortality rates are the same as those used in the December 31, 2012 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period 2012-2014 for the Wisconsin Retirement System.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

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Notes to Basic Financial Statements

June 30, 2017

**NOTE C - OTHER INFORMATION (Continued)**

The long-term expected rate of return on OPEB plan investments was valued at 2.80%. The 20 year tax-exempt AA Municipal bond rate as of the measurement date was used for all years of benefit payments.

*Discount rate.* The discount rate used to measure the total OPEB liability was 3.57%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and then municipal bond rate applied to benefit payments, to the extent that the plans' fiduciary net position is not projected to be sufficient.

## e. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2016	\$ 99,525,691	\$ 17,346,554	\$ 82,179,137
Changes for the year:			
Service cost	6,651,090	-	6,651,090
Interest	2,902,942	-	2,902,942
Differences between expected and actual experience	2,052,664	-	2,052,664
Changes in assumptions	(4,525,856)	-	(4,525,856)
Contributions - employer	-	12,316,038	(12,316,038)
Contributions - employee	-	386,295	(386,295)
Net investment income	-	104,661	(104,661)
Benefit payments	(8,699,457)	(8,699,457)	-
Administrative expense	-	372,857	(372,857)
Net changes	(1,618,617)	4,480,394	(6,099,011)
Balance at June 30, 2017	\$ 97,907,074	\$ 21,826,948	\$ 76,080,126

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.57%) or 1-percentage-point higher (4.57%) than the current rate:

	1% Decrease to Discount Rate (2.57%)	Current Discount Rate (3.57%)	1% Increase to Discount Rate (4.57%)
Net OPEB Liability	\$ 82,653,329	\$ 76,080,126	\$ 69,812,396

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE C - OTHER INFORMATION (Continued)**

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.1% decreasing to 3.1%) or 1-percentage-point higher (8.1% decreasing to 5.1%) than the current healthcare cost trend rates:

	1% Decrease (6.1% decreasing to 3.1%)	Healthcare Cost Trend Rates (7.1% decreasing to 4.1%)	1% Increase (8.1% decreasing to 5.1%)
Net OPEB liability	\$ 69,584,628	\$ 76,080,126	\$ 82,386,623

*OPEB plan fiduciary net position.* Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements.

f. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$8,083,277. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,838,622	\$ -
Changes in assumptions	-	4,053,921
Net difference between projected and actual earnings on OPEB plan investments	349,049	-
Total	<u>\$ 2,187,671</u>	<u>\$ 4,053,921</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	Balance
2018	\$ (170,631)
2019	(170,631)
2020	(170,631)
2021	(170,630)
2022	(257,893)
Thereafter	(925,834)
Total	<u>\$ (1,866,250)</u>

g. Payable to the OPEB Plan

At June 30, 2017, the District reported a payable of \$10,051,156 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2017.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE C - OTHER INFORMATION (Continued)**

**2. 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. For all risks of loss, the District's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from coverage in the prior year.

**SELF-FUNDED INSURANCE PROGRAM**

The District has a self-insured workman's compensation benefit plan for its employees. The Plan administrators, Aegis Corporation (administrator) is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2017.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

As part of the workman's compensation coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$1 million per individual.

At June 30, 2017, the District has reported a liability of \$1,284,136 which represents reported and unreported claims which were incurred on or before June 30, 2017, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2016 and June 30, 2017 are as follows:

Year Ended June 30	Beginning Balance	Incurred	Payments	Ending Balance
2016	\$ 754,482	\$ 1,511,079	\$ 1,273,053	\$ 992,508
2017	992,508	1,837,387	1,545,759	1,284,136

**3. Contingencies**

- a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

**NOTE C - OTHER INFORMATION (Continued)**

4. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for 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 referendum prior to August 12, 1993.
- b. A referendum on or after August 12, 1993.

5. Commitments

The District has active construction projects as of June 30, 2017. Work that has been completed but not yet paid for (including contract retainages) is reflected as account payable and expenditures. Estimated future costs to complete the construction projects is approximately \$48,400,000.

6. Upcoming Accounting Pronouncements

In January, 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund - Budgetary Basis  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 69,282,075	\$ 69,282,075	\$ 69,282,075	\$ -
Other local sources	1,892,364	1,985,658	2,253,876	268,218
Interdistrict sources	485,000	485,000	610,926	125,926
Intermediate sources	-	15,000	15,000	-
State sources	164,270,620	164,322,493	164,279,892	(42,601)
Federal sources	11,432,187	12,850,624	10,808,138	(2,042,486)
Other sources	582,363	590,595	2,432,641	1,842,046
<b>Total Revenues</b>	<b>247,944,609</b>	<b>249,531,445</b>	<b>249,682,548</b>	<b>151,103</b>
<b>Expenditures</b>				
Instruction				
Regular instruction	114,825,689	114,095,894	111,660,748	2,435,146
Vocational instruction	4,919,062	4,928,042	4,604,077	323,965
Other instruction	8,126,953	8,276,160	8,099,200	176,960
<b>Total Instruction</b>	<b>127,871,704</b>	<b>127,300,096</b>	<b>124,364,025</b>	<b>2,936,071</b>
Support Services				
Pupil services	11,265,242	11,586,003	11,328,864	257,139
Instructional staff services	14,340,968	14,996,557	14,108,604	887,953
General administration services	1,140,584	1,154,320	1,200,057	(45,737)
School administration services	14,620,505	14,855,767	14,942,865	(87,098)
Business services	2,364,328	2,415,260	2,294,418	120,842
Operation and maintenance of plant	26,378,926	26,669,184	26,371,230	297,954
Pupil transportation services	4,512,660	4,523,386	4,716,558	(193,172)
Central services	8,643,952	8,468,911	9,677,977	(1,209,066)
Insurance	758,584	758,584	636,633	121,951
Other support services	74,536	128,387	98,370	30,017
<b>Total Support Services</b>	<b>84,100,285</b>	<b>85,556,359</b>	<b>85,375,576</b>	<b>180,783</b>
Debt service	150,390	150,390	197,791	(47,401)
Non-program transactions				
General tuition payments	4,051,582	4,051,582	4,212,617	(161,035)
Adjustments and refunds	-	-	140,852	(140,852)
<b>Total Non-program transactions</b>	<b>4,051,582</b>	<b>4,051,582</b>	<b>4,353,469</b>	<b>(301,887)</b>
<b>Total Expenditures</b>	<b>216,173,961</b>	<b>217,058,427</b>	<b>214,290,861</b>	<b>2,767,566</b>
<b>Excess of Revenues Over Expenditures</b>	<b>31,770,648</b>	<b>32,473,018</b>	<b>35,391,687</b>	<b>2,918,669</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	110,461	110,461
Transfers out	(31,770,648)	(32,620,191)	(31,014,069)	1,606,122
<b>Total Other Financing Sources (Uses)</b>	<b>(31,770,648)</b>	<b>(32,620,191)</b>	<b>(30,903,608)</b>	<b>1,716,583</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(147,173)</b>	<b>4,488,079</b>	<b>4,635,252</b>
<b>Fund Balance - July 1</b>	<b>44,557,313</b>	<b>44,557,313</b>	<b>44,557,313</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ 44,557,313</b>	<b>\$ 44,410,140</b>	<b>\$ 49,045,392</b>	<b>\$ 4,635,252</b>

The notes to the required supplementary information are an integral part of this schedule.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Special Education Special Revenue Fund - Budgetary Basis  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other local sources	\$ 11,000	\$ 11,000	\$ 13,324	\$ 2,324
Intermediate sources	-	-	100	100
State sources	10,860,000	10,860,000	11,295,713	435,713
Federal sources	8,456,363	9,175,460	4,902,856	(4,272,604)
Total Revenues	19,327,363	20,046,460	16,211,993	(3,834,467)
Expenditures				
Instruction				
Vocational instruction	35,600	-	-	-
Special education instruction	38,279,344	39,241,565	36,553,010	2,688,555
Other instruction	86,106	87,631	87,184	447
Total Instruction	38,401,050	39,329,196	36,640,194	2,689,002
Support Services				
Pupil services	6,524,497	6,602,433	6,050,542	551,891
Instructional staff services	2,189,030	2,586,172	1,225,635	1,360,537
Operation and maintenance of plant	108,731	86,819	26,253	60,566
Pupil transportation services	3,329,703	3,444,614	2,461,098	983,516
Central services	-	50,197	43,731	6,466
Total Support Services	12,151,961	12,770,235	9,807,259	2,962,976
Non-program transactions				
Special education tuition payments	45,000	67,220	149,185	(81,965)
Adjustments and refunds	-	-	18,963	(18,963)
Total Non-program transactions	45,000	67,220	168,148	(100,928)
Total Expenditures	50,598,011	52,166,651	46,615,601	5,551,050
Excess of Revenues Under Expenditures	(31,270,648)	(32,120,191)	(30,403,608)	1,716,583
Other Financing Sources (Uses)				
Transfers in	31,270,648	32,120,191	30,514,069	(1,606,122)
Transfers out	-	-	(110,461)	(110,461)
Total Other Financing Sources (Uses)	31,270,648	32,120,191	30,403,608	(1,716,583)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

The notes to the required supplementary information are an integral part of this schedule.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Schedule of Changes in Net OPEB Liability and Related Ratios  
Last 10 Fiscal Years

	2017
Total OPEB Liability	
Service cost	\$ 6,651,090
Interest	2,902,942
Benefit payments	(8,699,457)
Changes of benefit terms	-
Differences between expected and actual experience	2,052,664
Changes of assumptions	(4,525,856)
Net change in total OPEB liability	(1,618,617)
Total OPEB liability - beginning	99,525,691
Total OPEB liability - ending (a)	<u>\$ 97,907,074</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 12,316,038
Contributions - Employee	386,295
Net investment income	104,661
Benefit payments	(8,699,457)
Administrative income (expenses)	372,857
Net change in plan fiduciary net position	4,480,394
Plan fiduciary net position - beginning	17,346,554
Plan fiduciary net position - ending (b)	<u>\$ 21,826,948</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 76,080,126</u>
Plan fiduciary net position as a percentage of the total OPEB liability	22.29%
Covered-employee payroll	\$ 133,952,782
District's net OPEB liability as a percentage of covered-employee payroll	56.80%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year end.  
Amounts for prior years were not available.

The notes to the required supplementary information are an integral part of this schedule.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

## Schedule of Employer Contributions

## Other Postemployment Benefits

## Last 10 Fiscal Years

	2017
Actuarially determined contribution (ADC)	\$ 10,952,469
Contributions in relation to the ADC	12,316,038
Contribution deficiency (excess)	<u>\$ (1,363,569)</u>
Covered-employee payroll	\$ 133,952,782
Contributions as a percentage of covered-employee payroll	9.19%

**Key Methods and Assumption Used to Calculate ADC**

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	30 year Level Dollar
Discount rate	2.85%
Inflation	2.30%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year end.  
Amounts for prior years were not available.

The notes to the required supplementary information are an integral part of this schedule.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Schedule of Proportionate Share of the Net Pension Liability (Asset)  
Wisconsin Retirement System  
Last 10 Fiscal Years\*

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered- Employee Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
6/30/15	1.00717634%	\$ (24,739,006)	\$ 141,510,815	17.48%	102.74%
6/30/16	1.00194701%	16,281,444	143,092,222	11.38%	98.20%
6/30/17	1.00757730%	8,304,843	144,464,731	5.75%	99.12%

Schedule of Contributions  
Wisconsin Retirement System  
Last 10 Fiscal Years

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as Percentage of Covered-Employee Payroll</u>
6/30/15	\$ 9,911,151	\$ 9,911,151	\$ -	\$ 141,510,815	7.00%
6/30/16	9,730,965	9,730,965	-	143,092,222	6.80%
6/30/17	9,576,635	9,576,635	-	144,464,731	6.63%

\* The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

The notes to the required supplementary information are an integral part of these schedules.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2017

**NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 74 AND 75**

The District implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2017. Information for prior years is not available.

**NOTE B - BUDGETS AND BUDGETARY ACCOUNTING**

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction (DPI). The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the on digit function level for the general fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- 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.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (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 Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year. Encumbrances outstanding at year-end (e.g., purchase orders, contracts) are reported as reservations of fund balances. There were no encumbrances at the end of 2017.
- The DPI requires the District to separate special education revenues and expenditures from other general fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2017.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin

Notes to Required Supplementary Information  
For the Year Ended June 30, 2017**NOTE C - BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except, the District adopts a separate budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 249,682,548	\$ 16,211,993
Reclassification of special education	16,211,993	(16,211,993)
Total Revenues	265,894,541	-
Expenditures		
Actual amounts (budgetary basis)	214,290,861	46,615,601
Reclassification of special education	46,615,601	(46,615,601)
Total Expenditures	260,906,462	-
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	35,391,687	(30,403,608)
Reclassification of special education	(30,403,608)	30,403,608
Excess of Revenues Over (Under) Expenditures	4,988,079	-
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(30,903,608)	30,403,608
Reclassification of special education	30,403,608	(30,403,608)
Total Other Financing Sources (Uses)	(500,000)	-
Net Change in Fund Balance		
Actual amounts (budgetary basis)	4,488,079	-
Fund Balance - July 1		
Actual amounts (budgetary basis)	44,557,313	-
Fund Balance - June 30		
Actual amounts (budgetary basis)	\$ 49,045,392	\$ -

**NOTE D - PENSION**

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

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



## **SUPPLEMENTARY INFORMATION**

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Head Start	Trust	Food Service	Community Service		
<b>ASSETS</b>						
Cash and investments	\$ -	\$ 68,707	\$ 3,135,402	\$ 2,991,111	\$ 4,644,245	\$ 10,839,465
Receivables						
Accounts	26,715	97,000	62,877	32,893	-	219,485
Due from other governments	225,666	-	229,988	-	-	455,654
Inventories	-	-	490,121	-	-	490,121
Prepaid items	-	-	-	32,500	-	32,500
<b>TOTAL ASSETS</b>	<b>\$ 252,381</b>	<b>\$ 165,707</b>	<b>\$ 3,918,388</b>	<b>\$ 3,056,504</b>	<b>\$ 4,644,245</b>	<b>\$ 12,037,225</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 41,392	\$ 8,028	\$ 597,258	\$ 44,915	\$ -	\$ 691,593
Due to other funds	210,989	-	-	-	-	210,989
Deposits payable	-	-	151,319	-	-	151,319
Total Liabilities	252,381	8,028	748,577	44,915	-	1,053,901
Fund Balances						
Nonspendable						
Inventories	-	-	490,121	-	-	490,121
Prepaid items	-	-	-	32,500	-	32,500
Restricted						
Retirement of long-term debt	-	-	-	-	4,644,245	4,644,245
Food service	-	-	2,679,690	-	-	2,679,690
Community service	-	-	-	2,979,089	-	2,979,089
Committed						
Donations	-	157,679	-	-	-	157,679
Total Fund Balances	-	157,679	3,169,811	3,011,589	4,644,245	10,983,324
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 252,381</b>	<b>\$ 165,707</b>	<b>\$ 3,918,388</b>	<b>\$ 3,056,504</b>	<b>\$ 4,644,245</b>	<b>\$ 12,037,225</b>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

	Special Revenue Funds				Debt Service	Total Nonmajor Governmental Funds
	Head Start	Trust	Food Service	Community Service		
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 16,473,727	\$ 17,973,727
Other local sources	-	152,802	1,928,604	212,544	50,660	2,344,610
State sources	-	-	144,158	-	-	144,158
Federal sources	1,892,509	-	6,602,422	-	-	8,494,931
Other sources	-	75,000	6,900	-	3,790,871	3,872,771
<b>Total Revenues</b>	<b>1,892,509</b>	<b>227,802</b>	<b>8,682,084</b>	<b>1,712,544</b>	<b>20,315,258</b>	<b>32,830,197</b>
<b>Expenditures</b>						
Instruction						
Regular instruction	292,823	-	-	-	-	292,823
Special education instruction	733,017	-	-	-	-	733,017
Other instruction	-	164,152	-	-	-	164,152
<b>Total Instruction</b>	<b>1,025,840</b>	<b>164,152</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,189,992</b>
Support Services						
Pupil services	417,387	-	-	-	-	417,387
Instructional staff services	29,303	158,589	-	-	-	187,892
General administration services	-	-	-	383,307	-	383,307
Building administration services	307,094	-	-	-	-	307,094
Operation and maintenance of plant	69,640	2,520	626,012	-	-	698,172
Pupil transportation	43,245	11,014	-	14,917	-	69,176
Food services	-	-	7,790,926	-	-	7,790,926
<b>Total Support Services</b>	<b>866,669</b>	<b>172,123</b>	<b>8,416,938</b>	<b>398,224</b>	<b>-</b>	<b>9,853,954</b>
Debt Service						
Principal	-	-	-	-	15,643,000	15,643,000
Interest and fiscal charges	-	-	-	-	6,885,419	6,885,419
<b>Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,528,419</b>	<b>22,528,419</b>
Community services	-	-	-	1,005,992	-	1,005,992
<b>Total Expenditures</b>	<b>1,892,509</b>	<b>336,275</b>	<b>8,416,938</b>	<b>1,404,216</b>	<b>22,528,419</b>	<b>34,578,357</b>
<b>Excess of Revenues Over (Under)</b>						
Expenditures	-	(108,473)	265,146	308,328	(2,213,161)	(1,748,160)
<b>Other Financing Sources (Uses)</b>						
Long-term debt issued	-	-	-	-	6,265,000	6,265,000
Premium on long-term debt issued	-	-	-	-	3,622,941	3,622,941
Payment to current bondholder	-	-	-	-	(4,991,041)	(4,991,041)
Payment to refunded bond escrow agent	-	-	-	-	(1,917,542)	(1,917,542)
Transfers in	-	-	-	-	500,000	500,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,479,358</b>	<b>3,479,358</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(108,473)</b>	<b>265,146</b>	<b>308,328</b>	<b>1,266,197</b>	<b>1,731,198</b>
<b>Fund Balances - July 1</b>	<b>-</b>	<b>266,152</b>	<b>2,904,665</b>	<b>2,703,261</b>	<b>3,378,048</b>	<b>9,252,126</b>
<b>Fund Balances - June 30</b>	<b>\$ -</b>	<b>\$ 157,679</b>	<b>\$ 3,169,811</b>	<b>\$ 3,011,589</b>	<b>\$ 4,644,245</b>	<b>\$ 10,983,324</b>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

## Pupil Activity Funds

## Schedule of Changes in Assets and Liabilities

For the Year Ended June 30, 2017

	Pupil Activity Funds			
	Balance 7/1/16	Additions	Deletions	Balance 6/30/17
ASSETS				
Cash and investments	\$ 1,609,216	\$ 3,996,360	\$ 3,808,174	\$ 1,797,402
LIABILITIES				
Accounts payable	\$ 8,515	\$ 8,058	\$ 8,515	\$ 8,058
Due to student organizations	1,600,701	3,988,302	3,799,659	1,789,344
TOTAL LIABILITIES	\$ 1,609,216	\$ 3,996,360	\$ 3,808,174	\$ 1,797,402

# KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

Kenosha, Wisconsin

## Schedule of Charter School Authorizer Operating Costs by Object For the Year Ended June 30, 2017

Operating Activity	WUFAR Object Code	Cost				
		The Brompton School	Dimensions of Learning	Kenosha School of Technology Enhanced Curriculum	Kenosha E-School	Harborside Academy
Salaries	100	\$ 177,521	\$ 179,987	\$ 920,478	\$ 176,699	\$ 484,073
Benefits	200	93,062	94,355	482,546	92,632	253,768
Purchased services	300	125,651	127,395	651,519	125,068	342,630
Non-capital objects	400	44,239	44,854	229,391	40,826	120,635
Capital objects	500	414	420	2,147	412	1,129
Short-term debt	600	36,764	3,816	19,515	3,746	10,263
Insurance and judgements	700	6,245	6,332	32,384	6,217	17,030
Other	900	766	776	3,973	762	2,089
		<u>\$ 484,662</u>	<u>\$ 457,935</u>	<u>\$ 2,341,953</u>	<u>\$ 446,362</u>	<u>\$ 1,231,617</u>

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Charter School Operating Costs by Function  
For the Year Ended June 30, 2017

Function	WUFAR Function	Cost				
		The Brompton School	Dimensions of Learning	Kenosha School of Technology Enhanced Curriculum	Kenosha E- School	Harborside Academy
Undifferentiated curriculum	110000	\$ 862,532	\$ 1,222,604	\$ 6,544,047	\$ 1,317,265	\$ 3,820,741
Regular instruction	120000	391,266	164,261	56,995	-	21,662
Vocational instruction	130000	-	-	-	-	8,315
Physical instruction	140000	32,659	59,542	87,688	6,703	1,559
Special education	150000	71,133	-	512,492	279	329,598
Co-curricular instruction	160000	-	-	-	-	11,017
Pupil services	210000	49,388	-	184,615	116,970	190,731
Instructional staff services	220000	32,760	134,128	303,235	154,024	103,387
General administration	230000	-	12,000	-	-	-
Building administration	240000	240,312	297,493	702,638	257,849	357,111
Business services	250000	55,256	116,143	921,465	5,298	288,659
		<u>\$ 1,735,306</u>	<u>\$ 2,006,171</u>	<u>\$ 9,313,175</u>	<u>\$ 1,858,388</u>	<u>\$ 5,132,780</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**

**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  
Kenosha Unified School District No. 1  
Kenosha, 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 Kenosha Unified School District No. 1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Kenosha Unified School District No. 1's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated November 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Kenosha Unified School District No. 1'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 Kenosha Unified School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kenosha Unified School District No. 1'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 Kenosha Unified School District No. 1'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 Kenosha Unified School District No. 1'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 Kenosha Unified School District No. 1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
November 28, 2017

## **FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

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

To the Board of Education  
Kenosha Unified School District No. 1  
Kenosha, Wisconsin

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

We have audited the Kenosha Unified School District No. 1's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the Kenosha Unified School District No. 1's major federal and state programs for the year ended June 30, 2017. The Kenosha Unified School District No. 1'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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Kenosha Unified School District No. 1'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; 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 the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, the Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Kenosha Unified School District No. 1'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 Kenosha Unified School District No. 1's compliance.

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

In our opinion, the Kenosha Unified School District No. 1 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 federal and state programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the Kenosha Unified School District No. 1 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 Kenosha Unified School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 major federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Kenosha Unified School District No. 1'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 or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Certified Public Accountants  
Green Bay, Wisconsin  
November 28, 2017

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	Revenues			Total Expenditures	Subrecipient Payment
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017		
<u>U.S. DEPARTMENT OF AGRICULTURE</u>								
Child Nutrition Cluster								
School Breakfast Program	10.553	WI DPI	2017-302793-SB-546	\$ (42,347)	\$ 1,188,813	\$ 43,660	\$ 1,190,126	\$ -
National School Lunch Program	10.555	WI DPI	2017-302793-NSL-547	(128,838)	5,111,564	127,779	5,110,505	-
National School Lunch Program	10.555	WI DPI	2017-302793-NSL-Snacks-566	(265)	9,402	1,253	10,390	-
Total National School Lunch Program				(129,103)	5,120,966	129,032	5,120,895	-
Summer Food Service Program for Children	10.559	WI DPI	2017-302793-SFSP-586	(30,533)	68,575	37,818	75,860	-
Total Child Nutrition Cluster				(201,983)	6,378,354	210,510	6,386,881	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2017-302793-FF&V-376	(33,927)	205,495	19,478	191,046	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2016-302793-FF&VP-594	-	24,493	-	24,493	-
Total Fresh Fruit and Vegetable Program				(33,927)	229,988	19,478	215,539	-
Total U.S. Department of Agriculture				(235,910)	6,608,342	229,988	6,602,420	-
<u>U.S. DEPARTMENT OF EDUCATION</u>								
Title I Grants to Local Educational Agencies	84.010	WI DPI	17-302793-Title I-141	(853,768)	1,998,132	5,193,871	6,338,235	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2017-302793-Focus-145	(16,288)	86,180	11,783	81,675	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	17-302793-TI-Delinquent-140	(8,816)	33,425	10,586	35,195	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2016-302793-Cohort I-154	(7,009)	32,516	7,763	33,270	-
Total Title I Grants to Local Educational Agencies				(885,881)	2,150,253	5,224,003	6,488,375	-
Special Education Cluster (IDEA)								
Special Education Grants to States	84.027	WI DPI	2017-302793-IDEA-341	(1,019,952)	4,734,696	206,013	3,920,757	-
Special Education Grants to States	84.027	WI DPI	2017-302793-IDEA-342	-	158,841	-	158,841	-
Total Special Education Grants to States				(1,019,952)	4,893,537	206,013	4,079,598	-
Special Education Preschool Grants	84.173	WI DPI	17-302793-Pre-S-347	(160,357)	325,581	22,435	187,659	-
Total Special Education Cluster (IDEA)				(1,180,309)	5,219,118	228,448	4,267,257	-
Career and Technical Education -- Basic Grants to States	84.048	WI DPI	2017-302793-CP-CTE-400	(21,857)	217,044	42,714	237,901	-
Education for Homeless Children and Youth	84.196	WI DPI	2017-302793-Homeless-335	(13,112)	54,490	7,870	49,248	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	17-302793-367-CLC	(25,330)	119,861	8,316	102,847	-
English Language Acquisition State Grants	84.365	WI DPI	17-302793-Title III A-391	(36,142)	196,704	151,631	312,193	-
Supporting Effective Instruction State Grant	84.367	WI DPI	17-302793-Title II-365	(301,454)	1,002,484	285,992	987,022	-
Total U.S. Department of Education				(2,464,085)	8,959,954	5,948,974	12,444,843	-

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Expenditures of Federal Awards (continued)  
For the Year Ended June 30, 2017

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	Revenues			Total Expenditures	Subrecipient Payment
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017		
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>								
Head Start	93.600	Direct Program	N/A	(307,130)	2,036,047	225,666	1,954,583	-
Medicaid Cluster								
Medical Assistance Program	93.778	WI DHS	44202800	(211,320)	3,277,119	67,186	3,132,985	-
Total Medicaid Cluster				(211,320)	3,277,119	67,186	3,132,985	-
Total U.S. Department of Health and Human Services				(518,450)	5,313,166	292,852	5,087,568	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ (3,218,445)	\$ 20,881,462	\$ 6,471,814	\$ 24,134,831	\$ -

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin  
Schedule of State Financial Assistance  
For the Year Ended June 30, 2017

Grantor Agency/State Program Title	State I.D. Number	Pass-through Agency	State Identifying Number	Revenues			Total Expenditures	Subrecipient Payments
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017		
<u>DEPARTMENT OF PUBLIC INSTRUCTION</u>								
Special Education and School Age Parents	255.101	Direct Program	302793-100	\$ -	\$ 10,742,962	\$ -	\$ 10,742,962	\$ -
State School Lunch Aid	255.102	Direct Program	302793-107	-	85,307	-	85,307	-
Common School Fund Library Aid	255.103	Direct Program	302793-104	-	842,169	-	842,169	-
Bilingual Bicultural Aid	255.106	Direct Program	302793-111	-	35,597	-	35,597	-
General Transportation Aid	255.107	Direct Program	302793-102	-	258,707	-	258,707	-
WI Morning Milk Aid	255.109	Direct Program	302793-109	-	7,951	-	7,951	-
Equalization Aids	255.201	Direct Program	302793-116	(2,678,012)	155,076,078	2,644,384	155,042,450	-
High Cost Special Education Aid	255.210	Direct Program	302793-119	-	552,751	-	552,751	-
Alcohol and Other Drug Abuse	255.306	Direct Program	302793-143	(3,832)	20,192	4,253	20,613	-
Head Start Supplement	255.327	Direct Program	302793-145	(62,377)	361,433	36,745	335,801	-
State School Breakfast Aid	255.344	Direct Program	302793-108	-	50,900	-	50,900	-
Tuition Payments by State	255.401	Direct Program	302793-157	-	147,518	-	147,518	-
Aid for High Poverty School District	255.926	Direct Program	302793-121	-	1,488,832	-	1,488,832	-
Educator Effective Evaluation System	255.940	Direct Program	302793-154	(92,066)	197,179	12,479	117,592	-
Per Pupil Aid	255.945	Direct Program	302793-113	(3,331,950)	8,835,450	-	5,503,500	-
Career and Technical Education Incentive Grants	255.950	Direct Program	302793-152	-	34,601	-	34,601	-
Assessments of Reading Readiness	255.956	Direct Program	302793-166	-	37,298	-	37,298	-
Total Department of Public Instruction				(6,168,237)	178,774,925	2,697,861	175,304,549	-
TOTAL STATE PROGRAMS				<u>\$ (6,168,237)</u>	<u>\$ 178,774,925</u>	<u>\$ 2,697,861</u>	<u>\$ 175,304,549</u>	<u>\$ -</u>

The notes to the schedule of state financial assistance are an integral part of this schedule.

# KENOSHA UNIFIED SCHOOL DISTRICT NO. 1

Kenosha, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance  
For the Year Ended June 30, 2017

## NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and schedule of state financial assistance include the federal and state grant activity of the Kenosha Unified School District No. 1 and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has not elected to charge a de minimis indirect rate of 10% of modified total direct costs.

## NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2016-2017 eligible costs under the State Special Education Program as reported by the District are \$40,804,762.

## NOTE C - OVERSIGHT AGENCIES

The U.S. Department of Health and Human Services is the federal oversight agency and the Wisconsin Department of Public Instruction is the state oversight agency for the District.

## NOTE D - DONATED SERVICES

The District receives an undeterminable amount of donated services from a variety of unpaid volunteers assisting the Head Start program. Therefore, no amounts have been recorded in the Schedule of Expenditures of Federal Awards.

## NOTE E - RECONCILIATION OF EXPENDITURES TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of federal and state expenditures per the schedule of expenditures of federal and state financial assistance to the federal and state revenues per the District's basic financial statements.

	Federal	State
Expenditures per schedule of expenditures of federal and state awards	\$ 24,134,831	\$ 175,304,549
Programs not subject to single audit	71,094	415,214
Expenditures per basic financial statements	<u>\$ 24,205,925</u>	<u>\$ 175,719,763</u>
Revenues per basic financial statements:		
Governmental funds		
Federal and state sources	<u>\$ 24,205,925</u>	<u>\$ 175,719,763</u>

## NOTE F - PASS THROUGH ENTITIES

Federal awards have been passed through the following entries:

WI DHS - Wisconsin Department of Health Services  
WI DPI - Wisconsin Department of Public Instruction



**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**

Kenosha, Wisconsin  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2017

**Section I - Summary of Auditors' Results****Basic Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to basic financial statements noted?	No

**Federal Awards and State Financial Assistance**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	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 the Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.367	Supporting Effective Instruction State Grant

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.103	Common School Fund Library Aid
255.201	General Equalization Aids
255.210	High Cost Special Education Aid
255.926	Aid for High Poverty District
255.945	Per Pupil Aid

Audit threshold used to determine between Type A and Type B federal programs:	\$750,000
Audit threshold used to determine between Type A and Type B state programs:	\$250,000
Auditee qualified as low-risk auditee	Yes

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2017

**Section II - Financial Statement Findings**

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2017.

**Section III - Federal Award and State Financial Assistance Findings and Questioned Costs**

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2017.

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2017

**Section IV - Other Issues**

Does the auditors' report or the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

\_\_\_\_\_ Yes        X   No

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

Department of Health Services

\_\_\_\_\_ Yes        X   No

Department of Public Instruction

\_\_\_\_\_ Yes        X   No

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

  X   Yes      \_\_\_\_\_ No

Name and signature of shareholder



David L. Maccoux, CPA

Date of report

November 28, 2017

**KENOSHA UNIFIED SCHOOL DISTRICT NO. 1**  
Kenosha, Wisconsin  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended June 30, 2017

**Status of Prior Year Audit Finding**

The findings noted in the 2016 Schedule of Findings and Questioned Costs have been reported to the proper federal agency. The current status of the prior year audit findings, as provided my management, follows:

Finding No.	Prior Year Audit Finding
-------------	--------------------------

<b>2015-002</b>	<b>Special Education Aid Allowable Costs</b>
-----------------	--

This finding was resolved in fiscal year 2017.

**Corrective Action Plan**

No Corrective action plan is required.

## Elementary schools

### **Bose Elementary School**

1900 15th St., Kenosha, WI 53140  
Phone: 359-4044 Fax: 359-4005  
Web: [bose.kusd.edu](http://bose.kusd.edu)

### **Brass Community School**

6400 15th Ave., Kenosha, WI 53143  
Phone: 359-8000 Fax: 359-8050  
Web: [brass.kusd.edu](http://brass.kusd.edu)

### **Curtis Strange Elementary School**

5414 49th Ave., Kenosha, WI 53144  
Phone: 359-6024 Fax: 359-6247  
Web: [strange.kusd.edu](http://strange.kusd.edu)

### **EBSOLA Creative Arts**

2600 50th St., Kenosha, WI 53140  
Phone: 359-2300 Fax: 359-2400  
Web: [ebsola.kusd.edu/ca](http://ebsola.kusd.edu/ca)

### **EBSOLA Dual Language**

2600 50th St., Kenosha, WI 53140  
Phone: 359-2300 Fax: 359-2400  
Web: [ebsola.kusd.edu/dl](http://ebsola.kusd.edu/dl)

### **Forest Park Elementary School**

6810 45th Ave., Kenosha, WI 53142  
Phone: 359-6319 Fax: 359-6170  
Web: [forestpark.kusd.edu](http://forestpark.kusd.edu)

### **Frank Elementary School**

1816 57th St., Kenosha, WI 53140  
Phone: 359-6324 Fax: 359-6393  
Web: [frank.kusd.edu](http://frank.kusd.edu)

### **Grant Elementary School**

1716 35th St., Kenosha, WI 53140  
Phone: 359-6346 Fax: 359-6672  
Web: [grant.kusd.edu](http://grant.kusd.edu)

### **Grewenow Elementary School**

7714 20th Ave., Kenosha, WI 53143  
Phone: 359-6362 Fax: 359-7706  
Web: [grewenow.kusd.edu](http://grewenow.kusd.edu)

### **Harvey Elementary School**

2012 19th Ave., Kenosha, WI 53140  
Phone: 359-4040 Fax: 359-4020  
Web: [harvey.kusd.edu](http://harvey.kusd.edu)

### **Jefferson Elementary School**

1832 43rd St., Kenosha, WI 53140  
Phone: 359-6390 Fax: 359-7578  
Web: [jefferson.kusd.edu](http://jefferson.kusd.edu)

### **Jeffery Elementary School**

4011 87th St., Kenosha, WI 53142  
Phone: 359-2100 Fax: 359-2033  
Web: [jeffery.kusd.edu](http://jeffery.kusd.edu)

### **McKinley Elementary School**

5520 32nd Ave., Kenosha, WI 53144  
Phone: 359-6002 Fax: 359-7641  
Web: [mckinley.kusd.edu](http://mckinley.kusd.edu)

### **Nash Elementary School**

6801 99th Ave., Kenosha, WI 53142  
Phone: 359-3500 Fax: 359-3550  
Web: [nash.kusd.edu](http://nash.kusd.edu)

### **Pleasant Prairie Elementary School**

9208 Wilmot Road, Pleasant Prairie, WI 53158  
Phone: 359-2104 Fax: 359-2157  
Web: [pleasantprairie.kusd.edu](http://pleasantprairie.kusd.edu)

### **Prairie Lane Elementary School**

10717 47th Ave., Pleasant Prairie, WI 53158  
Phone: 359-3600 Fax: 359-3650  
Web: [prairielane.kusd.edu](http://prairielane.kusd.edu)

### **Roosevelt Elementary School**

3322 Roosevelt Road, Kenosha, WI 53142  
Phone: 359-6097 Fax: 359-6107  
Web: [roosevelt.kusd.edu](http://roosevelt.kusd.edu)

### **Somers Elementary School**

1245 72nd Ave., Kenosha, WI 53144  
Phone: 359-3200 Fax: 359-3212  
Web: [somers.kusd.edu](http://somers.kusd.edu)

### **Southport Elementary School**

723 76th St., Kenosha, WI 53143  
Phone: 359-6309 Fax: 359-5952  
Web: [southport.kusd.edu](http://southport.kusd.edu)

### **Stocker Elementary School**

6315 67th St., Kenosha, WI 53142  
Phone: 359-2143 Fax: 359-2012  
Web: [stocker.kusd.edu](http://stocker.kusd.edu)

### **Vernon Elementary School**

8518 22nd Ave., Kenosha, WI 53143  
Phone: 359-2113 Fax: 359-2169  
Web: [vernon.kusd.edu](http://vernon.kusd.edu)

### **Whittier Elementary School**

8542 Cooper Road, Pleasant Prairie, WI 53158  
Phone: 359-2110 Fax: 359-2270  
Web: [whittier.kusd.edu](http://whittier.kusd.edu)

### **Wilson Elementary School**

4520 33rd Ave., Kenosha, WI 53144  
Phone: 359-6094 Fax: 359-5993  
Web: [wilson.kusd.edu](http://wilson.kusd.edu)

## Middle schools

### **Bullen Middle School**

2804 39th Ave., Kenosha, WI 53144  
Phone: 359-4460 Fax: 359-4487  
Web: [bullen.kusd.edu](http://bullen.kusd.edu)

### **Lance Middle School**

4515 80th St., Kenosha, WI 53142  
Phone: 359-2240 Fax: 359-2184  
Web: [lance.kusd.edu](http://lance.kusd.edu)

### **Lincoln Middle School**

6729 18th Ave., Kenosha, WI 53143  
Phone: 359-6296 Fax: 359-5966  
Web: [lincoln.kusd.edu](http://lincoln.kusd.edu)

### **Mahone Middle School**

6900 60th St., Kenosha, WI 53144  
Phone: 359-8100 Fax: 359-6851  
Web: [mahone.kusd.edu](http://mahone.kusd.edu)

### **Washington Middle School**

811 Washington Road, Kenosha, WI 53140  
Phone: 359-6291 Fax: 359-6056  
Web: [washington.kusd.edu](http://washington.kusd.edu)

## High schools

### **Bradford High School**

3700 Washington Rd., Kenosha, WI 53144  
Phone: 359-6200 Fax: 359-5948  
Web: [bradford.kusd.edu](http://bradford.kusd.edu)

### **Indian Trail High School & Academy**

6800 60th St., Kenosha, WI 53144  
Phone: 359-8700 Fax: 359-8756  
Web: [indiantrail.kusd.edu](http://indiantrail.kusd.edu)

### **Tremper High School**

8560 26th Ave., Kenosha, WI 53143  
Phone: 359-2200 Fax: 359-2353  
Web: [tremper.kusd.edu](http://tremper.kusd.edu)

## Choice schools

### **LakeView Technology Academy**

(Grades 9-12)  
9449 88th Ave., Pleasant Prairie, WI 53158  
Phone: 359-8155 Fax: 359-8159  
Web: [lakeview.kusd.edu](http://lakeview.kusd.edu)

### **Reuther Central High School**

(Grades 9-12)  
913 57th St., Kenosha, WI 53140  
Phone: 359-6160 Fax: 359-6281  
Web: [reuther.kusd.edu](http://reuther.kusd.edu)

### **Kenosha eSchool**

(Online school, grades K-12)  
1808 41st Place, Kenosha, WI 53140  
Phone: 359-7715 Fax: 359-5933  
Web: [eschool.kusd.edu](http://eschool.kusd.edu)

## Charter schools

### **Harborside Academy**

(Grades 6-12)  
913 57th St., Kenosha, WI 53140  
Phone: 359-8400 Fax: 359-8450  
Web: [harborside.kusd.edu](http://harborside.kusd.edu)

### **Kenosha School of Technology Enhanced Curriculum (KTEC)**

(Grades K-8)  
KTEC East: 6811 18th Ave., Kenosha, WI 53143  
Phone: 359-3800 Fax: 359-3850  
KTEC West: 5710 32nd Ave., Kenosha, WI 53144  
Phone: 359-7100 Fax: 359-7070  
Web: [ktec.kusd.edu](http://ktec.kusd.edu)

### **The Brompton School**

(Grades K-8)  
8518 22nd Ave., Kenosha, WI 53143  
Phone: 359-2191 Fax: 359-2194  
Web: [brompton.kusd.edu](http://brompton.kusd.edu)

### **Dimensions of Learning Academy**

(Grades K-8)  
6218 25th Ave., Kenosha, WI 53143  
Phone: 359-6849 Fax: 359-3134  
Web: [dol.kusd.edu](http://dol.kusd.edu)

## Specialty schools

### **Cesar E. Chavez Learning Station**

(Head Start Center)  
6300 27th Ave., Kenosha, WI 53143  
Phone: 359-6078 Fax: 359-6286  
Web: [headstart.kusd.edu](http://headstart.kusd.edu)

### **Hillcrest School**

(Bridges Center/T.I.M.E. Program, grades 9-12)  
4616 24th St., Kenosha, WI 53144  
Phone: 359-6118 Fax: 359-7870  
Web: [hillcrest.kusd.edu](http://hillcrest.kusd.edu)

