

**MUKWONAGO AREA SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATION  
WITH THOSE CHARGED WITH GOVERNANCE  
AND MANAGEMENT ADVISORY COMMENTS**

**JUNE 30, 2017**

# MUKWONAGO AREA SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

To the Board of Education  
Mukwonago Area School District  
Mukwonago, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mukwonago Area School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 15, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Mukwonago Area School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies by adopting Governmental Accounting Standards Board Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We noted no transactions entered into by the Mukwonago Area School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Mukwonago Area School District's financial statements were:

Management's estimate of the depreciable lives of fixed assets is based on prior history.

Management's estimate of the other post-employment benefit liability is calculated by Key Benefit Concepts, LLC, the District's third-party actuary.

Management's estimated liability for dental care claims is based on estimates of the

ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience.

Management estimate of the Wisconsin Retirement System pension was calculated by the State of Wisconsin Department of Employee Trust Funds' third-party actuary.

We evaluated the key factors and assumptions used to develop the estimates above, determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 30, 2017.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Mukwonago Area School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the budgetary comparison information, schedule of funding progress - post employment healthcare, and Wisconsin Retirement System schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, the schedule of changes in assets and liabilities of the agency funds, and the schedule of expenditures of federal awards and schedule of state financial assistance, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

This information is intended solely for the use of the Board of Education and management of the Mukwonago Area School District and is not intended to be, and should not be, used by anyone other than these specified parties.

HAWKINS ASH CPAS, LLP

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

Manitowoc, Wisconsin  
November 30, 2017



**INDEPENDENT AUDITORS' REPORT ON MANAGEMENT ADVISORY COMMENTS**

To the Board of Education  
Mukwonago Area School District  
Mukwonago, Wisconsin

We have audited the general purpose financial statements of the Mukwonago Area School District as of and for the year ended June 30, 2017 and have issued our report thereon dated November 30, 2017. We have also issued compliance reports and reports on the internal control structure in accordance with *Government Auditing Standards*. These reports disclosed any material instances of noncompliance, federal and state program findings and questioned cost, material weaknesses and significant deficiencies that were identified during the audit.

Other matters involving the internal control structure and the District's operations which came to our attention during the audit are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the District's personnel during the course of our work. In particular, we would like to note the considerable assistance and cooperation provided to us by Thomas Karthausser and his staff.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

HAWKINS ASH CPAS, LLP

A handwritten signature in dark ink that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin  
November 30, 2017

## MANAGEMENT ADVISORY COMMENTS

### Current Year Comments

None.

### Status of Prior Year(s) Comments

#### Purchasing Policy (6/30/16)

The District's purchasing policy should be updated for the new Uniform Guidance procurement requirements for the 2016-17 school year.

Status: Resolved.

#### New Standard - GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

This statement establishes accounting and financial reporting requirements for defined benefit and contribution pensions that are provided to employees of local governmental employers and are not within the scope of GASB Statement 68.

The accounting and financial reporting requirements of this statement are effective for financial statement periods beginning after June 15, 2016. Your June 30, 2017 financial statements will be updated for these new reporting requirements.

Status: Resolved.

#### New Standard - GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (6/30/16)

This statement improves the accounting and financial reporting for postemployment benefits other than pensions provided to employees of state and local governmental employers. Governments previously were allowed to choose from six different methods with additional variations, now they are limited to a single method of attributing the actuarial present value of projected benefit payments to periods of employee service. This will significantly increase the comparability of the information reported by employers regarding OPEB transactions. The requirements of this statement will improve the decision-usefulness of information in employer financial reports by requiring recognition of the entire OPEB liability. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This will significantly increase the comparability of OPEB information for Districts. Requirements for note disclosure and required supplementary information are also addressed to create additional transparency. However, this statement does not change how the District should fund its OPEB.

## MANAGEMENT ADVISORY COMMENTS

The provisions of this statement are effective for financial statement periods beginning after June 15, 2017.

Status: Resolved.

New Standard - GASB Statement No. 82 - Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73

This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The payroll and contribution provisions of this statement are effective for financial statements periods beginning after June 15, 2016. Your June 30, 2017 financial statements will be updated for these new reporting requirements. Your June 30, 2018 financial statements will be updated for the new assumption reporting requirements.

Status: Resolved.