

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION
June 30, 2016**

MEDFORD AREA PUBLIC SCHOOL DISTRICT
June 30, 2016
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Independent Auditors' Report

To the Board of Education
Medford Area Public School District
Medford, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Medford Area Public School District ("District") as of and for the year ended June 30, 2016, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1B of the notes to the basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* during the year ended June 30, 2016.

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 4-11, budgetary comparison information on page 56, the schedules of funding progress and employer contributions on page 59, and the schedules of District's proportionate share of the net pension liability (asset) and District's contributions on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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.

Supplementary 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 other supplemental information listed in the table of contents on page 62-64 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 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.

Bauman Associates, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

Eau Claire, Wisconsin
January 4, 2017

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following discussion and analysis of the Medford Area Public School District's financial information provides an overview of the school district's financial position and results of operations for the fiscal year.

FINANCIAL HIGHLIGHTS

- The assets of the school district exceeded liabilities at the close of the fiscal year by \$21,444,333 (*net position*). Of this amount, \$13,690,351 represents amounts invested in capital assets, and \$4,630,009 is restricted as detailed in Note 10. This results in net unrestricted assets of \$3,123,973.
- At the end of the current fiscal year, the unassigned fund balances, designated for cash flow purposes in the general fund, were \$4,617,848 or a total of 20.4% of total general fund expenditures in 2015-2016. \$25,915 is in non-spendable prepaids.
- The District's last Funding Report for Post-Employment Benefits was completed for the End of the Year 2015 that set our liability at \$2,645,450. As of June 30, 2016 this was funded through our Fund 73 Employee Benefit Trust with Nicolet National Bank that had a net balance of \$3,786,766 and a Health Reimbursement Arrangement that is vested 100% to the account holders that had a balance of \$795,779. Since the amounts set aside to pay this liability were more than the liability, no additional contribution was made in 2015-2016.
- In April 2016, a referendum was passed in the District. In June, the financing was completed. With the passage of the referendum, multiple maintenance projects will be completed through-out the District, a new parking lot and drop-off area will be created near the middle school, the pool will receive an upgrade, and projects will be completed in conjunction with the athletic fields.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three major components – district-wide financial statements, fund financial statements, and notes to the financial statements. In addition, other supplementary information to the basic financial statements is provided.

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. The statements provide both long-term and short-term information about the district's overall financial status. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges called *business-type activities*. These statements are presented as shown in the table of contents.

The *statement of net position* presents information on all of the district's assets and liabilities, with the difference between the two 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 for the fiscal year.

Fund financial statements

The district also produces *fund financial statements*. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The district, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a district's short-term financing requirements. These statements are presented as shown in the table of contents.

There are two fund financial statements, the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* (operating statement). Generally, fund statements focus on short-term inflows and outflows of spendable resources and their impact on fund balance.

Because the focus of fund financial statements is narrower than that of the district-wide statements, it is useful to make comparisons between the information presented. This helps readers better understand the long-term implication of the government's short-term financial decisions. A reconciliation to facilitate the comparison of the Statement of Net Position to the Governmental Funds Balance Sheet as well as the Statement of Activities to the Statement of Revenues, Expenditures and Changes in Fund Balance is presented on the page following each respective governmental funds statement.

The district has three kinds of funds: *governmental*, *proprietary* and *fiduciary*. *Governmental funds* include the district's six regular funds (general, special revenue trust, debt service, capital projects fund, community service, and package cooperative). The district has one *proprietary* fund, the food service fund and three *fiduciary* funds, (an agency fund for student organizations, private-purpose trust fund for scholarships, and the employee-benefit trust fund).

Financial information is combined for the general fund and special education fund and presented on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balance* as this is considered to be a major fund. Data for the special revenue trust, debt service, community service fund, and package cooperative fund is combined into a single, aggregated column. Data for each of these individual non-major funds is provided separately as supplementary information.

The proprietary fund statements for the district's food service program are prepared on the same basis of accounting and measurement focus as the district-wide financial statements. In addition, the district provides a *statement of cash flows* for the proprietary funds.

The district serves as a trustee, or *fiduciary*, for student organizations, private-purpose trusts and other post-employment benefits. The assets of these organizations do not directly benefit nor are under the direct control of 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.

The district adopts an annual appropriation budget for its general fund, debt service fund, food service fund, community service fund, and package cooperative fund. Budgetary comparison statements have been provided as required supplementary information to demonstrate budget compliance for the general fund.

Notes to financial statements

The *notes to 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.

FINANCIAL ANALYSIS

District-wide

Net Position. Table 1, below, provides a summary of the district's net position for the year ended June 30, 2016 compared to 2015.

In governmental activities, net position decreased by \$1,248,399 and an increase of \$81,496 in net position for business type activities, resulting in an overall decrease in net position of 5.2%. The significant changes to the net position of the district included the funding of the referendum with 10 year notes for \$4,180,000 and the financial status of the Wisconsin Retirement System based on the change in their investments from 2014-2015 to 2015-2016.

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

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
ASSETS							
Current and other assets	\$ 9,896.9	\$ 5,503.9	\$ 184.9	\$ 180.2	\$ 10,081.8	\$ 5,684.1	77.4%
Non-current assets	\$ 14,015.1	\$ 16,763.6	\$ 44.9	\$ 53.6	\$ 14,060.0	\$ 16,817.2	-16.4%
Total Assets	\$ 23,912.0	\$ 22,267.5	\$ 229.8	\$ 233.8	\$ 24,141.8	\$ 22,501.3	7.3%
DEFERRED OUTFLOWS							
Resources related-pensions	\$ 7,157.0	\$ 1,827.6	\$ -	\$ -	\$ 7,157.0	\$ 1,827.6	291.6%
LIABILITIES							
Long-term obligations	\$ 5,788.6	\$ 626.6	\$ -	\$ -	\$ 5,788.6	\$ 626.6	823.8%
Other liabilities	\$ 1,334.8	\$ 962.8	\$ 8.5	\$ 94.0	\$ 1,343.3	\$ 1,056.8	27.1%
Total Liabilities	\$ 7,123.4	\$ 1,589.4	\$ 8.5	\$ 94.0	\$ 7,131.9	\$ 1,683.4	323.7%
DEFERRED OUTFLOWS							
Resources related-pensions	\$ 2,722.5	\$ 34.3	\$ -	\$ -	\$ 2,722.5	\$ 34.3	7837.3%
NET POSITION							
Net Investment in							
capital assets	\$ 13,645.4	\$ 14,381.0	\$ 44.9	\$ 53.6	\$ 13,690.3	\$ 14,434.6	-5.2%
Restricted	\$ 4,453.6	\$ 2,248.9	\$ 176.4	\$ 86.2	\$ 4,630.0	\$ 2,335.1	98.3%
Unrestricted	\$ 3,124.0	\$ 5,841.5	\$ -	\$ -	\$ 3,124.0	\$ 5,841.5	-46.5%
Total Net Position	\$ 21,223.0	\$ 22,471.4	\$ 221.3	\$ 139.8	\$ 21,444.3	\$ 22,611.2	-5.2%

In governmental activities, the largest portion of the district's net position is its investment in capital assets (e.g. land, buildings, and equipment). These assets are used to provide services to students and consequently are not available for future spending. Medford Area Public School District's buildings are in very good condition as a result of sufficient annual operating funds appropriated for maintenance and repair.

Restricted net position, in governmental activities, account for 21.0% of total net position. The restricted net position includes \$183,894 for future trust fund expenditures, prepaid expenditures of \$25,915, debt service in the amount of \$23,213, unspent capital-related debt proceeds of \$4,180,861 and \$39,784 for future community service expenditures.

In business-type activities, the District’s net position includes restricted assets, which are current assets less current liabilities. The remaining assets are classified as net investment in capital assets.

Change in net position. Table 2 shows the changes in net position for the fiscal years 2016 and 2015.

Table 2
Change in Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Revenues:							
Program revenues							
Charges for services	\$ 2,405.9	\$ 1,994.7	\$ 603.7	\$ 589.8	\$ 3,009.6	\$ 2,584.5	16.4%
Operating and capital grants & contr	\$ 2,713.8	\$ 2,534.2	\$ 546.3	\$ 537.0	\$ 3,260.1	\$ 3,071.2	6.2%
General revenues							
Property taxes	\$ 7,238.6	\$ 6,728.8			\$ 7,238.6	\$ 6,728.8	7.6%
State formula aid	\$ 12,607.2	\$ 12,700.2			\$ 12,607.2	\$ 12,700.2	-0.7%
Other	\$ 120.8	\$ 112.2	\$ -	\$ -	\$ 120.8	\$ 112.2	7.7%
Total revenues	\$ 25,086.3	\$ 24,070.1	\$ 1,150.0	\$ 1,126.8	\$ 26,236.3	\$ 25,196.9	4.1%
Expenses:							
Instruction	\$ 15,607.6	\$ 14,755.5			\$ 15,607.6	\$ 14,755.5	5.8%
Pupil & instructional services	\$ 3,848.4	\$ 3,670.7			\$ 3,848.4	\$ 3,670.7	4.8%
Administration and business	\$ 2,223.9	\$ 2,011.2			\$ 2,223.9	\$ 2,011.2	10.6%
Maintenance and operations	\$ 2,069.2	\$ 1,983.6			\$ 2,069.2	\$ 1,983.6	4.3%
Transportation	\$ 1,190.5	\$ 1,225.3			\$ 1,190.5	\$ 1,225.3	-2.8%
Community service	\$ 190.1	\$ 83.5			\$ 190.1	\$ 83.5	127.7%
Interest and fees	\$ 110.0	\$ 32.4			\$ 110.0	\$ 32.4	239.5%
Other	\$ 1,095.0	\$ 1,029.8	\$ 1,068.5	\$ 1,126.4	\$ 2,163.5	\$ 2,156.2	0.3%
Total expenses	\$ 26,334.7	\$ 24,792.0	\$ 1,068.5	\$ 1,126.4	\$ 27,403.2	\$ 25,918.4	5.7%
Change in net position	\$ (1,248.4)	\$ (721.9)	\$ 81.5	\$ 0.4	\$ (1,166.9)	\$ (721.5)	

Property taxes for governmental activities increased \$509,798, in part due to an increase over the revenue limit for energy efficient projects and a decrease in general state aid of \$93,020.

Property taxes and general state aid account for 79.1% of governmental activity revenue. Charges for services account for 9.6% of governmental activity revenue and 52.5% of business-type activities.

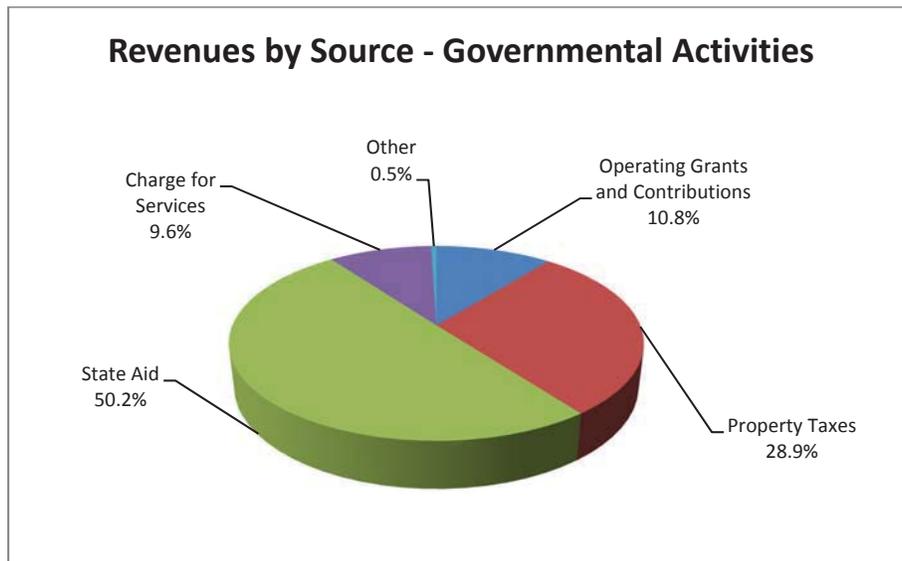
Overall, governmental and business type expenditures increased 5.7%. Instruction and pupil and instructional service related expenditures account for 73.9% of governmental activity expenses. Administration and business account for 8.4% of governmental activity expenses.

Governmental Activities

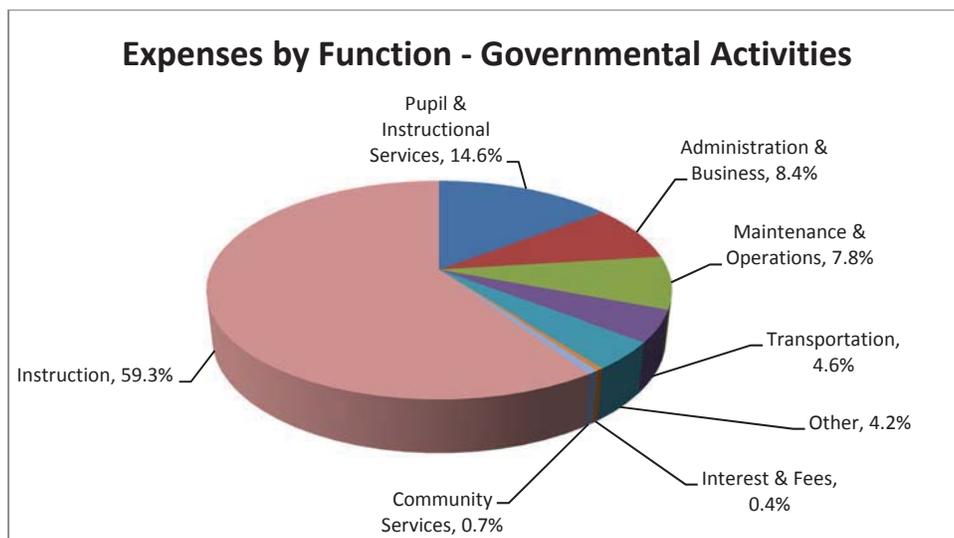
The district relies primarily on property taxes and general state aid to fund governmental activities. School funding regulations restrict the amount by which these two revenue sources, in

combination, may be increased. This restriction, called revenue limit, is intended to help hold down increases in property taxes throughout the state. During the fiscal year, the district certified \$6,984,357 in property taxes subject to the revenue limit. In addition, \$234,335 was levied for the community service purposes.

General state aid is paid according to a formula taking into consideration district spending per member and property values per member as compared to spending per member and property values per member for the state as a whole. The state has eliminated their requirement to fund two-thirds of school's shared costs – this action will continue to shift the state's burden of funding schools onto local property taxpayers.



The following chart shows the portion of the district's expenses allocated to each function.



Governmental Funds

The district completed the year with a total governmental fund balance of \$9,078,606 consisting of \$4,643,763 in the general fund, \$4,180,861 in the capital projects fund and \$253,982 in other governmental funds. The general fund balance increased by \$152,782 from June 30, 2015.

Budgetary notes. Differences between the original and final budget for the general and special education funds include adjustments for:

- Other adjustments that reflect normal operating conditions from the budget to actual expenditures.

Differences between the final budget and actual results for the general and special education funds were:

- The general fund and special education fund final budget were adjusted to the actual results.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the district had invested \$38,543,413 in a broad range of capital assets, including buildings, sites, and equipment. Total accumulated depreciation on these assets is \$24,472,426 for governmental activities and \$277,104 for business-type activities.

The district recognized depreciation expense of \$861,483 for the district as a whole during the fiscal year.

	Governmental Activities		Business-type Activities		Total School District		Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Land	\$ 305	\$ 295			\$ 305	\$ 295	3.4%
Site improvements	\$ 20	\$ 20			\$ 20	\$ 20	0.0%
Buildings & building improvements	\$ 35,689	\$ 35,689			\$ 35,689	\$ 35,689	0.0%
Equipment & furniture	\$ 2,207	\$ 2,006	\$ 322	\$ 322	\$ 2,529	\$ 2,328	8.6%
Accumulated depreciation	\$ (24,472)	\$ (23,629)	\$ (277)	\$ (268)	\$ (24,749)	\$ (23,897)	3.6%
Total	\$ 13,749	\$ 14,381	\$ 45	\$ 54	\$ 13,794	\$ 14,435	-4.4%

Debt Administration

Outstanding Long-Term Obligations

	Long-term Liability	
	2015-2016	2014-2015
Promissory note	\$ 630,000	\$ 765,000
Notes payable	4,180,000	-
Deferred issuance premium	104,393	-
Less deferred issue discount	(3,448)	(4,372)
Total	\$ 4,910,945	\$ 760,628

Of the long-term portion listed above, \$140,000 from the promissory note is due within the next year and \$360,000 of the note payable is due within the next year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Current circumstances that may impact the district's financial status in the future are:

- Certain aspects of ACT 10 and ACT 32 are controversial and could be changed in the future.
- In addition to ACT 10 and ACT 32, State legislative discussions on future state budgets could potentially alter future fiscal year revenue receipts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is prepared to provide 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 Jeff Albers, Director of Business Services, Medford Area Public School District, 124 West State Street, Medford, WI 54451.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,189,628	\$ 175,182	\$ 6,364,810
Taxes receivable	2,478,706	-	2,478,706
Other receivables	53,516	65	53,581
Due from other governments	1,149,088	7,012	1,156,100
Prepaid expenses	25,915	2,598	28,513
Total current assets	9,896,853	184,857	10,081,710
Noncurrent assets:			
Capital assets	38,221,376	322,037	38,543,413
Less - Accumulated depreciation	(24,472,426)	(277,104)	(24,749,530)
Total capital assets, net of depreciation	13,748,950	44,933	13,793,883
Net OPEB prepayment	266,196	-	266,196
Total noncurrent assets	14,015,146	44,933	14,060,079
Total assets	\$ 23,911,999	\$ 229,790	\$ 24,141,789
DEFERRED OUTFLOWS OF RESOURCES			
Resources related to pensions	\$ 7,156,986	\$ -	\$ 7,156,986
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 825,338	\$ -	\$ 825,338
Unearned revenues	-	8,515	8,515
Current portion of long-term obligations	509,516	-	509,516
Total current liabilities	1,334,854	8,515	1,343,369
Noncurrent liabilities:			
Net pension liability	1,387,165	-	1,387,165
Noncurrent portion of long-term obligations	4,401,429	-	4,401,429
Total noncurrent liabilities	5,788,594	-	5,788,594
Total liabilities	\$ 7,123,448	\$ 8,515	\$ 7,131,963
DEFERRED INFLOWS OF RESOURCES			
Resources related to pensions	\$ 2,722,479	\$ -	\$ 2,722,479
NET POSITION			
Net investment in capital assets	\$ 13,645,418	\$ 44,933	\$ 13,690,351
Restricted	4,453,667	176,342	4,630,009
Unrestricted	3,123,973	-	3,123,973
Total net position	\$ 21,223,058	\$ 221,275	\$ 21,444,333

See accompanying notes to the financial statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Program revenues				Net (expenses) revenue and changes in net position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-type Activities	Total
Governmental activities							
Instruction:							
Regular	\$ 10,442,662	\$ 1,991,416	\$ 662,635	\$ -	\$ (7,788,611)	\$ -	\$ (7,788,611)
Vocational	753,300	15,300	19,214	-	(718,786)	-	(718,786)
Special education	3,305,723	79,720	1,294,813	-	(1,931,190)	-	(1,931,190)
Other	1,105,966	48,356	-	-	(1,057,610)	-	(1,057,610)
Total instruction	<u>15,607,651</u>	<u>2,134,792</u>	<u>1,976,662</u>	<u>-</u>	<u>(11,496,197)</u>	<u>-</u>	<u>(11,496,197)</u>
Support services:							
Pupil services	1,097,418	217,749	20,705	-	(858,964)	-	(858,964)
Instructional staff services	2,750,942	-	502,503	-	(2,248,439)	-	(2,248,439)
General administration services	332,724	-	-	-	(332,724)	-	(332,724)
School administration services	1,446,881	-	-	-	(1,446,881)	-	(1,446,881)
Business services	444,234	-	-	-	(444,234)	-	(444,234)
Operations and maintenance of plant services	2,069,175	11,984	-	-	(2,057,191)	-	(2,057,191)
Pupil transportation services	1,190,518	-	125,163	-	(1,065,355)	-	(1,065,355)
Central services	215,615	-	-	-	(215,615)	-	(215,615)
Other support services	211,816	-	88,800	-	(123,016)	-	(123,016)
Community services	190,068	41,408	-	-	(148,660)	-	(148,660)
Interest and fees (excludes direct allocations to functions)	110,044	-	-	-	(110,044)	-	(110,044)
Depreciation - unallocated (excludes direct allocations to functions)	667,589	-	-	-	(667,589)	-	(667,589)
Total support services	<u>10,727,024</u>	<u>271,141</u>	<u>737,171</u>	<u>-</u>	<u>(9,718,712)</u>	<u>-</u>	<u>(9,718,712)</u>
Total governmental activities	<u>26,334,675</u>	<u>2,405,933</u>	<u>2,713,833</u>	<u>-</u>	<u>(21,214,909)</u>	<u>-</u>	<u>(21,214,909)</u>
Business-type activities							
Food services	1,068,526	603,678	546,344	-	-	81,496	81,496
Total school district	<u>\$ 27,403,201</u>	<u>\$ 3,009,611</u>	<u>\$ 3,260,177</u>	<u>\$ -</u>	<u>(21,214,909)</u>	<u>81,496</u>	<u>(21,133,413)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					6,823,927	-	6,823,927
Property taxes, levied for debt service on long-term debt					160,430	-	160,430
Property taxes, levied for community services					234,335	-	234,335
Other taxes					19,860	-	19,860
State and federal aids not restricted to specific purposes:							
General					12,572,180	-	12,572,180
Other					35,039	-	35,039
Interest					3,651	-	3,651
Miscellaneous					117,088	-	117,088
Total general revenues					<u>19,966,510</u>	<u>-</u>	<u>19,966,510</u>
Change in net position					(1,248,399)	81,496	(1,166,903)
Net position - Beginning of year					22,471,457	139,779	22,611,236
Net position - End of year					<u>\$ 21,223,058</u>	<u>\$ 221,275</u>	<u>\$ 21,444,333</u>

See accompanying notes to the financial statements.

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,749,190	\$ 4,180,861	\$ 259,577	\$ 6,189,628
Property taxes receivable	2,478,706	-	-	2,478,706
Accounts receivable	50,692	-	2,824	53,516
Due from other governments	1,149,088	-	-	1,149,088
Prepaid expenditures	25,915	-	-	25,915
Total assets	<u>\$ 5,453,591</u>	<u>\$ 4,180,861</u>	<u>\$ 262,401</u>	<u>\$ 9,896,853</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 809,828	\$ -	\$ 8,419	\$ 818,247
Total liabilities	<u>809,828</u>	<u>-</u>	<u>8,419</u>	<u>818,247</u>
 Fund balances:				
Nonspendable:				
Prepaid expenditures	25,915	-	-	25,915
Restricted for:				
District operations per donor specifications	-	-	183,894	183,894
Debt service	-	-	30,304	30,304
Capital projects	-	4,180,861	-	4,180,861
Future community service expenditures	-	-	39,784	39,784
Unassigned	4,617,848	-	-	4,617,848
Total fund balances	<u>4,643,763</u>	<u>4,180,861</u>	<u>253,982</u>	<u>9,078,606</u>
Total liabilities and fund balances	<u>\$ 5,453,591</u>	<u>\$ 4,180,861</u>	<u>\$ 262,401</u>	<u>\$ 9,896,853</u>

See accompanying notes to the financial statements.

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total fund balances - governmental funds	\$	9,078,606
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. The cost of the assets is \$38,221,376 and the accumulated depreciation is \$24,472,426.		13,748,950
Deferred outflows related to the pension are not financial resources and therefore are not reported in the governmental fund statements.		7,156,986
Net pension liability and the deferred inflows related to the pension are not due and payable in the current period and therefore are not reported in the governmental fund statements.		(4,109,644)
The net OPEB asset related to the District's postemployment benefits is not a financial resource and therefore is not reported as an asset in the governmental funds.		266,196
Long-term liabilities, such as notes payable and deferred debt issuance premium and discount are not due and payable in the current period and accordingly are net reported as fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term are in the statement of net position as follows:		
Accrued interest on notes		(7,091)
G.O. promissory notes	\$ (4,810,000)	
Premium on G.O. promissory notes	(104,393)	
Discount on G.O. promissory notes	3,448	
Total long-term liabilities		<u>(4,910,945)</u>
Net position of governmental activities	\$	<u><u>21,223,058</u></u>

See accompanying notes to the financial statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local	\$ 6,934,737	\$ 861	\$ 661,168	\$ 7,596,766
Interdistrict	1,926,587	-	289,098	2,215,685
Intermediate	206,725	-	-	206,725
State	13,835,017	-	-	13,835,017
Federal	1,127,523	-	-	1,127,523
Other	104,560	-	104,393	208,953
	<u>24,135,149</u>	<u>861</u>	<u>1,054,659</u>	<u>25,190,669</u>
EXPENDITURES				
Instruction:				
Regular	9,428,555	-	589,718	10,018,273
Vocational education	694,148	-	5,495	699,643
Special education	3,173,580	-	2,121	3,175,701
Other	1,026,991	-	-	1,026,991
Total instruction	<u>14,323,274</u>	<u>-</u>	<u>597,334</u>	<u>14,920,608</u>
Support services:				
Pupil services	1,001,270	-	51,913	1,053,183
Instructional staff services	1,715,122	-	1,028,772	2,743,894
General administration services	322,861	-	-	322,861
School administration services	1,205,938	-	193,884	1,399,822
Business services	319,387	-	48,336	367,723
Operations and maintenance	2,114,996	-	-	2,114,996
Pupil transportation	1,166,112	-	24,406	1,190,518
Central services	215,615	-	-	215,615
Community service	-	-	189,144	189,144
Debt service:				
Principal	-	-	135,000	135,000
Interest and other charges	7,854	-	25,430	33,284
Issuance costs	-	-	75,103	75,103
Other support services/nonprogram	211,816	-	-	211,816
Total support services	<u>8,280,971</u>	<u>-</u>	<u>1,771,988</u>	<u>10,052,959</u>
Total expenditures	<u>22,604,245</u>	<u>-</u>	<u>2,369,322</u>	<u>24,973,567</u>
Excess (deficiency) of revenues over (under) expenditures	1,530,904	861.00	(1,314,663)	217,102
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	1,378,122	1,378,122
Capital - related notes issued	-	4,180,000	-	4,180,000
Operating transfers out	(1,378,122)	-	-	(1,378,122)
	<u>(1,378,122)</u>	<u>4,180,000</u>	<u>1,378,122</u>	<u>4,180,000</u>
Net change in fund balances	152,782	4,180,861	63,459	4,397,102
Fund balances - beginning of year	<u>4,490,981</u>	<u>-</u>	<u>190,523</u>	<u>4,681,504</u>
Fund balances - end of year	<u>\$ 4,643,763</u>	<u>\$ 4,180,861</u>	<u>\$ 253,982</u>	<u>\$ 9,078,606</u>

See accompanying notes to the financial statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net change in fund balances—Total governmental funds	\$	4,397,102
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 220,986	
Depreciation expense reported in the statement of activities	<u>(852,845)</u>	(631,859)
Governmental funds do not report capital assets, however when they are disposed, the net book values are shown as a loss (or a reduction of sales proceeds) in the statement of activities.		
Net book value of assets disposed	<u>(227)</u>	(227)
Proceeds from the issuance of notes payable and the related premium are reported as other financing sources in the governmental funds, however these amounts are shown as increases in long-term liabilities in the statement of net position by the face amount of the bonds issued plus any premium received.		
	(4,284,393)	
Discounts related to the bond issue are reflected as a current expenditure in the governmental funds. These discounts are shown as an other asset in the statement of net position and amortized over the term of the bonds.		
	(924)	
Principal payments on the notes are expenditures in the governmental funds, but these repayments reduce long-term liabilities in the statement of net position.		
	<u>135,000</u>	(4,150,317)
The employer share of pension expense incurred after the net pension asset measurement date of December 31, 2015 and through June 2016 is shown as an expenditure in the fund financial statements when due and thus requires the use of current financial resources. In the statement of activities however, this amount is reported as a deferred outflow of resources since these contributions occur subsequent to the measurement date used to record the net pension asset (liability)		
Prior year deferred outflows for contributions made during the current measurement period	(510,211)	
Contributions subsequent to the measurement date from January 1, 2016 through June 30, 2016	509,010	
Adjustment for the difference in basis of pension expense reporting for government-wide financial statements	<u>(838,390)</u>	(839,591)
The measurement of the net OPEB obligation is not a current use of funds and is not reflected in the fund financial statements. This is recorded as a liability on the statement of net position. The change in this liability is recorded in the statement of activities. The current year increase is \$22,774 and is a decrease in net position.		
		(22,774)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These are the following:		
Accrued interest payable	<u>(733)</u>	
		<u>(733)</u>
Change in net position of governmental activities	\$	<u><u>(1,248,399)</u></u>

See accompanying notes to the financial statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities Enterprise Funds <u>Food Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 175,182
Accounts receivable	65
Prepaid food service contractor expenditures	2,598
Due from other governments	<u>7,012</u>
Total current assets	<u>184,857</u>
Noncurrent assets:	
Furniture and equipment	322,037
Less - Accumulated depreciation	<u>(277,104)</u>
Total noncurrent assets	<u>44,933</u>
Total assets	<u>\$ 229,790</u>
LIABILITIES	
Current liabilities:	
Unearned revenue	<u>\$ 8,515</u>
Total current liabilities	<u>8,515</u>
Total liabilities	<u>\$ 8,515</u>
NET POSITION	
Net investment in capital assets	\$ 44,933
Restricted for use in food service operations	<u>176,342</u>
Total net position	<u>\$ 221,275</u>

See accompanying notes to the financial statements.

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016**

	Business-type Activities Enterprise Funds <u>Food Service</u>
OPERATING REVENUES	
Food service sales	\$ 603,678
State matching and other	19,266
Grants - child nutrition program	<u>527,078</u>
Total operating revenues	<u>1,150,022</u>
OPERATING EXPENSES	
Professional and contract services	1,059,888
Depreciation	<u>8,638</u>
Total operating expenses	<u>1,068,526</u>
Operating income	<u>81,496</u>
Change in net position	81,496
Net position - Beginning of year	<u>139,779</u>
Net position - End of year	<u><u>\$ 221,275</u></u>

See accompanying notes to the financial statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2016

		Business-type Activities Enterprise Funds Food Service
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from user charges	\$	623,692
Operating grants received		548,895
Cash payments to employees for services		(1,059,888)
Cash payments to suppliers for goods and services		(34,521)
Net cash provided by operating activities		78,178
Net change in cash and cash equivalents		78,178
Cash and cash equivalents - beginning		97,004
Cash and cash equivalents - end	\$	175,182
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	81,496
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		8,638
Changes in assets and liabilities:		
Due from other governments		2,551
Prepaid supplies		49,402
Accounts receivable		21,542
Unearned revenues		(1,528)
Accounts payable and accrued expenses		(83,923)
Net cash provided by operating activities	\$	78,178

NONCASH NONCAPITAL OPERATING ACTIVITIES

During the year the District received \$75,377 of food commodities from the U.S. Department of Agriculture.

See accompanying notes to the financial statements.

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016**

	Private- Purpose Trust	Employee- Benefit Trust	Agency Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 3,299	\$ 980,783	\$ 106,260
Investment, at fair value:			
Bonds and bond mutual funds	-	1,830,038	-
Mutual funds - Equity securities	<u>-</u>	<u>975,945</u>	<u>-</u>
 Total assets	 <u>\$ 3,299</u>	 <u>\$ 3,786,766</u>	 <u>\$ 106,260</u>
LIABILITIES			
Due to student organizations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,260</u>
 Total liabilities	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 106,260</u>
NET POSITION			
Restricted for scholarships	\$ 3,299	\$ -	
Restricted for employee benefit plans (held in trust)	<u>-</u>	<u>3,786,766</u>	
 Total net position	 <u>\$ 3,299</u>	 <u>\$ 3,786,766</u>	

See accompanying notes to the financial statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2016

	Private- Purpose Trust	Employee- Benefit Trust
	<u>Trust</u>	<u>Trust</u>
ADDITIONS:		
Investment income (loss):		
Interest and dividends	-	162,537
Net change in fair value	-	(87,141)
Less - Investment expense	-	(24,399)
Net investment income	-	50,997
Private donations	37,595	-
Total additions	<u>37,595</u>	<u>50,997</u>
DEDUCTIONS:		
Payment of benefits to trust fund participants	-	247,971
Implicit rate subsidy	-	22,774
Scholarships awarded	40,092	-
Total deductions	<u>40,092</u>	<u>270,745</u>
Change in net position	(2,497)	(219,748)
Net position - beginning of year	<u>5,796</u>	<u>4,006,514</u>
Net position - end of year	<u>\$ 3,299</u>	<u>\$ 3,786,766</u>

See accompanying notes to the financial statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Medford Area Public School District ("District") conform to accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Medford Area Public School District is organized as a common school district. The District, governed by a nine member elected school board, operates grades K through 12 and is comprised of all or parts of fourteen taxing districts. This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units and the District is not included in any other governmental reporting entity.

B. NEW ACCOUNTING PRINCIPLE AND BASIS OF PRESENTATION

New Accounting Principle

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District has adopted this standard for the year ended June 30, 2016.

District-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW ACCOUNTING PRINCIPLES AND BASIS OF PRESENTATION (Continued)

District-wide Financial Statements (Continued)

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major funds or non-major funds within the governmental, proprietary and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures of the individual governmental or enterprise fund are a least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW ACCOUNTING PRINCIPLES AND BASIS OF PRESENTATION (Continued)

Governmental Funds

Governmental funds are identified as general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

General Fund

The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund, except that the special education fund, a required fund mandated by the Wisconsin Department of Public Instruction, does not meet the GAAP definition of a special revenue fund and is reported in the general fund for financial reporting purposes.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent Funds

Permanent funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

Proprietary Funds

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as interest earnings, result from nonexchange transactions or ancillary activities.

The food service fund is identified as the lone proprietary fund of the District based upon the following guideline:

The food service fund is used to account for the financial resources (primarily user fees and state and federal aid) used to support pupil and adult employee food service expenditures of the District.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. NEW ACCOUNTING PRINCIPLES AND BASIS OF PRESENTATION (Continued)

Fiduciary Funds (Not included in district-wide statements)

Private-Purpose Trust Funds

Private-purpose Trust Funds are used to account for resources legally held in trust for student scholarships.

Employee-Benefit Trust Funds

Employee-benefit Trust Funds are used to account for resources legally held in trust for future other post-employment benefits.

Agency Funds

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

Major Funds

The District reports the following major governmental funds:

- General Fund
- Capital Projects Fund

Non-major Funds

The District reports the following non-major governmental funds:

- Special Revenue Funds –
 - Special Revenue Trust Fund
 - Community Service Fund
 - Package Cooperative Fund
- Debt Service Fund

The District reports the following non-major proprietary fund:

- Food Service Fund

Fiduciary Funds

The District reports the following fiduciary funds:

- Agency fund (Student Activity Fund)
- Private-purpose trust
- Employee-benefit trust (OPEB Trust)

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING

The district-wide statement of net position and statement of activities and the financial statements of the proprietary and fiduciary funds are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. For the Medford Area Public School District Post Employment Trust, plan member contributions are recognized when due and employer contributions are recognized when due and has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenues are recognized as revenue in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on February 1, the date from which interest and penalties accrue for non-payment of a scheduled installment. Full receipt of the entire levy is assured within sixty days of the school’s fiscal year end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with generally accepted accounting principles applicable to governmental entities.

Property taxes are collected by local taxing districts until January 31. Real estate tax collections after that date are made by the county, which assumes all responsibility for delinquent real estate taxes.

The aggregate amount of property taxes to be levied for district purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of February 1. Taxes are levied on the assessed value as of the prior January 1.

Property tax calendar – 2015 tax roll:

Lien date and levy date	October, 2015
Tax bills mailed	December, 2015
Payment in full, or	
First installment due	January 31, 2016
Second installment due	July 31, 2016
Personal property taxes in full	January 31, 2016

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received before the District has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. MEASUREMENT FOCUS

On the district-wide statement of net position and statement of activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of funds equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the district-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

E. INVENTORIES

Governmental and proprietary fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as a liability in the district-wide statements. The long-term debt consists primarily of notes, bonds or loans payable, capital leases and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

G. CAPITAL ASSETS

District-Wide Statements

In the district-wide financial statements and the proprietary fund statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

The District capitalizes all capital asset additions of \$3,000 or more. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Site Improvements	10-20 years
- Buildings	50 years
- Building Improvements	20 years
- Furniture and equipment	5-15 years
- Computer and related technology	5 years
- Library books	7 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental funds are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

I. BUDGETS

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.C.

The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved by a two-thirds board action. There were no supplemental appropriations during the year. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the function level for all other funds.

J. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

K. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

As applicable, the statements of net position and balance sheets report a separate section for deferred outflows of resources after total assets and for deferred inflows after total liabilities. These are distinct and separate financial statement elements which represent the net position that applies to future periods and thus will not be recognized as an outflow (expense) or inflow (revenue) until that time. The District has one item that qualifies as a deferred outflow of resources and one item that qualifies as a deferred inflow of resources; these are the deferred amounts relating to pensions. See Note 7 for additional information related to the deferred outflows and inflows relating to pensions.

L. PENSIONS

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS’ fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. OTHER ASSETS

In governmental funds, debt issuance discounts are recognized in the current period. For the district-wide financial statements, governmental activity debt discounts are amortized over the life of the debt issue.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

O. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of cash on hand, time and demand deposits with financial institutions, balances in the state investment pool and investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Adjustments necessary to record investments at fair value are recorded in the operating statement as an increase or decrease in investment income. Investment income on comingled investments of District funds is allocated to funds based on average cash balance and estimate average interest rate.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. FAIR VALUE MEASUREMENT

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Mutual Funds: Valued at the daily closing prices as reported by the fund. Mutual funds held by the District are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the District are deemed to be actively traded. Open-end mutual funds are required to publish their daily net asset value (NAV) and to transact at that price. Close-end mutual funds are valued at the closing price reported on the active market on which the securities are traded.

Equity Securities: Valued at the daily closing prices as reported by the security. Equity securities held by the District are registered with the Securities and Exchange Commission. The equity securities held by the District are deemed to be actively traded.

External Investment Pool: Valued at amortized cost, which approximates fair value. The District participates in the Local Government Investment Pool, which is part of the State Investment Fund. The State Investment Fund is invested in highly liquid, short-term fixed income securities.

Fixed Income Securities: District holds fixed income securities which are investments in debt instruments issued by a governmental agency to finance and expand the governmental agency's operations. Provides the District with a return in the form of fixed period payments and eventual return of principal upon maturity. These securities are priced using evaluated price provided by an independent pricing vendor or broker/dealer.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. EQUITY CLASSIFICATIONS

District-Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Statements

Governmental funds:

Equity is classified as fund balance and displayed in five possible components:

- a. Nonspendable – Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted net assets – Consists of amounts with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Committed – consists of amounts that are imposed by formal action of the Board of Education, the government’s highest level of decision-making authority. A committed fund balance may be established, modified or removed only by a majority vote (2/3) of the elected school board.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. EQUITY CLASSIFICATIONS (Continued)

Fund Statements (Continued)

Governmental funds (Continued):

- d. Assigned – consists of amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. The Board of Education delegates to the Director of Business Services or his/her designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

- e. Unassigned – consists of residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the policy is that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum fund balance policy:

The District will maintain a minimum unassigned fund balance in its general fund ranging from 15 to 20% of the subsequent year’s budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Surplus fund balance:

Should unassigned fund balance of the general fund ever exceed the 20% range noted in the minimum fund balance policy, the excess will be considered for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing, or other recurring expenditures.

Proprietary funds:

Equity is classified the same as equity for the district-wide statements.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. USE OF ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the U.S., management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 CASH AND INVESTMENTS

Investment of District’s cash deposits and investments is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the Wisconsin Aerospace Authority, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investment of the trust funds in the employee benefit trust fund is regulated by Wisconsin Statutes Chapter 881 and this guidance allows investment in equity securities, bonds and debentures.

Custodial credit risk – Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$6,914,428 of the District’s bank balance of \$7,980,951 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 980,783
Uninsured and collateralized by securities held by the pledging institution	5,933,645
	\$ 6,914,428

Fluctuating cash flows during the year due to tax collections, receipt of state aids, and borrowings may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 CASH AND INVESTMENTS (Continued)

Deposits in each local and area bank are insured by the FDIC up to \$250,000 for time and savings accounts and \$250,000 interest-bearing demand accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual organizations. This coverage has been considered in computing custodial credit risk relative to deposits.

Fair Value – Investments:

At June 30, 2016, the District had the following recurring fair value measurements.

	Level 1	Level 2	Level 3	Total
Bond mutual funds	\$ 1,329,628	\$ -	\$ -	\$ 1,329,628
Equity securities	975,945	-	-	975,945
External investment pool	-	50,438	-	50,438
Fixed income securities	-	500,410	-	500,410
	<u>\$ 2,305,573</u>	<u>\$ 550,848</u>	<u>\$ -</u>	<u>\$ 2,856,421</u>

As of June 30, 2016, the District had the following investments. The Local Government Investment Pool is in an external investment pool and the remaining investments are held in trust with a local financial institution.

<u>Investments</u>	<u>Maturities</u>	<u>Fair value</u>
State of Wisconsin Local Government Investment Pool	As of 6/30/16 - 67 days	\$ 50,438
Debt securities - U.S Government and those insured directly by U.S. Government	2/2018 to 1/2023	500,410
Bond mutual funds (7 funds)	2.5 and 6.6 years	1,329,628
Mutual funds - equity securities	None	975,945

The District had no significant type of investments during the year not included in the above table.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 CASH AND INVESTMENTS (Continued)

Interest rate risk – Investments:

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The average maturities of the local government investment pool and investments are disclosed in the table above.

Custodial credit risk – Investments:

Custodial credit risk is the risk that in the event of the failure of the counterparty, The District will not be able to recover the value of its investments that are in possession of an outside party. The District does not have a policy for custodial risk relative to its investments. As of June 30, 2016, the entire amount of the District’s investments in its employee benefit trust totaling \$2,805,983 was exposed to custodial credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the District. The Local Government Investment Pool is not rated by any outside credit rating agencies. The debt securities are investments in U.S. agencies and all carry the explicit guarantee of the U.S. government. Bond mutual funds (nine funds at 6/30/16) in the employee benefit trust fund obtain credit quality ratings for each fund using statistics derived from the Morningstar rating for each fund. Morningstar derives its ratings from fund companies using ratings that have been assigned by a Nationally Recognized Statistical Rating Organization (NRSRO). If two NRSRO’s have rated a security, it is reported at the lowest rating; if three or more NRSRO’s have rated the same security differently, the middle rating is used. Morningstar then combines credit rating information from the NRSRO’s with an average default rate calculation to come up with a weighted-average credit quality, currently a letter that roughly corresponds to the scale used by a leading NRSRO. In this scale, lower credit quality starts with B and goes to AAA+ for highest credit quality.

The percentages of investments in this fund and credit quality ratings at June 30, 2016 follows:

<u>Range of ratings by by each mutual bond fund</u>	<u>Percentage of Holdings</u>	<u>Dollar amount of investments</u>
AAA	53.87%	\$ 716,193
AA	5.30%	70,485
A	16.28%	216,474
BBB	13.88%	184,513
BB	5.66%	75,294
B	3.04%	40,475
Below B	1.13%	15,089
Not rated	<u>0.84%</u>	<u>11,105</u>
	<u>100.00%</u>	<u>\$ 1,329,628</u>

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 CASH AND INVESTMENTS (Continued)

Credit risk – Investments (Continued):

The following is a reconciliation of carrying amounts of deposits, state local government investment pool (LGIP), and cash on hand to the financial statements:

Carrying value of deposits	\$ 7,404,209
Wisconsin Local Government Investment Pool	50,438
Petty cash	<u>505</u>
Total deposits and investment in LGIP	<u><u>\$ 7,455,152</u></u>

Per statement of net position:

Governmental activities	\$ 6,189,628
Business-type activities	175,182

Per statement of fiduciary net position:

Agency	106,260
Private-purpose trust	3,299
Employee-benefit trust	<u>980,783</u>
Total	<u><u>\$ 7,455,152</u></u>

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. The District reports its balance in the LGIP at amortized cost. At June 30, 2016, the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported above.

Investments in the LGIP are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the Pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund Insurance.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Deletions/ Reclass</u>	<u>Balance</u> <u>6/30/2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Sites	\$ 294,890	10,030	-	304,920
Total capital assets not being depreciated	<u>294,890</u>	<u>10,030</u>	<u>-</u>	<u>304,920</u>
Capital assets being depreciated:				
Site improvements	20,495	-	-	20,495
Building and improvements	35,688,574	-	-	35,688,574
Furniture and equipment	2,006,381	210,956	(9,950)	2,207,387
Total capital assets being depreciated	<u>37,715,450</u>	<u>210,956</u>	<u>(9,950)</u>	<u>37,916,456</u>
Less - Accumulated depreciation for:				
Site improvements	(20,495)	-	-	(20,495)
Building and improvements	(22,234,622)	(674,753)	-	(22,909,375)
Furniture and equipment	(1,374,187)	(178,092)	9,723	(1,542,556)
Total accumulated depreciation	<u>(23,629,304)</u>	<u>(852,845)</u>	<u>9,723</u>	<u>(24,472,426)</u>
Governmental activities capital assets - net	<u>\$ 14,381,036</u>	<u>(631,859)</u>	<u>(227)</u>	<u>13,748,950</u>
	<u>Balance</u> <u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2016</u>
Business-type activities:				
Capital assets being depreciated:				
Food service equipment	\$ 322,037	-	-	322,037
Less - Accumulated depreciation for:				
Food service equipment	(268,466)	(8,638)	-	(277,104)
Business-type activities capital assets - net	<u>\$ 53,571</u>	<u>(8,638)</u>	<u>-</u>	<u>44,933</u>

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 3 CAPITAL ASSETS (Continued)

Depreciation expense is charged to governmental activities functions as follows:

Instruction:	
Regular	\$ 11,073
Special education	315
Vocational	29,736
Other	38,249
Support services:	
Pupil services	946
Instructional staff services	16,301
School administration services	2,334
Business services	76,295
Operations and maintenance of plant services	10,007
Unallocated	<u>667,589</u>
 Total depreciation expenses - governmental activities	 <u>\$ 852,845</u>

Note 4 SHORT-TERM NOTES PAYABLE

At various times during the year, the District is in need of short-term borrowing to meet operating cash flow needs due to the timing of tax collections and other aids. Short-term debt activity for the year ended June 30, 2016 was as follows:

	<u>Balance 7/1/2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/2016</u>
Tax and revenue anticipation note dated September 17, 2015; due September 17, 2016. Interest rate of 3.25%.	\$ <u>-</u>	<u>5,000,000</u>	<u>(5,000,000)</u>	<u>-</u>

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balance			Balance	Amounts
	7/1/2015	Increases	Decreases	6/30/2016	due within
					one year
Promissory note	\$ 765,000	-	(135,000)	630,000	140,000
Notes payable	-	4,180,000	-	4,180,000	360,000
Deferred issuance premium	-	104,393	-	104,393	10,440
Less: deferred issuance discount	<u>(4,372)</u>	<u>-</u>	<u>924</u>	<u>(3,448)</u>	<u>(924)</u>
Total long-term liabilities	<u>\$ 760,628</u>	<u>4,284,393</u>	<u>(134,076)</u>	<u>4,910,945</u>	<u>509,516</u>

The payments on the promissory note are made by the debt service fund. The full faith, credit, and taxing powers of the District secure all general obligation debt which is liquidated by the debt service fund. At June 30, 2016, general obligation debt consisted of the following:

Type	Date of Issue	Final Maturity	Interest Rates (%)	Effective Interest Rate (%)	Original Indebtedness	Balance Outstanding 6/30/2016
Taxable G.O. promissory note	1/26/11	4/1/2020	2 - 4	3.094	1,265,000	630,000
G.O. promissory notes	6/22/16	4/1/2024	1.5 - 2	1.930	4,180,000	<u>4,180,000</u>
Total general obligation debt						<u>\$ 4,810,000</u>

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements to maturity on general obligation debt at June 30, 2016 are as follows:

Year	Principal	Interest	Total
2017	\$ 500,000	85,140	585,140
2018	540,000	92,405	632,405
2019	565,000	79,505	644,505
2020	585,000	65,400	650,400
2021	415,000	50,200	465,200
2022-2026	<u>2,205,000</u>	<u>127,200</u>	<u>2,332,200</u>
Totals	<u>\$ 4,810,000</u>	<u>499,850</u>	<u>5,309,850</u>

For the year ended June 30, 2016, interest costs on general obligation debt totaled \$26,163 and the entire amount was charged to expense. No interest cost was capitalized during the year ended June 30, 2016.

The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$855,713,755. The legal debt limit and margin of indebtedness as of June 30, 2016 in accordance with Wisconsin statutes follows:

Debt limit (10% of \$855,713,755)	\$ 85,571,376
Less - outstanding debt subject to limitation	<u>4,810,000</u>
Margin on indebtedness	<u>\$ 80,761,376</u>

Note 6 LEASE DISCLOSURES

Lessee/Lessor – Operating leases

The District has no material operating leases with a remaining noncancellable term exceeding one year.

Lessee/Lessor – Capital leases

The District has no material outstanding sales-type or direct financing leases.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 DEFINED BENEFIT PENSION

Plan Description

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

Vesting

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

Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 DEFINED BENEFIT PENSION (Continued)

Post-Retirement Adjustments

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

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

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials.

Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$833,158 in contributions from the employer.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 DEFINED BENEFIT PENSION (Continued)

Contributions (Continued)

Contribution rates as of June 30, 2016 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.8%	6.8%
Executives and Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At June 30, 2016, the District reported a liability (asset) of \$1,387,165 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.08536503%, which was an increase of 0.00012908% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$839,591.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Cost-Sharing Multiple-Employer Pension Plan:		
Differences between expected and actual experience	\$ -	\$ 2,685,056
Changes in assumptions	970,521	-
Net differences between projected and actual earnings on pension plan investments	5,677,455	-
Changes in proportionate and difference between employer contributions and proportionate share of contributions	-	37,423
Employer contributions subsequent to the measurement date	<u>509,010</u>	<u>-</u>
Total - cost-sharing multiple-employer pension plan	<u>\$ 7,156,986</u>	<u>\$ 2,722,479</u>

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 7 DEFINED BENEFIT PENSION (Continued)

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

\$509,010 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016.

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

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflow of Resources
2017	\$ 1,725,900	\$ 660,010
2018	1,725,900	660,010
2019	1,725,900	660,010
2020	1,440,163	656,050
2021	30,113	86,399
Thereafter	-	-

Actuarial Assumptions

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

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

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

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 DEFINED BENEFIT PENSION (Continued)

Actuarial Assumptions (Continued)

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

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

<u>Core Fund Asset Class</u>	Current Asset Allocation	Destination Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long- Term Expected Real Rate of Return
U.S. Equities	27.0%	23.0%	7.6%	4.7%
International Equities	24.5%	22.0%	8.5%	5.6%
Fixed Income	27.5%	37.0%	4.4%	1.6%
Inflation Sensitive Assets	10.0%	20.0%	4.2%	1.4%
Real Estate	7.0%	7.0%	6.5%	3.6%
Private Equity/Debt	7.0%	7.0%	9.4%	6.5%
Multi-Asset	4.0%	4.0%	6.7%	3.8%
Total Core Fund	107.0%	120.0%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70.0%	70.0%	7.6%	4.7%
International Equities	30.0%	30.0%	8.5%	5.6%
Total Variable Fund	100.0%	100.0%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
 Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 DEFINED BENEFIT PENSION (Continued)

Actuarial Assumptions (Continued)

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

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate <u>(6.20%)</u>	Current Discount Rate <u>(7.20%)</u>	1% Increase to Discount Rate <u>(8.20%)</u>
District's proportionate share of the net pension liability (asset) \$	9,729,603	\$ 1,387,165	\$ (5,128,428)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etfonline.wi.gov/etf/internet/employer/2015GASB68FinancialDisclosure.pdf>.

Payables to the pension plan

As of June 30, 2016 the District has accrued liabilities totaling \$158,164 relating to the pension plan. This amount represents legally required contributions based on the June 2016 payroll reporting period.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 POSTEMPLOYMENT BENEFITS

Administrative Retirement

Early Retirement Eligibility: The Administrator will be eligible for retirement benefits if the following criteria have been met: 1) Worked the prior 12 years as an administrator in the District or no less than 25 years of teaching & administrative experience in the District. 2) Reached the age of 55 prior to January 1 of the school year in which benefits are to begin, and 3) Applied in writing for retirement prior to March 1 of the calendar year in which retirement is to take effect and for retirement benefits prior to May 30 of the calendar year in which retirement is to take effect.

Retirement Benefits: Administrators hired prior to June 30, 2004 will receive health insurance, either single or family coverage, for 96 months paid at 90% by the District. In lieu of this benefit, the Administrator may elect, in his/her written application for retirement benefits, the following option: creation of health insurance premium pool of dollars calculated by multiplying the monthly single or family health insurance premium for the school year prior to retirement times 96. Single or family premium amount shall be determined by the coverage the administrator maintained in the month immediately preceding the effective date of retirement. Annually the District will deposit into a Health Reimbursement Arrangement (HRA) for the retiree, an amount to pay for the corresponding insurance premium; or the District will deposit the calculated lump sum amount into a HRA for the retiree.

For administrators hired after June 30, 2004 but before July 1, 2005, the District shall create a health insurance premium credit for the benefit of the administrator, which shall be equal to the administrator's annual salary for the last school year prior to retirement. The District will deposit the calculated lump sum amount into a HRA for the retiree.

For administrators hired as of July 1, 2005 to the present, the District shall make an annual contribution to the employees' 403 (b) plan at the end of the school year in the amount of \$2,000; with an additional dollar for dollar match of employee contributions up to \$2,000. Total contributions to 403(b) plans will not exceed \$68,000 in any one year. The District will also make a post-retirement contribution to the 403(b) plan in the amount of \$10,000 provided that the employee a) worked 12 years as an administrator in the District or have no less than a total of twenty-five years of teaching and administrative experience in the District b) reached age fifty-five prior to January 1 of the school year in which the benefits are to begin and c) applied in writing for retirement prior to March 1 of the calendar year in which retirement is to take effect and for retirement benefits prior to May 30 of the calendar year in which retirement is to take place.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 POSTEMPLOYMENT BENEFITS (Continued)

Postemployment Healthcare Plan

The District follows GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Plan Description. Medford Area Public School District Post Employment Welfare Benefit Plan (“Plan”) is a single-employer defined benefit healthcare plan administered by the Medford Area Public School District Post Employment Trust. The plan provides medical and dental insurance benefits to eligible retirees and their spouses. The Plan’s authority is governed by the trust document and the laws of the State of Wisconsin. Amendments to the Plan may only be made by the District. The Plan does not issue a publicly available financial report.

Funding Policy. The plan will be funded by making actuarially determined contributions into the Plan.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution to the employer (ARC), amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the Plan:

Annual required contribution	\$	44,470
Interest on net OPEB obligation		-
Adjustment to annual required contribution		<u>(21,696)</u>
Annual OPEB cost (expense)		22,774
Contributions made		<u>-</u>
Increase (decrease) in net OPEB obligation (asset)		22,774
Net OPEB obligation (asset)-beginning of year		<u>(288,970)</u>
Net OPEB obligation (asset)-end of year	\$	<u><u>(266,196)</u></u>

Information regarding the District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation (Asset)</u>
6/30/2014	\$ <u>162,923</u>	0.00%	\$ <u>(274,829)</u>
6/30/2015	\$ <u>(14,141)</u>	0.00%	\$ <u>(288,970)</u>
6/30/2016	\$ <u>22,774</u>	0.00%	\$ <u>(266,196)</u>

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 POSTEMPLOYMENT BENEFITS (Continued)

Postemployment Healthcare Plan (Continued)

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the plan was fully funded. The actuarial accrued liability for benefits was \$2,645,450, and the actuarial value of assets was \$3,993,397, resulting in an unfunded actuarial accrued liability (asset) (UAAL) of (\$1,347,947). The covered payroll (annual payroll of active employees covered by the plan) was \$9,134,298, and the ratio of the UAAL to the covered payroll was (14.8%).

The accompanying schedule of employer contributions presented as RSI on page 59 displays trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and the new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the unit credit method was used. The actuarial assumptions included an inflationary increase 3% per annum. The actuarial assumptions included a discount rate of 5.5 percent (also the investment rate of return (net of administrative expenses)), which is a blended rate of the expected long-term investment returns on long-term fixed income portfolio assets of the Plan, and an annual healthcare cost trend rate of 7.5% initially, decreasing by 0.5% annually down to 6.5%, then by 0.10% annually down to 5%. The UAAL is being amortized using the level dollar method on an open basis. The remaining amortization period at June 30, 2016 was 28 years.

Method Used to Value Investments

Investments are reported at fair value, which is determined by bid and asked prices as obtained from dealers that make markets in such securities.

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 8 POSTEMPLOYMENT BENEFITS (Continued)

Plan Description and Contribution Information

Membership in sole-employer trust consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	4
Plan members entitled to but not receiving benefits - waiving coverage	23
Active plan members	151
	178
	178

Contributions

Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums as follows:

<u>Percent of Premium</u>	<u>Administrators</u>	<u>Teachers</u>	<u>Support Staff</u>
Employer	90% if hired prior to 7/1/2004 Specified credit if hired 7/1/04 to 7/1/2005.	Up to a total of \$38,160 \$40,160 for 20 years of service \$42,160 for 25 years of service \$47,160 for 30 years of service	Up to a total of \$5,000 \$7,500 for 20 years of service \$10,000 for 25 years of service \$12,500 for 30 years of service
Employee	Hired prior to 7/1/04 - 10% Hired 7/1/04 to 7/1/05 - amounts in excess of employer amounts noted above	Amounts in excess of the employer amounts noted above	Amounts in excess of the employer amounts noted above

For the year ended June 30, 2016, plan members contributed \$0 or 0% of total premiums.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9 INTERFUND BALANCES AND ACTIVITY

Interfund balance result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system, (3) payments between funds are made.

For the year ended June 30, 2016, there were no interfund balances.

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfer from	Transfer to
General fund	\$ 1,378,122	-
Non-major governmental funds	-	1,378,122
	\$ 1,378,122	1,378,122

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 10 NET POSITION

Net position reported on the district wide statement of net position at June 30, 2016 includes the following:

Governmental activities:

Net investment in capital assets:

Capital assets, net of accumulated depreciation	\$ 13,748,950
Less - related long-term debt outstanding	(4,284,393)
Add - unspent capital debt-related proceeds	<u>4,180,861</u>
Total invested in capital assets	13,645,418

Restricted for:

Donor-specified purposes	183,894
Nonspendable for prepaid expenses	25,915
Debt service	23,213
Unspent capital-related debt proceeds	4,180,861
Future community service expenditures	<u>39,784</u>
Total restricted	4,453,667

Unrestricted	<u>3,123,973</u>
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Total governmental activities net assets	<u><u>\$ 21,223,058</u></u>
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Business-type activities:

Invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation	<u>\$ 44,933</u>
Total invested in capital assets	44,933

Restricted for:

Future food service operations	<u>176,342</u>
Total restricted	176,342

Unrestricted	<u>-</u>
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Total business-type activities net assets	<u><u>\$ 221,275</u></u>
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Note 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 12 COMMITMENTS AND CONTINGENCIES

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

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

During the 2015-2016 school year the District passed a referendum to issue general obligation bonds in to finance two school improvement programs. The first will finance the cost of heating and cooling upgrades, facility remodeling and improvements, and addition of a new drop off and pick up loop with additional parking at the Middle School and other parking lot improvements; and acquiring furnishings, fixtures and equipment. The second will finance the cost of upgrading and improving the pool at the High School, including heating and cooling upgrades, tile and pipe replacement, and construction of an addition for the water treatment room.

Note 13 LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by legislature.

This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

For the year ended June 30, 2016 the District did not exceed this limitation.

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$ 6,920,659	\$ 6,934,736	\$ 6,934,736	\$ -
Interdistrict	1,448,287	1,846,867	1,846,867	-
Intermediate	69,779	77,963	77,963	-
State	12,881,659	12,891,276	12,891,276	-
Federal	648,385	678,989	678,989	-
Other	59,474	104,560	104,560	-
Total revenues	<u>22,028,243</u>	<u>22,534,391</u>	<u>22,534,391</u>	<u>-</u>
EXPENDITURES				
Instruction				
Regular	8,895,265	9,206,869	9,206,869	-
Vocational	725,455	694,148	694,148	-
Other	988,960	1,026,991	1,026,991	-
Total instruction	<u>10,609,680</u>	<u>10,928,008</u>	<u>10,928,008</u>	<u>-</u>
Support services				
Pupil services	602,493	591,184	591,184	-
Instructional support services	1,428,901	1,470,026	1,470,026	-
Central administration	311,803	322,861	322,861	-
School administration	1,189,828	1,205,938	1,205,938	-
Business administration	3,678,577	3,388,240	3,388,240	-
Central services	215,000	215,614	215,614	-
Debt service	9,000	7,854	7,854	-
Other support services	188,920	205,037	205,037	-
Total support services	<u>7,624,522</u>	<u>7,406,754</u>	<u>7,406,754</u>	<u>-</u>
Non-Program				
General tuition payments	178,500	189,939	189,939	-
Other	8,279	6,779	6,779	-
Total non-program	<u>186,779</u>	<u>196,718</u>	<u>196,718</u>	<u>-</u>
Total expenditures	<u>18,420,981</u>	<u>18,531,480</u>	<u>18,531,480</u>	<u>-</u>
Excess of revenues over expenditures	3,607,262	4,002,911	4,002,911	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of non-capital assets	4,000	-	-	-
Transfer to other funds	(3,617,586)	(3,850,129)	(3,850,129)	-
Total other financing sources (uses)	<u>(3,613,586)</u>	<u>(3,850,129)</u>	<u>(3,850,129)</u>	<u>-</u>
Net change in fund balances	(6,324)	152,782	152,782	-
Fund balances - beginning of year	4,490,981	4,490,981	4,490,981	-
Fund balances - end of year	<u>\$ 4,484,657</u>	<u>\$ 4,643,763</u>	<u>\$ 4,643,763</u>	<u>\$ -</u>

See accompanying notes to budgetary comparison schedule.

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
June 30, 2016**

**Note 1 EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND
OUTFLOWS AND GAAP REVENUES, EXPENDITURES AND OTHER
FINANCING SOURCES (USES)**

Financial Statement Major Fund	<u>General Fund</u>
Revenues:	
Actual amounts from the budgetary comparison schedule	\$ 22,534,391
Adjustments:	
Revenues in the special education fund do not meet the definition of a special revenue fund for financial reporting (GAAP) and therefore are combined and reported with the general fund in the appropriate revenue classification on the statement of revenues, expenditures and changes in fund balances - governmental funds for financial reporting	<u>1,600,758</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 24,135,149</u>
Expenditures:	
Actual amounts from the budgetary comparison schedule	\$ 18,531,480
Adjustments:	
Expenditures in the special education fund do not meet the definition of a special revenue fund for financial reporting (GAAP) and therefore are combined and reported with the general fund in the appropriate expenditure classification on the statement of revenues, expenditures and changes in fund balances - governmental funds for financial reporting	<u>4,072,765</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 22,604,245</u>

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
June 30, 2016**

**Note 1 EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND
OUTFLOWS AND GAAP REVENUES, EXPENDITURES AND OTHER
FINANCING SOURCES (USES) - Continued**

Financial Statement Major Fund	<u>General Fund</u>
Other financing sources (uses)	
Actual amounts from the budgetary comparison schedule	\$ (3,850,129)
Adjustments:	
For financial (GAAP) reporting purposes, the special education fund maintained by the District does not meet the definition of a special revenue fund and is combined with the general fund. For budgetary purposes, a transfer from the general fund to cover the deficit in the special education fund is provided. This transfer out of the general fund and related transfer in to the special education fund is eliminated in the presentation of the combined funds in the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>2,472,007</u>
Total other financing sources (uses) as reported on the statement of revenues expenditures and changes in fund balances - governmental funds	<u>\$ (1,378,122)</u>

Note 2 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

For the year ended June 30, 2016 the District had no funds with an excess of actual expenditures over the final amended budget amounts.

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016**

SCHEDULE OF FUNDING PROGRESS

Medford Area Public School District Post Employment Trust (Plan):

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>	Funded Ratio <u>(a / b)</u>	Covered Payroll <u>(c)</u>	UAAL as a percentage of Covered Payroll ([(b - a) / <u>c)</u>
7/1/2008	\$ 3,589,022	\$ 6,837,505	\$ 3,248,483	52.5%	\$ 8,666,259	38%
7/1/2011	\$ 4,543,986	\$ 4,704,272	\$ 160,286	96.6%	\$ 9,134,298	2%
7/1/2014	\$ 3,993,397	\$ 2,645,450	\$ (1,347,947)	151.0%	\$ 9,134,298	-15%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Medford Area Public School District Post Employment Trust (Plan):

Year Ended <u>June 30</u>	Annual Required Contribution	Percentage Contributed
2007	\$ 706,633	100%
2008	\$ 712,156	126%
2009	\$ 530,190	100%
2010	\$ 533,528	56%
2011	\$ 250,000	45%
2012	\$ 207,864	98%
2013	\$ 207,864	38%
2014	\$ 207,864	0%
2015	\$ 44,470	0%
2016	\$ 44,470	0%

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN
Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.08536503%	0.08523595%
District's proportionate share of the net pension liability (asset)	\$ 1,387,165	(2,093,628)
District's covered-employee payroll	12,252,317	13,140,912
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll.	11.32%	-15.93%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.20%	102.74%

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN
Last 10 Fiscal Years***

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 833,158	829,505
Contributions in relation to the contractually required contributions	833,158	829,505
Contribution deficiency (excess)	-	-
District's covered-employee payroll	12,252,317	13,140,912
Contributions as a percentage of covered-employee payroll	6.80%	6.31%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Amounts are presented only for the years for which this information is available.

See accompanying notes to the District's proportionate share of the net pension liability (asset) and District's contributions schedules.

MEDFORD AREA PUBLIC SCHOOL DISTRICT
NOTE TO THE SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET) AND DISTRICT'S CONTRIBUTIONS
June 30, 2016

NOTE 1 DISCLOSURE OF CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

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

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

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
SUPPLEMENTAL INFORMATION
June 30, 2016**

MEDFORD AREA PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - STUDENT ORGANIZATIONS' FUNDS
For the Year Ended June 30, 2016

	<u>Balance at</u> <u>7/1/15</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance at</u> <u>6/30/16</u>
Assets:				
Cash and cash equivalents	\$ 86,844	\$ 434,674	\$ 415,258	\$ 106,260
Total assets	<u>\$ 86,844</u>	<u>\$ 434,674</u>	<u>\$ 415,258</u>	<u>\$ 106,260</u>
Liabilities:				
Due to student organizations	\$ 86,844	\$ 434,674	\$ 415,258	\$ 106,260
Total liabilities	<u>\$ 86,844</u>	<u>\$ 434,674</u>	<u>\$ 415,258</u>	<u>\$ 106,260</u>

**MEDFORD AREA PUBLIC SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	Special Revenue Trust Fund	Debt Service Fund	Community Service	Package Cooperative	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 181,408	\$ 30,304	\$ 41,340	\$ 6,525	\$ 259,577
Accounts receivable	2,824	-	-	-	2,824
Total assets	<u>\$ 184,232</u>	<u>\$ 30,304</u>	<u>\$ 41,340</u>	<u>\$ 6,525</u>	<u>\$ 262,401</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 338	-	\$ 1,556	\$ 6,525	\$ 8,419
Total liabilities	<u>338</u>	<u>-</u>	<u>1,556</u>	<u>6,525</u>	<u>8,419</u>
Fund balances (deficits):					
Restricted for:					
District operations per donor specifications	183,894	-	-	-	183,894
Debt service	-	30,304	-	-	30,304
Future community service expenditures	-	-	39,784	-	39,784
Total fund balances	<u>183,894</u>	<u>30,304</u>	<u>39,784</u>	<u>-</u>	<u>253,982</u>
Total liabilities and fund balances	<u>\$ 184,232</u>	<u>\$ 30,304</u>	<u>\$ 41,340</u>	<u>\$ 6,525</u>	<u>\$ 262,401</u>

MEDFORD AREA PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Special Revenue Trust Fund	Debt Service Fund	Community Service	Package Cooperative	Total Nonmajor Governmental Funds
REVENUES					
Local	\$ 224,990	\$ 160,435	\$ 275,743	\$ -	\$ 661,168
Interdistrict	-	-	-	289,098	289,098
Other	-	104,393	-	-	104,393
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	224,990	264,828	275,743	289,098	1,054,659
EXPENDITURES					
Instruction:					
Regular	9,791	-	-	579,927	589,718
Vocational	5,495	-	-	-	5,495
Special education	2,121	-	-	-	2,121
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total instruction	17,407	-	-	579,927	597,334
Support services:					
Pupil services	-	-	-	51,913	51,913
Instructional staff services	732	-	660	1,027,380	1,028,772
School administration services	183,664	-	10,220	-	193,884
Business services	-	-	40,336	8,000	48,336
Pupil transportation	-	-	24,406	-	24,406
Debt service:					
Principal	-	135,000	-	-	135,000
Interest and fees	-	25,430	-	-	25,430
Issuance costs	-	75,103	-	-	75,103
Community service	-	-	189,144	-	189,144
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Total support services	184,396	235,533	264,766	1,087,293	1,771,988
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Total expenditures	201,803	235,533	264,766	1,667,220	2,369,322
Excess (deficiency) of revenues over (under) expenditures					
	23,187	29,295	10,977	(1,378,122)	(1,314,663)
OTHER FINANCING SOURCES					
Operating transfers in	-	-	-	1,378,122	1,378,122
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	1,378,122	1,378,122
Net change in fund balances					
	23,187	29,295	10,977	-	63,459
Fund balances - beginning of year	160,707	1,009	28,807	-	190,523
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances - end of year	\$ 183,894	\$ 30,304	\$ 39,784	\$ -	\$ 253,982
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