



SCHOOL DISTRICT OF MCFARLAND
FINANCIAL STATEMENTS
Including Independent Auditor's Report
As of and for the Year Ended June 30, 2018

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School District of McFarland
June 30, 2018
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
School District of McFarland
McFarland, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of McFarland as of and for the year ended June 30, 2018, 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, each major fund, and the aggregate remaining fund information of the School District of McFarland, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2017, the School District of McFarland adopted provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, relative to its participation in the Wisconsin Department of Employee Trust Funds Group Life Insurance Plan. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through page 10, budgetary comparison information on page 51 and 52, schedule of changes in the District's total OPEB liability and related ratios on page 53, Wisconsin Retirement System schedules on page 54, local retiree life insurance fund schedules on page 55, and related notes to the required supplementary information on pages 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of McFarland's basic financial statements. The combining and individual non-major fund financial statements and schedule of changes in activity accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018, 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.

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
November 12, 2018

SCHOOL DISTRICT OF MCFARLAND
McFarland, Wisconsin
Management Discussion & Analysis, June 30, 2018

To the Board of Education:

The discussion and analysis of the School District of McFarland financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded liabilities at the close of fiscal 2018. For the year, net position increased by \$1,645,184 to \$28,399,890.

Total governmental funds' revenue was \$50,287,368; including \$17,924,933 in local revenue, \$13,588,734 of state aid, \$1,224,084 of Federal aid, \$17,491,455 of Inter-district payments, \$8,823 of Intermediate payments and \$49,339 of other services. Total governmental fund expenditures were \$73,317,810; including \$18,663,931 for direct instruction.

The following financial events took place during fiscal year 2018:

- The District was successful in November of 2016 with 3 referendum questions.
 - Question 1: \$65.15 Million for facilities improvements
 - Question 2: Beginning in 2017-2018, approval of \$232,000 over 2 years to exceed revenue limits on a recurring basis to operate the additional sq. ft. related to question 1.
 - Question 3: Beginning in 2017-2018, approval of \$1.1 Million over 3 years to exceed revenue limits on a recurring basis to maintain current educational programming.
- The District engages Baird Financial Group to help develop long range budget projections.
- The District had continued successful professional and support staff employee relationships.
- The District continued with its capital project plans.
- The District charter's a non-instrumentality school that provided financial support for the district and more student access to various education models.
- The District continued to have stable to slight growth in enrollment.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

SCHOOL DISTRICT OF MCFARLAND
 McFarland, Wisconsin
 Management Discussion & Analysis, June 30, 2018

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

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year, and providing supplemental information on the District's OPEB and net pension liability.

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

Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-wide Statements	Governmental	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the district are reported here.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position. • Statement of Activities. 	<ul style="list-style-type: none"> • Balance Sheet. • Statement of Revenues, Expenditures and Changes in Fund Balance. 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position. • Statement of Changes in Fiduciary Net Position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset, deferred outflow of resources, and liability information	All assets, deferred outflows of resources and liabilities; both financial and capital, short-term and long-term.	Generally, assets expected to be used up, deferred outflows of resources representing a consumption of net position that applies to a future period and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets, deferred outflows of resources, and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

SCHOOL DISTRICT OF MCFARLAND
McFarland, Wisconsin
Management Discussion & Analysis, June 30, 2018

DISTRICT WIDE STATEMENTS

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

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* – Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District had no business-type activities.

FUND FINANCIAL STATEMENTS

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

The District has two kinds of funds:

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

SCHOOL DISTRICT OF MCFARLAND
McFarland, Wisconsin
Management Discussion & Analysis, June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 below, provides a summary of the District's net position for the year ended June 30, 2018 (in thousands of dollars).

	2017	2018	\$ chg
Current and other assets	\$ 16,575	\$ 32,746	\$ 16,171
Capital assets and net pension asset	28,272	54,755	26,483
Deferred outflows of resources	6,919	6,013	(906)
TOTAL ASSETS AND DEFERRED			
OUTFLOWS OF RESOURCES	51,766	93,514	41,748
Current and other liabilities	8,300	4,446	(3,854)
Net pension liability	900		(900)
Other long-term obligations	12,297	53,956	41,659
Deferred inflows of resources	2,959	6,712	3,753
TOTAL LIABILITIES AND DEFERRED			
INFLOWS OF RESOURCES	24,456	65,114	40,658
Net position:			
Net investment in capital assets	23,826	26,006	2,180
Restricted	742	1,419	677
Unrestricted	2,742	975	(1,767)
TOTAL NET POSITION	\$ 27,310	\$ 28,400	\$ 1,090

Table 2 provides summarized operating results and their impact on net position (in thousands of dollars).

Table 2			
Changes in Net Position from Operating Results			
<i>(in thousands of dollars)</i>			
	2017	2018	\$ Chg
Revenues			
Program Revenues			
Charges for services	\$ 18,121	\$ 18,905	\$ 784
Operating and capital grants & contributions	3,357	3,140	(217)
General Revenues			
Property taxes	15,093	15,696	603
State formula aid	11,405	11,919	514
Other	155	742	587
TOTAL REVENUES	48,131	50,402	2,271
Expenses			
Instruction	19,381	19,436	55
Pupil & Instructional Services	2,897	2,886	(11)
General Administration Services	432	438	6
Building Administration Services	1,592	1,638	46
Business Administration	4,124	4,312	188
Central Services	390	390	-
Insurance	231	249	18
Other Support Services	415	1,010	595
Food Services	990	401	(589)
Community Services	598	643	45
Interest on Debt	318	1,947	1,629
Purchased Instruction	14,515	115	(14,400)
Other Non-Program Transactions	156	15,085	14,929
Other	255	207	(48)
TOTAL EXPENSES	46,294	48,757	2,463
INCREASE (DECREASE) IN NET POSITION	\$ 1,837	\$ 1,645	\$ (192)

Note: totals may not add due to rounding.

SCHOOL DISTRICT OF MCFARLAND
 McFarland, Wisconsin
 Management Discussion & Analysis, June 30, 2018

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

	Total Cost		Less Charges		Less		Net Cost	
	of Services		For Services		Grants & Contr.		of Services	
	2017	2018	2017	2018	2017	2018	2017	2018
Expenses								
Instruction	\$ 19,381	\$ 19,436	\$ 3,118	\$ 2,622	\$ 2,372	\$ 2,219	\$ 13,891	\$ 14,595
Pupil & Instructional Services	2,897	2,886	62	1	289	308	2,546	2,577
General Administration Services	432	438					432	438
Building Administration Services	1,592	1,638					1,592	1,638
Business Administration	4,125	4,312		40	47	54	4,078	4,218
Central Services	390	390					390	390
Insurance	231	249			31	31	200	218
Food Service	989	1,010	753	748	290	299	(54)	(37)
Other Support Services	415	401			3	7	412	394
Other	1,170	2,704	199	218			971	2,486
Purchased Instructional Services	14,516	15,085	13,989	15,070	325	221	202	(206)
Other Non-Program Transactions	156	208		206	-		156	2
TOTAL EXPENSES	\$ 46,294	\$ 48,757	\$ 18,121	\$ 18,905	\$ 3,357	\$ 3,139	\$ 24,816	\$ 26,713
Note: totals may not add due to rounding.								

The cost of all governmental activities this year was \$48.7 million. Individuals who directly participated or benefited from a program offering paid for \$18.9 million of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3.1 million. The net cost of governmental activities of \$26.7 million with a \$1.9 million increase over the previous year.

The composition of governmental revenues by source is illustrated below:

Governmental Revenue by Source			
	2017	2018	\$ Chg
Local	\$ 16,711,452	\$ 17,924,933	\$ 1,213,481
Interdistrict	16,778,397	17,491,455	713,058
Intermediate	9,624	8,823	(801)
State	13,017,209	13,588,734	571,525
Federal	1,485,289	1,224,084	(261,205)
Other	40,894	49,339	8,445
Total Revenue	\$ 48,042,865	\$ 50,287,368	\$ 2,244,503

The composition of governmental expenditures by type is illustrated below:

Governmental Expense by Type			
	2017	2018	\$ Chg
Instruction	\$ 17,777,564	\$ 18,663,931	\$ 886,367
Support Services	16,554,822	39,361,189	22,806,367
Non-Program Transactions	14,671,352	15,292,690	621,338
Total Expenses	\$ 49,003,738	\$ 73,317,810	\$ 24,314,072

SCHOOL DISTRICT OF MCFARLAND
 McFarland, Wisconsin
 Management Discussion & Analysis, June 30, 2018

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$30,867,037 compared to last year's ending fund balance of \$11,313,439.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District adopts a budget in August for the fiscal year beginning July 1st. Consistent with current state statutes and regulations, a *revised* budget is adopted in October following determination of official enrollment and certification of states aids. Generally, the original budget, which is passed in July at the Annual Meeting is not significantly modified. The District modified its original budget in 2017-18 to reflect:

- Modifications in state aid and revenue cap adjustments
- Modifications in expenditures related to special education staff
- Grants

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the District had invested almost \$78.3 million in capital assets, including buildings; sites and equipment (see Table 4 below). Total accumulated depreciation on these assets was \$26.8 million. Asset acquisitions for governmental activities totaled \$24,689,571. The District recognized depreciation expense of 82.1%. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

	Governmental Activities		Total % Change
	2017	2018	17-18
Land	\$ 2,109	\$ 2,109	0.0%
Construction Work in Progress	\$ 1,518	24,651	1523.9%
Buildings and improvements	39,655	40,144	1.2%
Furniture and equipment	10,299	11,353	10.2%
Accumulated depreciation	(25,309)	(26,774)	5.8%
TOTAL	\$ 28,272	\$ 51,483	82.1%

Note: totals may not add due to rounding.

SCHOOL DISTRICT OF MCFARLAND
 McFarland, Wisconsin
 Management Discussion & Analysis, June 30, 2018

Long-term Debt

At year-end, the District had \$46.9 million in notes payable and other long-term debt outstanding – an increase of \$38.8 million from fiscal year 2017. This increase resulted from general obligation debt issued in conjunction with the November 2016 referendum for facilities improvements. (Detailed information about the District’s long-term liabilities is presented in note 5 to the financial statements.)

	Total School District		Total % Change
	2017	2018	17-18
General Obligation Debt	\$ 7,815	\$ 46,350	493.1%
Capital Lease Payable	333	555	66.7%
Net Pension Liability	\$ 900		-100.0%
Accrued interest on long-term debt	51	404	692.2%
Bond Premium	129	1,530	1086.0%
Other post-retirement benefits	6,299	6,326	0.4%
Compensated Absences	1,266	1,358	7.3%
TOTAL	\$ 16,793	\$ 56,523	236.6%

Note: totals may not add due to rounding.

Stipends and Compensated Absence payments to current and former employees is separated for comparison.

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

FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- The District expects to have increasing resident enrollment over the next few years.
- The number of students entering the District through open enrollment will decrease as resident enrollment increases.
- The District was successful in November of 2016 with 3 referendum questions.
 - Question 1: \$65.15 Million for facilities improvements
 - Question 2: Beginning in 2017-2018, approval of \$232,000 over 2 years to exceed revenue limits on a recurring basis to operate the additional sq. ft. related to question 1.
 - Question 3: Beginning in 2017-2018, approval of \$1.1 Million over 3 years to exceed revenue limits on a recurring basis to maintain current educational programming.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Mahoney, Business Manager, School District of McFarland, (608) 838-3169, School District of McFarland, 5101 Farwell, McFarland, WI 53558.

BASIC FINANCIAL STATEMENTS

Exhibit A-1
School District of McFarland, Wisconsin
Statement of Net Position
June 30, 2018

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	\$	5,235,191
Restricted cash		23,436,851
Taxes receivable		3,572,253
Prepaid expenses		55,891
Due from other governmental units		366,559
Other receivables		79,520
Total current assets		32,746,265
Noncurrent assets:		
Capital assets:		
Property and equipment		78,258,130
Less: accumulated depreciation		(26,774,643)
Net book value of capital assets		51,483,487
Net pension asset - restricted		3,271,266
Total non-current assets		54,754,753
Total assets		87,501,018
DEFERRED OUTFLOWS OF RESOURCES		
Pension outflows		5,465,462
OPEB - District health insurance plan outflows		442,276
OPEB - group life insurance plan outflows		105,398
Total deferred outflows of resources		6,013,136
Total assets and deferred outflows of resources	\$	93,514,154
LIABILITIES		
Current liabilities:		
Accounts payable	\$	1,065,411
Accrued employee benefits payable		766,549
Accrued interest payable		403,617
Current portion of long-term obligations		2,162,950
Customer deposits		47,268
Total current liabilities		4,445,795
Noncurrent liabilities:		
Bonds and notes payable, plus unamortized debt premiums of \$1,529,822		47,879,822
Capital lease payable		555,043
Compensated absences		1,358,112
OPEB - District health insurance plan		5,600,132
OPEB - group life insurance plan		726,223
Less: current portion		(2,162,950)
Total noncurrent liabilities		53,956,382
Total liabilities		58,402,177
DEFERRED INFLOWS OF RESOURCES		
Pension inflows		6,557,984
OPEB - District health insurance plan inflows		143,871
OPEB - group life insurance plan inflows		10,232
Total deferred inflows of resources		6,712,087
NET POSITION		
Net investment in capital assets		26,005,605
Restricted for:		
Food service		150,796
Debt service		520,061
Community service		110,995
Capital projects		504,592
Trust purposes		132,869
Unrestricted		974,972
Total net position		28,399,890
Total liabilities, deferred inflows of resources and net position	\$	93,514,154

Exhibit A-2
School District of McFarland, Wisconsin
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
				Governmental Activities	
Governmental activities:					
Instruction:					
Regular instruction	\$ 12,632,063	\$ 2,455,578	\$ 107,370	\$	\$ (10,069,115)
Vocational education	737,879	16,058	20,495		(701,326)
Special education	4,303,057		1,904,964		(2,398,093)
Other instruction	1,763,488	150,492	185,794		(1,427,202)
Total instruction	<u>19,436,487</u>	<u>2,622,128</u>	<u>2,218,623</u>		<u>(14,595,736)</u>
Support services:					
Pupil services	1,477,599		13,395		(1,464,204)
Instructional staff services	1,408,097	580	294,989		(1,112,528)
General administration services	437,710				(437,710)
Building administration services	1,638,106	40,901			(1,597,205)
Business administration	4,311,776		54,427		(4,257,349)
Central services	390,170				(390,170)
Insurance	249,315		31,000		(218,315)
Food service	1,010,143	747,587	298,805		36,249
Other support services	400,539				(400,539)
Community services	642,942	217,993	7,165		(417,784)
Interest, issuance costs, other charges on debt	1,946,634				(1,946,634)
Depreciation - unallocated	114,549				(114,549)
Total support services	<u>14,027,580</u>	<u>1,007,061</u>	<u>699,781</u>		<u>(12,320,738)</u>
Non-program transactions:					
Purchased instructional services	15,085,041	15,070,251	221,394		206,604
Other non-program transactions	207,649	205,692			(1,957)
Total non-program transactions	<u>15,292,690</u>	<u>15,275,943</u>	<u>221,394</u>		<u>204,647</u>
Total governmental activities	<u>48,756,757</u>	<u>18,905,132</u>	<u>3,139,798</u>		<u>(26,711,827)</u>
General revenues:					
Property taxes					
General purposes					11,817,918
Debt services					3,235,085
Capital projects					249,000
Community services					394,365
Other taxes					10,912
Federal and State aid not restricted for specific purposes					
General					11,918,642
Interest and investment earnings					667,469
Gain (loss) on sale of fixed assets					14,281
Miscellaneous					49,339
Total general revenues					<u>28,357,011</u>
Changes in net position					
					<u>1,645,184</u>
Net position - beginning, as previously reported					
					27,310,269
Prior period adjustment					
					<u>(555,563)</u>
Net position - beginning of year, restated					
					<u>26,754,706</u>
Net position - ending					
					<u>\$ 28,399,890</u>

See accompanying notes to the basic financial statements.

Exhibit A-3
School District of McFarland, Wisconsin
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,371,606	\$ 504,592	\$ 1,358,993	\$ 5,235,191
Restricted cash		23,436,851		23,436,851
Taxes receivable	3,572,253			3,572,253
Prepaid expenses	55,891			55,891
Accounts receivable	79,321		199	79,520
Due from other governments	342,692		23,867	366,559
Due from other funds	418,945			418,945
	<u>7,840,708</u>	<u>23,941,443</u>	<u>1,383,059</u>	<u>33,165,210</u>
Total assets	\$ <u>7,840,708</u>	\$ <u>23,941,443</u>	\$ <u>1,383,059</u>	\$ <u>33,165,210</u>
LIABILITIES				
Accounts payable	\$ 280,354	\$ 785,057		\$ 1,065,411
Accrued employee benefits payable	766,549			766,549
Due to other funds		395,078	23,867	418,945
Customer deposits	6,414		40,854	47,268
	<u>1,053,317</u>	<u>1,180,135</u>	<u>64,721</u>	<u>2,298,173</u>
Total liabilities	1,053,317	1,180,135	64,721	2,298,173
FUND BALANCES				
Nonspendable	55,891			55,891
Restricted		22,761,308	1,318,338	24,079,646
Assigned	486,296			486,296
Unassigned	6,245,204			6,245,204
	<u>6,787,391</u>	<u>22,761,308</u>	<u>1,318,338</u>	<u>30,867,037</u>
Total fund balances	6,787,391	22,761,308	1,318,338	30,867,037
Total liabilities and fund balances	\$ <u>7,840,708</u>	\$ <u>23,941,443</u>	\$ <u>1,383,059</u>	\$ <u>33,165,210</u>

Exhibit A-4
School District of McFarland, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds:		\$	30,867,037
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 as assets in the fund statements. Amounts reported for governmental activities in the statement of net position:			
Governmental capital assets	78,258,130		
Governmental accumulated depreciation	<u>(26,774,643)</u>		51,483,487
The net pension asset is not a current financial resource and is, therefore, not reported in the fund statements.			
			3,271,266
Pension and OPEB deferred outflows of resources and deferred inflows of resources are actuarially determined by the plans. These items are reflected in the statement of net position and are being amortized with pension and OPEB expense in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.			
Deferred outflows of resources			6,013,136
Deferred inflows of resources			<u>(6,712,087)</u>
Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:			
Bonds and notes payable	46,350,000		
Debt premiums	1,529,822		
Capital lease payable	555,043		
Accrued interest on long-term debt	403,617		
Compensated absences	1,358,112		
OPEB - District health insurance plan	5,600,132		
OPEB - group life insurance plan	<u>726,223</u>		<u>(56,522,949)</u>
Total net position - governmental activities		\$	<u>28,399,890</u>

Exhibit A-5
School District of McFarland, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 11,828,830	\$ 249,000	\$ 3,629,450	\$ 15,707,280
Other local sources	537,931	485,679	1,194,043	2,217,653
Interdistrict sources	17,476,411		15,044	17,491,455
Intermediate Sources			8,823	8,823
State sources	13,575,254		13,480	13,588,734
Federal sources	938,759		285,325	1,224,084
Other sources	49,135		204	49,339
	<u>44,406,320</u>	<u>734,679</u>	<u>5,146,369</u>	<u>50,287,368</u>
EXPENDITURES				
Instruction:				
Regular instruction	11,995,273	337	6,632	12,002,242
Vocational instruction	715,134		12,934	728,068
Special instruction	4,193,492			4,193,492
Other instruction	1,578,737		161,392	1,740,129
Total instruction	<u>18,482,636</u>	<u>337</u>	<u>180,958</u>	<u>18,663,931</u>
Support services:				
Pupil services	1,373,933		9,161	1,383,094
Instructional staff services	1,366,400		4,164	1,370,564
General administration services	430,827			430,827
Building administration services	1,662,190		24,696	1,686,886
Business administration	4,011,374	23,829,217	127,954	27,968,545
Central services	382,331			382,331
Insurance	249,314	62,979		312,293
Food service			1,010,142	1,010,142
Community service			510,227	510,227
Principal, interest, and debt issue costs	269,795		3,635,946	3,905,741
Other support services	400,539			400,539
Total support services	<u>10,146,703</u>	<u>23,892,196</u>	<u>5,322,290</u>	<u>39,361,189</u>
Non-program transactions:				
Purchased instructional services	15,085,041			15,085,041
Other non-program transactions	207,649			207,649
Total non-program transactions	<u>15,292,690</u>			<u>15,292,690</u>
Total expenditures	<u>43,922,029</u>	<u>23,892,533</u>	<u>5,503,248</u>	<u>73,317,810</u>
Excess (deficiency) of revenues over expenditures	<u>484,291</u>	<u>(23,157,854)</u>	<u>(356,879)</u>	<u>(23,030,442)</u>
OTHER FINANCING SOURCES				
Debt proceeds		41,000,000		41,000,000
Net premium on long-term debt			1,106,445	1,106,445
Capital lease proceeds	463,314			463,314
Sale of capital assets	13,781		500	14,281
Total other financing sources	<u>477,095</u>	<u>41,000,000</u>	<u>1,106,945</u>	<u>42,584,040</u>
Net change in fund balances	961,386	17,842,146	750,066	19,553,598
Fund balances - beginning	<u>5,826,005</u>	<u>4,919,162</u>	<u>568,272</u>	<u>11,313,439</u>
Fund balances - ending	<u>\$ 6,787,391</u>	<u>\$ 22,761,308</u>	<u>\$ 1,318,338</u>	<u>\$ 30,867,037</u>

See accompanying notes to the basic financial statements.

Exhibit A-6
School District of McFarland, Wisconsin
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	19,553,598
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	24,689,571	
Depreciation expenses reported in the statement of activities	<u>(1,478,098)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		23,211,473
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability from the prior year to the current year, with some adjustments.		
Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension liability between years, with adjustments		(378,710)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities		
The amount of long-term debt principal payments in the current year is		2,706,419
Debt and capital lease proceeds are reported in governmental funds as an other financing source, but are reported as an increase in outstanding long-term debt in the statement of net position and do not affect the statement of activities		
The amount of debt and capital lease proceeds in the current year is		(41,463,314)
Debt premiums are reported in the governmental funds as revenues when those amounts are received. However, the premium is shown in the statement of net position and allocated over the life of the debt issue as interest income in the statement of activities.		
Amount of debt premium received in the current year	(1,501,008)	
Amount of debt premiums amortized in the current year	<u>100,291</u>	
Amount of debt premiums amortized in the current year		(1,400,717)
Vested employee benefits and OPEB are reported in the governmental funds when amounts are paid. The statement of activities reports values of benefits earned during the year.		
Change in compensated absences		(92,100)
Change in OPEB - District health insurance plan liability and related deferred outflows and inflows of resources		(63,222)
Change in OPEB - group life insurance plan liability and related deferred outflows and inflows of resources		(75,494)
In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid during the current period	1,183,972	
The amount of interest accrued during the current period	<u>(1,536,721)</u>	
Interest paid is greater (less) than interest accrued by		<u>(352,749)</u>
Change in net position - governmental activities	\$	<u><u>1,645,184</u></u>

Exhibit A-7
School District of McFarland, Wisconsin
Statement of Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency</u>
ASSETS	
Cash and investments	\$ <u>166,509</u>
Total assets	\$ <u><u>166,509</u></u>
LIABILITIES	
Due to student groups	\$ <u>166,509</u>
Total liabilities	\$ <u><u>166,509</u></u>

Exhibit A-8
School District of McFarland, Wisconsin
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Private Purpose Trust
ADDITIONS	
Gifts	\$ 1,807
Total additions	1,807
DEDUCTIONS	
Scholarships awarded	\$ 1,807
Total deductions	1,807
Change in net position	_____
Net position - beginning	_____
Net position - ending	\$ _____

NOTES TO THE BASIC FINANCIAL STATEMENTS

School District of McFarland
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June 30, 2018

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School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District of McFarland is organized as a common school district governed by an elected five-member school board. The District operates early childhood programs through grade 12. The district is comprised of all or parts of six taxing districts.

The accompanying financial statements present the activities of the School District of McFarland. The School District is not a component unit of another reporting entity nor does it have any component units.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards. The financial reporting entity consists of (a) organizations for which the stand-alone government is financially accountable and (b) the stand-alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand-alone government.

B. Basis of Financial Statement Presentation

District-wide Statements:

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except for fiduciary funds, which are presented in the fund financial statements by type. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District does not report any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the district's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Financial Statement Presentation (Continued)

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures.

Separate financial statements are provided for governmental 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.

Funds are organized as major funds or non-major funds within the governmental 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, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental 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.

Governmental Funds

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent private-purpose trust or agency 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.

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.

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.

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).

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.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Financial Statement 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.

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

Non-Major Funds

The District reports the following non-major funds:

- Debt Service
- Special Revenue Funds:
 - Food Service
 - Package Cooperative
 - Special Revenue Trust
 - Community Service

Fiduciary Funds

The District reports the following fiduciary funds:

- Private-Purpose Trust Funds:
 - Scholarship

- Agency Funds:
 - Student Activity

C. Measurement Focus and Basis of Accounting

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

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

Property tax revenues are recognized as revenue in the fiscal year levied as the District considers the property taxes due prior to June 30. The District considers the taxes as due on January 31, 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 U.S. 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. Taxes are levied in December based on equalized values.

Property tax calendar – 2017 tax roll:

Levy certification	November 1, 2017
Lien date and levy date	December, 2017
Tax bills mailed	December, 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018

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 inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

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.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources 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, deferred inflows of resources is removed from the combined balance sheet and revenue is recognized.

D. Assets and Liabilities

Cash and Cash Equivalents/Investments

The District has pooled a portion of the cash resources of its funds in order to maximize investment opportunities. Each fund’s portion of total cash and investments is reported as cash and cash equivalents/investments by the District’s individual major funds, and in aggregate for non-major and agency funds. Interest earned is distributed monthly to various funds based on each fund’s proportionate equity in the cash and investment pool. Designated or restricted cash resources are kept in separate accounts.

All deposits of the District are made in board designated official depositories and are secured as required by State Statute. The District may designate, as an official depository, any bank or savings association. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost, which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

Accounts Receivable

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

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory in the general fund and governmental activities consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

Internal receivables and payables

The amounts reported on the statement of net position for internal receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for these internal balances within the same fund type.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

Capital Assets

District-wide Statements

In the district-wide financial statements, capital assets are reported at actual cost or estimated historical costs. Donated assets are reported at acquisition value.

All capital assets that meet the District's capitalization threshold of \$5,000 are capitalized and updated for additions. Assets that are disposed are taken off on an annual basis. All improvements to capital assets are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful are expensed.

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:

Computer equipment	5 years
Vehicles and buses	8 years
Other equipment	5 – 15 years
Site improvements	20 years
Buildings	50 years
Subsequent modernization to buildings	10 years

Fund Financial Statements

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

Employee Benefits

The vested sick and vacation leave, and other postemployment benefit liabilities are reported on the district-wide financial statements. In the governmental fund financial statements, none of the liability is reported as it is not expected to be paid using expendable available resources.

Vacation

The District's policy allows employees to earn varying amounts of vacation pay each year depending on the total number of years employed. Vacation pay is granted on July 1 of the ensuing year and is not cumulative. Upon retirement or termination of employment, the employee is entitled to the pro-rated amount of vacation pay.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

Sick Pay

Sick leave eligibility and accumulation is specified in employee handbooks or individual employment contracts.

Upon retirement, resignation, or death (after achieving a specified number of years of service), employees receive a lump-sum payment based on unused accumulated sick leave, to the maximum specified in the employment agreements.

An accrual for accumulated sick leave is included in the compensated absences liability in the statement of net position at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end, and includes applicable salary related payments.

Other Postemployment Benefits

District health insurance plan

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information of the District's Other Postemployment Benefit Plan (the Plan) has been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Group life insurance plan

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

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 are reported as liabilities in the district-wide statements. 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.

E. 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 fund types.

F. Estimates

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

G. Interfund Transactions

Charges for services between funds are reported as revenues in the seller funds and as expenditure/expense in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. These transfers are eliminated from the statement of activities. On the fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net position.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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 do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-Spendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by the Board of Education, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts the Board of Education intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative fund balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Equity Classifications (Continued)

The District's long-term goals for fund balance is to achieve and maintain a general fund balance that would alleviate the need to short-term borrow for operational cash flow needs. Fund balance in excess of this goal may be used for one-time expenditures or unforeseen costs (i.e. damages). The general fund balance shall not be used for recurring costs in the operating budget.

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The District's fund balance policy states fund balances shall be maintained to avoid excessive short term borrowing for cash flow purposes.

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, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

I. Pensions

For purposes of measuring the net position liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, 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 benefits terms. Investments are reported at fair value.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has items that qualify for reporting in this category. The deferred outflows of resources are for the WRS pension system and OPEB plans.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has items that qualify for reporting in this category. The deferred inflows of resources are related to the WRS pension system and OPEB plans.

K. Change in Accounting Principle

Effective July 1, 2017, the District adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, relative to its participation in the Wisconsin Department of Employee Trust Funds Group Life Insurance Plan. Implementation of GASB Statement No. 75 required net position in governmental activities to be decreased by \$555,563.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds' statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities in the basic financial statements represent:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the Statement of Activities. The long-term expenses reported recognize the change in vested employee benefits.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

NOTE 3 CASH AND INVESTMENTS

As previously discussed, cash for all District funds is pooled for investment purposes with the exception of a separate checking account for the debt service. At June 30, 2018, the cash and investments included the following:

Account Balances	
Petty cash/cash on hand	\$ 3,200
Deposits with financial institutions	4,321,513
Wisconsin Investment Series Cooperative	24,513,160
Local Government Investment Pool	678
Total	\$ 28,838,551
Per Statement of Net Position:	
Cash and investments	\$ 5,235,191
Restricted cash	23,436,851
Fiduciary Funds:	
Cash and investments	166,509
Total	\$ 28,838,551

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

The Wisconsin Investment Series Cooperative investments consist of the following:

Money market accounts	\$ 15,928,515
Certificates of deposit	8,584,645
	\$ 24,513,160

Investments Authorized by Wisconsin State Statutes

Investment of District funds is restricted by state statutes. Available investments are limited to:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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.

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

Investment Type	Remaining Maturity (in months)	
	Amount	12 months or less
Certificates of deposit	\$ 8,584,645	\$ 8,584,645

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds, and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. All Wisconsin Investment Series Cooperative investments are rated AAAM by Standard and Poor's. This rating is defined as follows: "Safety is excellent. Superior capacity to maintain principal value and limit exposure to loss." The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of its investment of collateral securities that are in possession of another party. The District does not have an investment policy for custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the event of the failure of an insured bank.

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 be significant to individual organizations. Additionally, deposits in credit unions are insured by the NCUA in the amount of \$250,000 for all accounts.

At June 30, 2018, the District had \$13,767,747 of deposits with financial institutions. Of this amount, \$5,879,524 was insured by the FDIC or the NCUA, \$21,219 was insured by collateral with financial institutions, \$3,359,583 was secured by a Federal Home Loan Bank letter of credit, and \$4,507,421 was uninsured and uncollateralized. The State of Wisconsin Guarantee Fund would provide an additional \$400,000 of coverage for this amount, providing funds are available at the time of any potential loss.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Collateralization of Public Unit Deposits (Continued)

Fluctuating cash flows during the year due to collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year significantly exceeding insured amounts at the balance sheet date.

Wisconsin Local Government Investment Pool

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. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the District.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the local government investment pool as of June 30, 2018 was: 94.65% in U.S. Government Securities, 1.50% in Bankers' Acceptances and 3.85% in commercial paper and corporate notes. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

Wisconsin Investment Series Cooperative

The District has investments in WISC consisting of the Investment Series Fund (IS). The IS are pooled funds investing in U.S. government obligations, agencies and commercial paper. The IS requires a 14-day minimum investment period and one business day withdrawal notice. The average weighted maturity of the investments in WISC ranges from 234 to 293 days. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental Cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law. Investment income is distributed to participants based on their relative participation during the period. Participants in WISC have the right to withdraw their funds in total on one day's notice.

A separate financial report for WISC is prepared in accordance with GASB. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.

WISC and LGIP are exempt from fair value disclosure due to investments being valued at amortized cost.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 4

CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance 7/1/17	Additions	Deletions	Balance 6/30/18
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,109,194	\$	\$	\$ 2,109,194
Construction work in progress	1,518,257	23,133,015		24,651,272
Total capital assets not being depreciated	<u>3,627,451</u>	<u>23,133,015</u>		<u>26,760,466</u>
<i>Capital assets, being depreciated:</i>				
Buildings	37,241,195	446,990		37,688,185
Land improvements	2,413,391	42,630		2,456,021
Furniture and equipment	10,299,122	1,066,936	(12,600)	11,353,458
Total capital assets, being depreciated	<u>49,953,708</u>	<u>1,556,556</u>	<u>(12,600)</u>	<u>51,497,664</u>
Total capital assets	<u>53,581,159</u>	<u>24,689,571</u>	<u>(12,600)</u>	<u>78,258,130</u>
Less accumulated depreciation:				
Buildings	14,712,800	849,875		15,562,675
Land improvements	1,858,198	85,145		1,943,343
Furniture and equipment	8,738,147	543,078	(12,600)	9,268,625
Total accumulated depreciation	<u>25,309,145</u>	<u>1,478,098</u>	<u>(12,600)</u>	<u>26,774,643</u>
Total net capital assets	<u>\$ 28,272,014</u>	<u>\$ 23,211,473</u>	<u>\$</u>	<u>\$ 51,483,487</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 1,007,598
Vocational instruction	6,591
Other instruction	1,360
Pupil services	69,571
Instructional staff services	1,601
Building administration	275,020
Other support services	1,808
Depreciation not charged to a specific function	114,549
Total depreciation for governmental activities	<u>\$ 1,478,098</u>

Capital outlay was charged to governmental functions as follows:

Regular instruction	\$ 608,850
Vocational instruction	10,670
Building administration services	98,870
Business administration	23,908,203
Insurance	62,978
Total capital outlay	<u>\$ 24,689,571</u>

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 5

SHORT-TERM AND LONG-TERM OBLIGATIONS

A. Short-term Notes Payable

Short-term obligations of the District are as follows:

	Balance 7/1/2017	Additions	Removals	Balance 6/30/2018
Tax and revenue anticipation notes	\$ 3,700,000	\$ 2,945,000	\$ (6,645,000)	\$

Short-term borrowing is for cash flow purposes.

B. Long-term Notes Liability

Long-term liability balances and activity for the year ended June 30, 2018 were as follows:

	Beginning 7/1/2017	Increases	Decreases	Balance 6/30/2018	Current Portion
Bonds and notes payable:					
General obligation debt	\$ 7,815,000	\$41,000,000	\$ (2,465,000)	\$46,350,000	\$ 1,525,000
Unamortized bond premium	129,105	1,501,008	(100,291)	1,529,822	
Total bonds and notes payable	7,944,105	42,501,008	(2,565,291)	47,879,822	1,525,000
Other liabilities:					
Capital lease payable	333,148	463,314	(241,419)	555,043	233,945
Compensated absences	1,266,012	423,953	(331,853)	1,358,112	404,005
Total other liabilities	1,599,160	887,267	(573,272)	1,913,155	637,950
Per statement of net position	\$ 9,543,265	\$43,388,275	\$ (3,138,563)	\$49,792,977	\$ 2,162,950

The other liabilities are typically being liquidated through the general fund.

Total interest paid and accrued during the year:

	Expense	Paid
Long-term debt	\$ 1,536,721	\$ 1,183,972
Short-term borrowing	15,350	51,194
Totals	\$ 1,552,071	\$ 1,235,166

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 5 SHORT-TERM AND LONG-TERM OBLIGATIONS (CONTINUED)

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2018 is comprised of the following individual issues:

Description	Issue Date	Interest Rates	Date of Maturity	Balance 6/30/2018
G.O. promissory notes	12/28/16	2.0 - 3.0%	04/01/26	\$ 5,350,000
G.O. improvement bonds	08/01/17	2.25 - 5.0%	04/01/37	41,000,000
Total general obligation debt				<u>\$46,350,000</u>

The 2017 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$1,373,493,228. The legal debt limit and margin of indebtedness as of June 30, 2018 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,373,493,228)	\$ 137,349,323
Deduct long-term debt applicable to debt margin	<u>(46,350,000)</u>
Margin of indebtedness	<u>\$ 90,999,323</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest at June 30, 2018 follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 1,525,000	\$ 1,608,469	\$ 3,133,469
2020	615,000	1,532,219	2,147,219
2021	830,000	1,501,469	2,331,469
2022	1,040,000	1,465,969	2,505,969
2023	1,295,000	1,427,719	2,722,719
2024-2028	10,030,000	6,215,094	16,245,094
2029-2033	13,960,000	4,326,225	18,286,225
2034-2037	17,055,000	1,573,963	18,628,963
Totals	<u>\$ 46,350,000</u>	<u>\$ 19,651,126</u>	<u>\$ 66,001,126</u>

C. Employee Benefits

Employee benefits at June 30, 2018 are calculated based on the District's assumptions that employees will receive future payments for these benefits. Benefits included in this calculation include vested sick leave, compensatory time, and vacation benefits earned through June 30, 2018. The estimated liability for earned benefits at June 30, 2018 is \$1,358,112, and is shown on the statement of net position. The District's contributions are financed on a "pay-as-you-go" basis.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 6

CAPITAL LEASES, AS LESSEE

The District has acquired capital assets through lease/purchase agreements. The gross amount of these assets under the capital assets are \$822,214. The future minimum lease payments as of June 30, 2018 are as follows:

<u>Year Ended June 30,</u>	
2019	\$ 242,119
2020	166,244
2021	149,968
2022	<u>11,347</u>
Total Payments	569,678
Less: Interest	<u>(14,635)</u>
Principal lease payments	<u><u>\$ 555,043</u></u>

NOTE 7

DEFINED BENEFIT PENSION PLAN

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

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

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

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits provided. Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6%	0%
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)
2017	2.0	4.0

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

During the reporting period, the WRS recognized \$1,099,688 in contributions from the employer.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contribution rates as of June 30, 2018 are:

Employee Category	Employee	Employer
General (including teachers)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At June 30, 2018, the School District of McFarland reported a liability (asset) of (\$3,271,266) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The School District of McFarland's proportion of the net pension liability (asset) was based on the School District of McFarland's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the School District of McFarland's proportion was 0.11017636%, which was an increase of 0.00102616% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School District of McFarland's recognized pension expense of \$1,369,589.

At June 30, 2018, the School District of McFarland reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,156,226	\$ 1,944,144
Changes of assumptions	646,338	
Net differences between projected and actual earnings on pension plan investments		4,496,052
Changes in proportion and differences between employer contributions and proportionate share of contributions		117,788
Employer contributions subsequent to the measurement date	662,898	
Total	\$ 5,465,462	\$ 6,557,984

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$662,898 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, 2019. 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:	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 304,541
2020	(69,875)
2021	(1,141,164)
2022	(856,711)
2023	7,789
Total	<u><u>\$ (1,755,420)</u></u>

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Asset Allocation Targets and Expected Returns			
As of December 31, 2017			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	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			

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 3.31%. 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.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
School District of McFarland's proportionate share of the net pension liability (asset)	\$8,463,884	(\$3,271,266)	(\$12,190,344)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

NOTE 8

GOVERNMENTAL FUND BALANCES

Portions of fund balances are not available for general appropriation or expenditure, as follows:

Nonspendable:	
General Fund	
Prepayments	\$ 55,891
Assigned:	
General Fund	
Replacements	\$ 58,854
Career and technical education incentive grant	46,676
Department of teaching and learning	15,874
Special education transition grant	11,000
Buildings and grounds	54,275
Technology	90,829
Early retirement	175,405
Sick leave payout	33,383
Total assigned fund balance	<u>\$ 486,296</u>
Restricted:	
Debt service fund	\$ 923,678
Special revenue trust fund	132,869
Capital projects fund	22,761,308
Food service fund	150,796
Community service fund	110,995
Total restricted fund balance	<u>\$ 24,079,646</u>

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts are permitted to derive from general state aids and property taxes unless a higher amount is approved by a referendum of the taxpayers. This limitation does not apply to revenues needed for the repayment of any general obligation debt (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or a referendum prior to August 12, 1993, (b) a referendum on or after August 12, 1993.

NOTE 11 INTERFUND BALANCES AND ACTIVITY

Interfund receivable and payable balances in the fund financial statements on June 30, 2018 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Package cooperative	\$ 23,867	Cash flow
General	Capital projects	395,078	Capital costs yet to be reimbursed
Total		<u>\$ 418,945</u>	

In the Statement of Net Position, amounts reported in the governmental fund balance sheet as interfund balances have been eliminated within the district-wide statements.

NOTE 12 GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the District-Wide Statement of Net Position at June 30, 2018 includes the following:

Governmental activities:	
Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 51,483,487
Less: related long-term debt outstanding	(23,948,060)
Less: unamortized bond premium	(1,529,822)
Total net investment in capital assets	<u>26,005,605</u>
Restricted:	
Food service	150,796
Debt service	520,061
Community service	110,995
Capital projects	504,592
Trust purposes	132,869
Total restricted	<u>1,419,313</u>
Unrestricted	974,972
Total governmental activities net position	<u>\$ 28,399,890</u>

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN

The District reports its liability for other post-employment benefits based on an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description – The District operates a single-employer retiree benefit plan that provides postemployment health and dental insurance benefits to eligible employees and their spouses. There are 290 active and 44 retired members in the plan. Benefits and eligibility for teachers, administrators, and support staff are established and amended by the governing body. The plan does not issue stand-alone financial statements. Current approved benefits are as follows:

Administrators: At least age 55 with a minimum of 10 years of consecutive service in the District and retiring within 2 years of meeting first eligibility.

The District will make annual contributions into a premium only HRA on behalf of eligible retirees until Medicare-eligibility or death, whichever should occur first. The annual contributions will be equal to a percentage determined by years of service and year retired relative to first meeting eligibility. The District’s total HRA contributions, over the entire duration of the benefit will not exceed 1.25 times the retiree’s final salary.

Teachers: At least age 57 with a minimum of 15 years of service in the District (those hired after September 1, 2007 need 20 years of service).

The District will contribute \$8,000 per year upon retirement into a premium only HRA until Medicare eligibility.

Support Staff: At least age 58 with a minimum of 15 years of service in the District and has no breaks in consecutive service over 2 years.

The District will make annual contributions into a premium only HRA on behalf of eligible retirees until Medicare-eligibility or death, whichever should occur first. The amounts of the annual contributions are determined by hours worked per year in the last three years of employment. These funds may be used for premiums only to remain on the District’s medical plan or with another health plan outside the District.

Funding Policy – The District will fund the OPEB with a pay-as-you go basis. There are no assets accumulated in a trust to provide for these benefits.

Employees Covered by Benefit Terms – At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	44
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>291</u>
	<u><u>335</u></u>

Total OPEB Liability – The District’s total OPEB Liability of \$5,600,132 was measured at June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	2.5 percent
Salary increases	3 percent, average, including inflation
Discount rate	3.5 percent
Healthcare cost trend rates	Actual increases in the first year then 7.50% decreasing by 0.50% per year down to 6.50%, then down by 0.10% per year down to 5.0%, and level thereafter
Retirees' share of benefit-related costs	Retirees' are responsible for the difference between the total premium costs and the district's premium and HRA contributions.

The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement period.

Mortality rates were based on the Wisconsin 2012 Mortality Table.

The actuarial assumptions used in the June 30, 2016 valuation were based on a study conducted in 2012 using the Wisconsin Retirement System (WRS) experience from 2009-2011.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 6/30/2016	\$ 5,741,572
Changes for the year:	
Service cost	351,510
Interest	169,974
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(159,857)
Benefit payments	(503,067)
Net Changes	(141,440)
Balance at 6/30/2017	\$ 5,600,132

There were no changes of benefit terms.

The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.50%) as of the measurement date in order to be compliant with GASB 75. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2016.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

		1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	6/30/2017	<u>\$ 5,923,966</u>	<u>\$ 5,600,132</u>	<u>\$ 5,293,175</u>

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates

The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 decreasing to 6.0 percent) than the current healthcare cost trend rates:

		1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	6/30/2017	<u>\$ 5,307,790</u>	<u>\$ 5,600,132</u>	<u>\$ 5,938,606</u>

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$505,498. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ -
Changes of assumptions or other inputs	-	143,871
Contributions after the measurement date	442,276	-
Total	<u>\$ 442,276</u>	<u>\$ 143,871</u>

\$442,276 reported as deferred outflows of resources related to pension resulting from the School District of McFarland contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ (15,986)
2020	(15,986)
2021	(15,986)
2022	(15,986)
2023	(15,986)
Thereafter	<u>(63,941)</u>
Total	<u>\$ (143,871)</u>

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN

Plan description. The Local Retiree Life Insurance Fund (LRLIF) is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

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

Benefits provided. The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions. The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member’s working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of June 30, 2018 are:

Coverage Type	Employer Contribution
25% Post Retirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are as listed below:

Life Insurance Employee Contribution Rates For the year ended December 31, 2017	
Attained Age	Basic
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$4,583 in contributions from the employer.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the LRLIF Employer reported a liability (asset) of \$726,223 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.241384%, which was an increase of 0.011636% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$80,599.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 10,232
Changes of assumptions	70,177	
Net differences between projected and actual earnings on OPEB plan investments	8,362	
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,499	
Employer contributions subsequent to the measurement date	2,360	
Totals	\$ 105,398	\$ 10,232

\$2,360 reported as deferred outflows related to OPEB resulting from the District employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Net Outflows (Inflows) of Resources
Year ended June 30:	
2019	\$ 15,023
2020	15,023
2021	15,023
2022	15,023
2023	12,933
Thereafter	19,781
Total	\$ 92,806

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

Actuarial assumptions. The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Net OPEB Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	3.44%
Long-Term Expected Rated of Return:	5.00%
Discount Rate:	3.63%
Salary Increases	
Inflation:	3.20%
Seniority/Merit:	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

Long-term expected Return on Plan Assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2017**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government Bonds	Barclays Government	1%	1.13%
US Credit Bonds	Barclays Credit	65%	2.61%
US Long Credit Bonds	Barclays Long Credit	3%	3.08%
US Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

Single Discount rate. A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 14 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

Sensitivity of the District’s proportionate share of the net OPEB liability (asset) to changes in the discount rate. The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63 percent, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
District’s proportionate share of the net OPEB liability (asset)	\$1,026,429	\$726,223	\$495,846

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

NOTE 15 SUBSEQUENT EVENTS

On August 15, 2018, the District issued \$18,000,000 general obligation bonds for the purpose of District-wide school improvements. Debt requirements are as follows:

Year Ended	Principal	Interest	Total
June 30,			
2019	\$	\$ 724,851	\$ 724,851
2020	1,050,000	626,975	1,676,975
2021	1,075,000	589,725	1,664,725
2022	1,095,000	546,325	1,641,325
2023	1,095,000	502,525	1,597,525
2024-2028	5,145,000	1,946,025	7,091,025
2029-2033	2,645,000	1,224,209	3,869,209
2034-2038	5,895,000	844,766	6,739,766
Totals	<u>\$ 18,000,000</u>	<u>\$ 7,005,401</u>	<u>\$ 25,005,401</u>

The \$18,000,000 bond issuance was part of a passed referendum. On November 8, 2016, a referendum was passed to issue general obligation bonds in an amount not to exceed \$65,150,000. Projects related to this referendum are projected to continue to be incurred through September 2019.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2018

NOTE 16

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been recorded effective July 1, 2017, as follows:

	Governmental Activities
Total net position as previously reported	\$ 27,310,269
Cumulative effect of change in accounting principle (GASB Statement No. 75)	(555,563)
Net position, July 1, as restated	\$ 26,754,706

Implementation of GASB Statement No. 75, relative to the District's participation in the Wisconsin Department of Employee Trust Funds Group Life Insurance Plan, required net position in the governmental activities to be decreased. The decrease in net position was to reflect the OPEB liability balance as of July 1, 2017 and beginning deferred outflows of resources for District contributions to the OPEB plan after the actuarial measurement date.

NOTE 17

CHARTER SCHOOLS

Four Lakes Education, Inc. operates non-instrumentality charter schools that are part of the School District of McFarland. "Non-instrumentality" means the day to day operation rests solely with the charter holder, Four Lakes Education, Inc., its board, and its education provider, K12, Inc.

Students of the charter schools are recognized within the School District of McFarland's open enrollment state membership. State of Wisconsin open enrollment tuition revenue generated by the charter schools totaled \$15,275,943 for the school year ended June 30, 2018. This revenue is received by the School District of McFarland and then paid to the charter schools, less oversight fee amounts retained by the School District of McFarland. In addition, certain federal and state grant funds are received by the School District of McFarland and passed through to the charter schools.

Four Lakes Education, Inc. is a tax exempt 501(c)(3) organization currently consisting of five members. One non-voting member is appointed by the School District of McFarland Board of Education.

NOTE 18 EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases*. When these become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1
School District of McFarland, Wisconsin
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances-	
				Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Property taxes	\$ 11,719,346	\$ 11,828,918	\$ 11,828,830	\$ 109,484	\$ (88)
Other local sources	228,500	228,500	537,931	309,431	309,431
Interdistrict sources	16,100,000	16,150,000	17,476,411	1,376,411	1,326,411
State sources	11,541,265	12,031,342	12,071,771	530,506	40,429
Federal sources	40,283	135,244	123,335	83,052	(11,909)
Other sources	41,000	41,000	49,135	8,135	8,135
Total revenues	<u>39,670,394</u>	<u>40,415,004</u>	<u>42,087,413</u>	<u>2,417,019</u>	<u>1,672,409</u>
EXPENDITURES					
Instruction:					
Undifferentiated curriculum	6,137,468	6,354,716	6,989,800	(852,332)	(635,084)
Regular curriculum	5,273,893	5,241,873	5,005,473	268,420	236,400
Vocational instruction	739,094	739,071	715,134	23,960	23,937
Physical curriculum	596,360	596,010	593,785	2,575	2,225
Co-curricular activities	746,837	741,662	785,792	(38,955)	(44,130)
Gifted and talented	214,770	215,132	199,160	15,610	15,972
Total instruction	<u>13,708,422</u>	<u>13,888,464</u>	<u>14,289,144</u>	<u>(580,722)</u>	<u>(400,680)</u>
Support services:					
Pupil services	842,448	836,158	771,761	70,687	64,397
Instructional staff services	1,094,843	1,123,505	1,071,752	23,091	51,753
General administration services	419,025	489,325	430,827	(11,802)	58,498
Building administration services	1,541,979	1,657,195	1,662,190	(120,211)	(4,995)
Business administration	3,877,818	3,980,818	3,842,147	35,671	138,671
Central services	348,962	348,962	382,331	(33,369)	(33,369)
Insurance	208,000	208,000	218,314	(10,314)	(10,314)
Principal and interest	288,098	288,098	269,795	18,303	18,303
Other support services	612,173	609,173	400,539	211,634	208,634
Total support services	<u>9,233,346</u>	<u>9,541,234</u>	<u>9,049,656</u>	<u>183,690</u>	<u>491,578</u>
Non-program transactions:					
Purchased instructional services	13,633,895	13,709,592	14,902,987	(1,269,092)	(1,193,395)
Other non-program transactions			1,957	(1,957)	(1,957)
Total non-program transactions	<u>13,633,895</u>	<u>13,709,592</u>	<u>14,904,944</u>	<u>(1,271,049)</u>	<u>(1,195,352)</u>
Total expenditures	<u>36,575,663</u>	<u>37,139,290</u>	<u>38,243,744</u>	<u>(1,668,081)</u>	<u>(1,104,454)</u>
Excess (deficiency) of revenues over expenditures	<u>3,094,731</u>	<u>3,275,714</u>	<u>3,843,669</u>	<u>748,938</u>	<u>567,955</u>
OTHER FINANCING SOURCES (USES)					
Transfer to special education fund	(3,526,206)	(3,526,206)	(3,359,378)	166,828	166,828
Capital lease proceeds			463,314	463,314	463,314
Sale of capital assets			13,781	13,781	13,781
Total other financing sources (uses)	<u>(3,526,206)</u>	<u>(3,526,206)</u>	<u>(2,882,283)</u>	<u>643,923</u>	<u>643,923</u>
Net change in fund balance	(431,475)	(250,492)	961,386	1,392,861	1,211,878
Fund balance - beginning	5,826,005	5,826,005	5,826,005		
Fund balance - ending	<u>\$ 5,394,530</u>	<u>\$ 5,575,513</u>	<u>\$ 6,787,391</u>	<u>\$ 1,392,861</u>	<u>\$ 1,211,878</u>

Exhibit B-2
School District of McFarland, Wisconsin
Budgetary Comparison Schedule for the Special Education Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
State sources	\$ 1,445,330	\$ 1,445,330	\$ 1,503,483	\$ 58,153	\$ 58,153
Federal sources	100,000	823,486	815,424	715,424	(8,062)
Total revenues	<u>1,545,330</u>	<u>2,268,816</u>	<u>2,318,907</u>	<u>773,577</u>	<u>50,091</u>
EXPENDITURES					
Instruction:					
Special education curriculum	4,036,309	4,272,275	4,193,492	(157,183)	78,783
Total instruction	<u>4,036,309</u>	<u>4,272,275</u>	<u>4,193,492</u>	<u>(157,183)</u>	<u>78,783</u>
Support services:					
Pupil services	646,619	665,919	602,172	44,447	63,747
Instructional staff services	133,608	307,795	294,648	(161,040)	13,147
Business administration	105,000	167,763	169,227	(64,227)	(1,464)
Insurance	<u>885,227</u>	<u>1,141,477</u>	<u>31,000</u>	<u>(31,000)</u>	<u>(31,000)</u>
Total support services	<u>885,227</u>	<u>1,141,477</u>	<u>1,097,047</u>	<u>(211,820)</u>	<u>44,430</u>
Non-program transactions:					
Purchased instructional services		231,270	182,054	(182,054)	49,216
Other non-program transactions	150,000	150,000	205,692	(55,692)	(55,692)
Total non-program transactions	<u>150,000</u>	<u>381,270</u>	<u>387,746</u>	<u>(237,746)</u>	<u>(6,476)</u>
Total expenditures	<u>5,071,536</u>	<u>5,795,022</u>	<u>5,678,285</u>	<u>(606,749)</u>	<u>116,737</u>
Excess (deficiency) of revenues over expenditures	<u>(3,526,206)</u>	<u>(3,526,206)</u>	<u>(3,359,378)</u>	<u>166,828</u>	<u>166,828</u>
OTHER FINANCING SOURCES (USES)					
Transfer from general fund	<u>3,526,206</u>	<u>3,526,206</u>	<u>3,359,378</u>	<u>(166,828)</u>	<u>(166,828)</u>
Net change in fund balance					
Fund balance - beginning					
Fund balance - ending	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

Exhibit B-3
School District of McFarland
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
June 30, 2018

	<u>2017</u>	<u>2016</u>
Total OPEB Liability		
Service costs	\$ 351,510	\$ 351,510
Interest	169,974	169,797
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	(159,857)	-
Benefit payments	<u>(503,067)</u>	<u>(527,734)</u>
Net change in total OPEB	\$ (141,440)	\$ (6,427)
Total OPEB Liability- Beginning	<u>5,741,572</u>	<u>5,747,999</u>
Total OPEB Liability- Ending	<u>\$ 5,600,132</u>	<u>\$ 5,741,572</u>
Covered Employee Payroll	<u>\$ 13,941,569</u>	<u>\$ 13,941,569</u>
Total OPEB liability as a percentage of covered- employee payroll	40.17%	41.18%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is only presented for the years for which the required supplementary information is available.

Exhibit B-4
School District of McFarland
Wisconsin Retirement System Schedules
June 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Last 10 Calendar Years*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2017	(0.11017636%)	\$ (3,271,266)	\$ 16,171,874	(20.23%)	(102.93%)
2016	0.10915020%	899,658	16,100,797	5.59%	99.12%
2015	0.10689427%	1,737,011	15,673,694	11.08%	98.20%
2014	(0.10366112%)	(2,545,501)	14,811,127	(17.19%)	(102.74%)

*The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years**

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 1,108,441	\$ (1,108,441)		\$ 16,446,103	6.74%
2017	1,089,982	(1,089,982)		16,223,378	6.72%
2016	1,065,814	(1,065,814)		15,900,077	6.70%
2015	1,059,704	(1,059,704)		15,403,490	6.88%

**The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

Exhibit B-5
School District of McFarland
Local Retiree Life Insurance Fund Schedules
June 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

Last 10 Calendar Years*

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered- employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2017	0.24138400%	\$ 726,223	\$ 10,150,888	7.15%	44.81%

*The proportionate share of the net OPEB liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years**

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 4,708	(4,708)		\$ 11,681,000	0.04%

**The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

School District of McFarland
Notes to the Required Supplementary Information
June 30, 2018

NOTE 1

BUDGET SCHEDULE

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the function level for all funds.

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

- Based upon requests from district staff, district administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may make alterations to the proposed budget.
- Once the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.

The District is legally required by the State of Wisconsin to maintain and budget separately for a Special Education Fund. The Special Education Fund is combined with the General Fund in the basic financial statements. Due to the perspective differences in budgeting, the required supplementary information reports the budgetary comparison information separately for the General Fund and the Special Education Fund.

Except as noted in the previous paragraph, annual budgets are adopted on a basis consistent with U.S generally accepted accounting principles for all governmental and special revenue funds.

Appropriations lapse at year-end unless authorized as a carryover by the School Board.

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following functions/sub-functions had an excess of actual expenditures over budget for the year ended June 30, 2018:

Fund	Excess Expenditures
General fund:	
Instruction	\$ 400,680
Non-program transactions	1,195,352
Special education fund:	
Non-program transactions	\$ 6,476

School District of McFarland
Notes to the Required Supplementary Information
June 30, 2018

NOTE 3

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY
INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

	<u>General Fund</u>	<u>Special Education Fund</u>
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 42,087,413	\$ 2,318,907
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	2,318,907	(2,318,907)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 44,406,320	\$
	General Fund	Special Education Fund
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 38,243,744	\$ 5,678,285
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	5,678,285	(5,678,285)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 43,922,029	\$

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 6 preceding years.

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.

School District of McFarland
Notes to the Required Supplementary Information
June 30, 2018

NOTE 5

LOCAL RETIREE LIFE INSURANCE SCHEDULES

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 9 preceding years.

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

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

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN – SINGLE EMPLOYER HEALTH INSURANCE PLAN

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

Changes of benefit terms. There were no changes of benefit terms during the year.

Changes of assumptions. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.50%) as of the measurement date in order to be compliant with GASB 75. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2016.

Assets. There are no assets accumulated in a trust that meet the criteria in governmental accounting standards to pay related benefits.

SUPPLEMENTARY INFORMATION

Exhibit C-1
School District of McFarland, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service	Food Service	Package Cooperative	Special Revenue Trust	Community Service	
ASSETS						
Cash and investments	\$ 923,678	\$ 191,451	\$	\$ 132,869	\$ 110,995	\$ 1,358,993
Accounts receivable		199				199
Due from other governments			23,867			23,867
Total assets	<u>\$ 923,678</u>	<u>\$ 191,650</u>	<u>\$ 23,867</u>	<u>\$ 132,869</u>	<u>\$ 110,995</u>	<u>\$ 1,383,059</u>
LIABILITIES						
Due to other funds	\$	\$	\$ 23,867	\$	\$	\$ 23,867
Customer deposits		40,854				40,854
Total liabilities		<u>40,854</u>	<u>23,867</u>			<u>64,721</u>
FUND BALANCES						
Restricted	<u>923,678</u>	<u>150,796</u>		<u>132,869</u>	<u>110,995</u>	<u>1,318,338</u>
Total liabilities and fund balances	<u>\$ 923,678</u>	<u>\$ 191,650</u>	<u>\$ 23,867</u>	<u>\$ 132,869</u>	<u>\$ 110,995</u>	<u>\$ 1,383,059</u>

Exhibit C-2
School District of McFarland, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service	Food Service	Package Cooperative	Special Trust Fund	Community Service	
REVENUES						
Property taxes	\$ 3,235,085				\$ 394,365	\$ 3,629,450
Other local sources	7,561	747,587		213,737	225,158	1,194,043
Interdistrict payments			15,044			15,044
Intermediate payments			8,823			8,823
State sources		13,480				13,480
Federal sources		285,325				285,325
Other sources					204	204
Total revenues	<u>3,242,646</u>	<u>1,046,392</u>	<u>23,867</u>	<u>213,737</u>	<u>619,727</u>	<u>5,146,369</u>
EXPENDITURES						
Instruction:						
Regular instruction				6,632		6,632
Vocational instruction			12,763	171		12,934
Other instruction			691	160,701		161,392
Total instruction			<u>13,454</u>	<u>167,504</u>		<u>180,958</u>
Support services						
Pupil services			7,596	1,565		9,161
Instructional staff services			2,817	1,347		4,164
Building administration				24,696		24,696
Business administration				854	127,100	127,954
Food services		1,010,142				1,010,142
Community services					510,227	510,227
Principal, interest, and debt issuance costs	3,635,946					3,635,946
Total support services	<u>3,635,946</u>	<u>1,010,142</u>	<u>10,413</u>	<u>28,462</u>	<u>637,327</u>	<u>5,322,290</u>
Total expenditures	<u>3,635,946</u>	<u>1,010,142</u>	<u>23,867</u>	<u>195,966</u>	<u>637,327</u>	<u>5,503,248</u>
Excess (deficiency) of revenues over expenditures	<u>(393,300)</u>	<u>36,250</u>		<u>17,771</u>	<u>(17,600)</u>	<u>(356,879)</u>
OTHER FINANCING SOURCES						
Sale of capital assets					500	500
Premium on long-term debt	1,106,445					1,106,445
Total other financing sources	<u>1,106,445</u>				<u>500</u>	<u>1,106,945</u>
Net change in fund balances	<u>713,145</u>	<u>36,250</u>		<u>17,771</u>	<u>(17,100)</u>	<u>750,066</u>
Fund balances - beginning	210,533	114,546		115,098	128,095	568,272
Fund balances - ending	<u>\$ 923,678</u>	<u>\$ 150,796</u>		<u>\$ 132,869</u>	<u>\$ 110,995</u>	<u>\$ 1,318,338</u>

Exhibit C-3
School District of McFarland, Wisconsin
Schedule of Changes in Activity Accounts
For the Year Ended June 30, 2018

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/18</u>
ASSETS				
Cash	\$ 162,353	\$ 273,294	\$ (269,138)	\$ 166,509
Total assets	<u>\$ 162,353</u>	<u>\$ 273,294</u>	<u>\$ (269,138)</u>	<u>\$ 166,509</u>
LIABILITIES				
Due to Student Organizations:				
McFarland High School	\$ 79,082	\$ 173,514	\$ (178,301)	\$ 74,295
Indian Mountain Middle School	35,335	55,419	(51,376)	39,378
Waubesa School	20,903	14,596	(11,840)	23,659
McFarland Primary School	17,323	17,128	(12,883)	21,568
Spartan Headquarters Store	9,710	9,551	(12,913)	6,348
Special Education Transition	<u> </u>	<u>3,086</u>	<u>(1,825)</u>	<u>1,261</u>
Total due to student organizations	<u>162,353</u>	<u>273,294</u>	<u>(269,138)</u>	<u>166,509</u>
Total liabilities	<u>\$ 162,353</u>	<u>\$ 273,294</u>	<u>\$ (269,138)</u>	<u>\$ 166,509</u>

Exhibit C-4
School District of McFarland, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Awarding Agency/ Pass-Through Agency Award Description	Federal Catalog Number	Pass-Through Entity Identifying Number	(Receivable) June 30, 2017	Expenditures	Revenues Grantor Reimbursements	Receivable June 30, 2018	Passed Through to Subrecipients
<u>United States Department of Agriculture</u>							
Passed through Wisconsin Department of Public Instruction:							
Child Nutrition Cluster:							
School Breakfast Program July 1, 2017 to June 30, 2018	10.553	2018-133381-SB-546	\$	\$ 28,722	\$ 28,722	\$	\$
National School Lunch Program July 1, 2017 to June 30, 2018	10.555	2018-133381-NSL-547		186,637	186,637		
Donated Food Commodities July 1, 2017 to June 30, 2018	10.555	Not available		69,876	69,876		
Special Milk Program for Children July 1, 2017 to June 30, 2018	10.556	2018-133381-SMP-548		90	90		
Total-Child Nutrition Cluster				285,325	285,325		
Total United States Department of Agriculture				285,325	285,325		
<u>United States Department of Education</u>							
Passed through Wisconsin Department of Public Instruction:							
Special Education - Grants to States July 1, 2016 to June 30, 2017	84.027	2018-133381-IDEA-341	(240,872)		240,872		
Special Education - Grants to States July 1, 2017 to June 30, 2018				602,066	523,557	78,509	
Special Education - Preschool Grants July 1, 2016 to June 30, 2017	84.173	2018-133381-Pre-S-347	(4,833)		4,833		
Special Education - Preschool Grants July 1, 2017 to June 30, 2018				21,034	16,767	4,267	
High Cost Special Education Aid July 1, 2017 to June 30, 2018	84.027	2018-133381-IDEA-341		15,612	15,612		
Total Special Education Cluster				(245,705)	638,712	801,641	82,776
Title I - Grants to Local Educational Agencies July 1, 2016 to June 30, 2017	84.010	2018-133381-Title I-141	(4,484)		4,484		
Title I - Grants to Local Educational Agencies July 1, 2017 to June 30, 2018				56,937	7,560	49,377	41,344
Title IV-A-Student Support and Academic Enrichment July 1, 2017 to June 30, 2018	84.424	2018-133381-Title-IV-A-381		6,823		6,823	
Improve Teacher Quality State Grants July 1, 2016 to June 30, 2017	84.367	2018-133381-Title II-365	(3,584)		3,584		
Improve Teacher Quality State Grants July 1, 2017 to June 30, 2018				28,855	21,116	7,739	
<u>Passed Through Oregon School District</u>							
Carl Perkins Act July 1, 2016 to June 30, 2017	84.048	2018-134144-CP-CTE-400	(16,343)		16,343		
Carl Perkins Act July 1, 2017 to June 30, 2018				15,044		15,044	
<u>Passed Through CESA #2</u>							
Title IIIA English Language Acquisition July 1, 2016 to June 30, 2017	84.365	2018-133381-Title IIIA-391	(9,624)		9,624		
Title IIIA English Language Acquisition July 1, 2017 to June 30, 2018				8,823		8,823	
Total United States Department of Education				(279,740)	755,194	864,352	170,582
<u>United States Department of Health and Human Services</u>							
Passed through Wisconsin Department of Health Services							
Medical Assistance July 1, 2017 to June 30, 2018	93.778	Not Available		207,434	174,506	32,928	
Total United States Department of Health and Human Services				207,434	174,506	32,928	
Total - All Federal Awards			\$ (279,740)	\$ 1,247,953	\$ 1,324,183	\$ 203,510	\$ 41,344

Exhibit C-5
School District of McFarland, Wisconsin
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2018

Awarding Agency/ Pass-Through Agency <u>Award Description</u>	State I.D. Number	Pass Through ID Number	(Receivable) June 30, 2017	<u>Receipts</u> Grantor		Receivable June 30, 2018	Passed Through to Subrecipients
				Reimbursements	Expenditures		
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>							
Entitlement Programs:							
Handicapped Pupils and School Age Parents:							
Direct State Payments	255.101	133381-100	\$	\$ 1,432,264	\$ 1,432,264	\$	\$ 205,692
Total Handicapped Pupils and School Age Parents				1,432,264	1,432,264		205,692
General Equalization	255.201	133381-116	(176,793)	10,939,161	10,949,100	186,732	
Common School Fund	255.103	133381-104		80,707	80,707		
General Transportation Aid	255.107	133381-102		19,933	19,933		
High Cost Special Education Aid	255.210	133381-119		60,219	60,219		
School Breakfast Program	255.344	133381-108		2,532	2,532		
State Lunch	255.102	133381-107		9,475	9,475		
Wisconsin School Day Milk Program	255.115	133381-115		1,473	1,473		
Per Pupil Adjustment Aid	255.945	133381-113		954,450	954,450		
Educator Effectiveness	255.940	133381-154		23,600	23,600		
Career and Technical Education Incentive Grants	255.950	133381-151		23,439	23,439		
Assessment of Reading Readiness	255.956	133381-166		5,450	5,450		
Aid for Special Ed Transition Grant	255.960	133381-168		11,000	11,000		
Total State Awards			\$ (176,793)	\$ 13,563,703	\$ 13,573,642	\$ 186,732	\$ 205,692

Exhibit C-6
 School District of McFarland, Wisconsin
 Schedule of Charter School Authorizer Operating Costs
 Fiscal Year Ending June 30, 2018

OPERATING ACTIVITY	WUFUR OBJECT CODE	COST
Employee Salaries	100	\$ 17,280
Employee Benefits	200	
Purchased Services	300	
Non-Capital Objects	400	
Capital Objects	500	
Insurance & Judgements	700	
Dues & Fees	900	
Total		\$ 17,280

School District of McFarland
Notes to the Schedules of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018

NOTE 1

BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the School District of McFarland and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2

SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2017-2018 eligible costs under the State Special Education Program are \$4,828,333.

NOTE 3

INDIRECT COST RATE

The District does not use the 10 percent de Minimis indirect cost rate as allowed under the Uniform Guidance.



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

Independent Auditor's Report

Board of Education
School District of McFarland
McFarland, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of McFarland ("District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District of McFarland's basic financial statements, and have issued our report thereon dated November 12, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District of McFarland's Response to Finding

The School District of McFarland's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District of McFarland's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
November 12, 2018



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT GUIDELINES

Independent Auditor’s Report

Board of Education
School District of McFarland
McFarland, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the School District of McFarland’s (“District”)’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State Single Audit Guidelines issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District’s major federal and state programs for the year ended June 30, 2018. The District’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor’s Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
November 12, 2018

School District of McFarland
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified
 Internal control over financial reporting:
 • Material Weakness(es) identified? _____ Yes X No
 • Significant deficiency (ies) identified that are not considered to be
 material weaknesses? X Yes _____ None Reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:
 • Material Weakness(es) identified? _____ Yes X No
 • Significant deficiency(ies) identified that are not considered to be
 material weakness(es)? _____ Yes X None Reported
 Type of auditor’s report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance
 with 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 / 84.173	IDEA

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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

State Awards

Internal Control over major programs:
 • Material Weakness(es) identified? _____ Yes X No
 • Significant deficiency(ies) identified that are not considered to be
 material weaknesses? _____ Yes X None Reported
 Type of auditor’s report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance
 with State Single Audit Guidelines? _____ Yes X No

Identification of major programs:

255.201	General Equalization Aids
255.101	Special Education and School Age Parents
255.945	Per Pupil Aid

Dollar threshold used to distinguish between type A and type B programs: \$250,000

School District of McFarland
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2018

Federal program with required procedures on compliance and internal control over compliance. Testing required by the State of Wisconsin Department of Health Services.

Internal Control over programs with required procedures:

- Material Weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

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

Identification of other programs with required procedures:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance

Section II - Financial Statement Findings

Finding #2018-001- Preparation of Financial Statements (Prior year Finding #2017-001)

Condition: District staff maintains accounting records which reflect the District’s financial transactions; however, preparing the District’s financial statements, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with the auditor for their knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.

Effect: Because district staff relies on the auditor to assist with the preparation of the financial statements, the District’s system of internal control may not prevent, detect, or correct misstatements in the financial statements.

Cause: The district does not prepare the financial statements and related notes. The District has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Recommendation: The District should continue reviewing the audited financial statements and related notes. While it may not be cost beneficial to train staff to completely prepare the audited financial statements, a thorough review is necessary to obtain an understanding of the audited financial statements. The District is ultimately responsible for ensuring the audited financial statements are fairly presented in accordance with generally accepted accounting principles.

Views of Responsible Officials: The auditors prepare the financial statements but we review them and accept the statements prior to them being issued. We prepare financial reports that are reviewed by management and the Board of Education on a monthly basis. Any concerns or questions are addressed throughout the year.

School District of McFarland
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section III - Federal Award Findings and Responses

None

Section IV – State Award Findings and Responses

None

Section V – Other Programs with Required Procedures

None

Section VI – Other Issues

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

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

Department of Corrections	N/A
Department of Health Services	Yes
Department of Workforce Development	N/A
Department of Public Instruction	Yes
Department of Administration	N/A

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

4. Name and signature of partner


Jay Bennett, CPA

5. Date of report: November 12, 2018

School District of McFarland
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018

Finding

#2017-001 This is still a finding. See finding #2018-001.