



SCHOOL DISTRICT OF MCFARLAND
FINANCIAL STATEMENTS
Including Independent Auditor's Report
As of and for the Year Ended June 30, 2019

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School District of McFarland
June 30, 2019
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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, 2019, 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, 2019, 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.

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 16, 2019, 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.
November 16, 2019

SCHOOL DISTRICT OF MCFARLAND
McFarland, Wisconsin
Management Discussion & Analysis, June 30, 2019

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

Total governmental funds' revenue was \$54,876,570; including \$19,072,517 in local revenue, \$14,543,688 of state aid, \$1,212,553 of Federal aid, \$19,952,265 of Inter-district payments, \$2,019 of Intermediate payments and \$93,528 of other services. Total governmental fund expenditures were \$85,613,158; including \$20,117,370 for direct instruction.

The following financial events took place during fiscal year 2019:

- The District was successful in November of 2016 with 3 referendum questions that continued to impact the 2019 Fiscal year.
 - 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 charters 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.

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.

SCHOOL DISTRICT OF MCFARLAND
 McFarland, Wisconsin
 Management Discussion & Analysis, June 30, 2019

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, net pension liability, and local retiree life insurance.

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, 2019

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, 2019

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, 2019 (in thousands of dollars).

	2018	2019	\$ chg
Current and other assets	\$ 32,746	\$ 21,916	\$ (10,830)
Capital assets and net pension asset	54,755	81,322	26,567
Deferred outflows of resources	6,013	10,722	4,709
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	93,514	113,960	20,446
Current and other liabilities	4,446	5,894	1,448
Net pension liability		3,916	3,916
Other long-term obligations	53,956	69,426	15,470
Deferred inflows of resources	6,712	6,738	26
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	65,114	85,974	20,860
Net position:			
Net investment in capital assets	26,006	24,832	(1,174)
Restricted	1,419	1,773	354
Unrestricted	975	1,381	406
TOTAL NET POSITION	\$ 28,400	\$ 27,986	\$ (414)

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

Revenues	2018	2019	\$ Chg
Program Revenues			
Charges for services	\$ 18,905	\$ 21,389	\$ 2,484
Operating grants & contributions	3,140	3,422	282
General Revenues			
Property taxes	15,696	16,735	1,039
State formula aid	11,919	12,742	823
Other	742	864	122
TOTAL REVENUES	50,402	55,152	4,750
Expenses			
Instruction	19,436	20,206	770
Pupil & Instructional Services	2,886	3,003	117
General Administration Services	438	550	112
Building Administration Services	1,638	1,952	314
Business Administration	4,312	4,757	445
Central Services	390	64	(326)
Insurance	249	253	4
Other Support Services	1,010	1,011	1
Food Services	401	946	545
Community Services	643	693	50
Interest on Debt	1,947	2,289	342
Purchased Instruction	115	17,610	17,495
Other Non-Program Transactions	15,085	2,018	(13,067)
Other	207	214	7
TOTAL EXPENSES	48,757	55,566	6,809
INCREASE (DECREASE) IN NET POSITION	\$ 1,645	\$ (414)	\$ (2,059)

Note: totals may not add due to rounding.

SCHOOL DISTRICT OF MCFARLAND
 McFarland, Wisconsin
 Management Discussion & Analysis, June 30, 2019

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 of Services		Less Charges For Services		Less Operating Grants & Contr.		Net Cost of Services	
	2018	2019	2018	2019	2018	2019	2018	2019
Expenses								
Instruction	\$ 19,436	\$ 20,206	\$ 2,622	\$ 2,563	\$ 2,219	\$ 2,573	\$ 14,595	\$ 15,070
Pupil & Instructional Services	2,886	3,003	1	1	308	323	2,577	2,679
General Administration Services	438	550					438	550
Building Administration Services	1,638	1,952		40			1,638	1,912
Business Administration	4,312	4,757	40		54	120	4,218	4,637
Central Services	390	64				2	390	62
Insurance	249	253			31	31	218	222
Food Service	1,010	1,011	748	773	299	288	(37)	(50)
Other Support Services	401	946			7		394	946
Other	2,704	5,000	218	200		3	2,486	4,797
Purchased Instructional Services	15,085	17,610	15,070	17,590	221	82	(206)	(62)
Other Non-Program Transactions	208	214	206	222			2	(8)
TOTAL EXPENSES	\$ 48,757	\$ 55,566	\$ 18,905	\$ 21,389	\$ 3,139	\$ 3,422	\$ 26,713	\$ 30,755

Note: totals may not add due to rounding.

The cost of all governmental activities this year was \$55.6 million. Individuals who directly participated or benefited from a program offering paid for \$21.3 million of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3.4 million. The net cost of governmental activities of \$30.7 million with a \$4.0 million increase over the previous year.

The composition of governmental revenues by source is illustrated below:

Governmental Revenue by Source			
	2018	2019	\$ Chg
Local	\$ 17,924,933	\$ 19,072,517	\$ 1,147,584
Interdistrict	17,491,455	19,952,265	2,460,810
Intermediate	8,823	2,019	(6,804)
State	13,588,734	14,543,688	954,954
Federal	1,224,084	1,212,553	(11,531)
Other	49,339	93,528	44,189
Total Revenue	\$ 50,287,368	\$ 54,876,570	\$ 4,589,202

The composition of governmental expenditures by type is illustrated below:

Governmental Expense by Type			
	2018	2019	\$ Chg
Instruction	\$ 18,663,931	\$ 20,117,370	\$ 1,453,439
Support Services	39,361,189	47,671,213	8,310,024
Non-Program Transactions	15,292,690	17,824,575	2,531,885
Total Expenses	\$ 73,317,810	\$ 85,613,158	\$ 12,295,348

SCHOOL DISTRICT OF MCFARLAND
 McFarland, Wisconsin
 Management Discussion & Analysis, June 30, 2019

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$18,731,433 compared to last year's ending fund balance of \$30,867,037.

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 2018-19 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 2019, the District had invested almost \$110.6 million in capital assets, including buildings; sites and equipment (see Table 4 below). Total accumulated depreciation on these assets was \$29.2 million. Asset acquisitions for governmental activities totaled \$32,621,223. The District recognized depreciation expense of 58.0%. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

Table 4
Capital Assets
(net of depreciation, in thousands of dollars)

	Governmental Activities		Total % Change
	2018	2019	18-19
Land	\$ 2,109	\$ 2,109	0.0%
Construction Work in Progress	24,651		-100.0%
Buildings and improvements	40,144	95,982	139.1%
Furniture and equipment	11,353	12,472	9.9%
Accumulated deprectiation	(26,774)	(29,241)	9.2%
TOTAL	\$ 51,483	\$ 81,322	58.0%

Note: totals may not add due to rounding.

SCHOOL DISTRICT OF MCFARLAND
 McFarland, Wisconsin
 Management Discussion & Analysis, June 30, 2019

Long-term Debt

At year-end, the District had \$63.1 million in notes payable and other long-term debt outstanding – an increase of \$16.2 million from fiscal year 2018. 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.)

Table 5
Outstanding Long-term Obligations
 (in thousands of dollars)

	Total School District		Total % Change
	2018	2019	18-19
General Obligation Debt	\$ 46,350	\$ 62,825	35.5%
Capital Lease Payable	555	305	-45.0%
Net Pension Liability		3,917	100.0%
Accrued interest on long-term debt	404	546	35.1%
Bond Premium	1,530	1,898	100.0%
Other post-retirement benefits	6,326	5,247	-17.1%
Compensated Absences	1,358	1,313	-3.3%
TOTAL	\$ 56,523	\$ 76,051	34.5%

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 which continued to impact the 2020 Fiscal Year.
 - 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, 2019

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	\$	6,711,233
Restricted cash		10,726,336
Taxes receivable		3,936,932
Prepaid expenses		99,239
Due from other governmental units		386,653
Other receivables		43,640
Inventory		12,366
Total current assets		21,916,399
Noncurrent assets:		
Capital assets:		
Property and equipment		110,562,889
Less: accumulated depreciation		(29,241,197)
Net book value of capital assets		81,321,692
Total assets		103,238,091
DEFERRED OUTFLOWS OF RESOURCES		
Pension outflows		10,122,180
OPEB - District health insurance plan outflows		479,450
OPEB - group life insurance plan outflows		120,327
Total deferred outflows of resources		10,721,957
Total assets and deferred outflows of resources	\$	113,960,048
LIABILITIES		
Current liabilities:		
Accounts payable	\$	2,354,621
Accrued employee benefits payable		779,361
Accrued interest payable		546,073
Current portion of long-term obligations		2,163,079
Customer deposits		50,984
Total current liabilities		5,894,118
Noncurrent liabilities:		
Bonds and notes payable, plus unamortized debt premiums of \$1,898,071		64,723,071
Capital lease payable		304,976
Compensated absences		1,312,926
Net pension liability		3,916,638
OPEB - District health insurance plan		4,602,109
OPEB - group life insurance plan		645,066
Less: current portion		(2,163,079)
Total noncurrent liabilities		73,341,707
Total liabilities		79,235,825
DEFERRED INFLOWS OF RESOURCES		
Pension inflows		5,460,566
OPEB - District health insurance plan inflows		1,105,215
OPEB - group life insurance plan inflows		172,548
Total deferred inflows of resources		6,738,329
NET POSITION		
Net investment in capital assets		24,832,434
Restricted for:		
Food service		174,957
Debt service		665,451
Community service		31,289
Capital projects		726,664
Trust purposes		175,041
Unrestricted		1,380,058
Total net position		27,985,894
Total liabilities, deferred inflows of resources and net position	\$	113,960,048

Exhibit A-2
School District of McFarland, Wisconsin
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Instruction:					
Regular instruction	\$ 12,849,275	\$ 2,355,328	\$ 136,696	\$ 145,336	\$ (10,211,915)
Vocational education	810,739	16,090	24,265		(770,384)
Special education	4,682,811	277	2,077,430		(2,605,104)
Other instruction	1,863,277	191,842	189,381		(1,482,054)
Total instruction	<u>20,206,102</u>	<u>2,563,537</u>	<u>2,427,772</u>	<u>145,336</u>	<u>(15,069,457)</u>
Support services:					
Pupil services	1,438,424		20,478		(1,417,946)
Instructional staff services	1,564,417	298	302,490		(1,261,629)
General administration services	550,158				(550,158)
Building administration services	1,951,252	39,816			(1,911,436)
Business administration	4,757,513		101,444	19,000	(4,637,069)
Central services	64,330		1,999		(62,331)
Insurance	253,002		31,000		(222,002)
Food service	1,011,082	773,417	287,809		50,144
Other support services	946,031				(946,031)
Community services	693,288	200,221	3,100		(489,967)
Interest, issuance costs, other charges on debt	2,288,677				(2,288,677)
Depreciation - unallocated	2,017,928				(2,017,928)
Total support services	<u>17,536,102</u>	<u>1,013,752</u>	<u>748,320</u>	<u>19,000</u>	<u>(15,755,030)</u>
Non-program transactions:					
Purchased instructional services	17,610,146	17,589,784	81,888		61,526
Other non-program transactions	214,429	222,136			7,707
Total non-program transactions	<u>17,824,575</u>	<u>17,811,920</u>	<u>81,888</u>		<u>69,233</u>
Total governmental activities	<u>55,566,779</u>	<u>21,389,209</u>	<u>3,257,980</u>	<u>164,336</u>	<u>(30,755,254)</u>
General revenues:					
Property taxes					
General purposes					12,615,797
Debt services					3,465,803
Capital projects					249,000
Community services					394,365
Other taxes					10,592
Federal and State aid not restricted for specific purposes					
General					12,742,183
Interest and investment earnings					736,476
Gain (loss) on sale of fixed assets					33,511
Miscellaneous					93,531
Total general revenues					<u>30,341,258</u>
Changes in net position					
					(413,996)
Net position - beginning, as previously reported					
					<u>28,399,890</u>
Net position - ending					
					<u>\$ 27,985,894</u>

Exhibit A-3
School District of McFarland, Wisconsin
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and investments	\$ 4,363,944	\$ 726,664	\$ 1,620,625	\$ 6,711,233
Restricted cash		10,726,336		10,726,336
Taxes receivable	3,936,932			3,936,932
Prepaid expenses	99,239			99,239
Accounts receivable	43,190		450	43,640
Due from other governments	380,178		6,475	386,653
Due from other funds	1,742			1,742
Inventory			12,366	12,366
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>8,825,225</u>	\$ <u>11,453,000</u>	\$ <u>1,639,916</u>	\$ <u>21,918,141</u>
LIABILITIES				
Accounts payable	\$ 167,075	\$ 2,187,546		\$ 2,354,621
Accrued employee benefits payable	779,361			779,361
Due to other funds			1,742	1,742
Customer deposits	5,621		45,363	50,984
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	952,057	2,187,546	47,105	3,186,708
FUND BALANCES				
Nonspendable	99,239		12,366	111,605
Restricted		9,265,454	1,580,445	10,845,899
Assigned	261,101			261,101
Unassigned	7,512,828			7,512,828
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	7,873,168	9,265,454	1,592,811	18,731,433
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>8,825,225</u>	\$ <u>11,453,000</u>	\$ <u>1,639,916</u>	\$ <u>21,918,141</u>

Exhibit A-4
School District of McFarland, Wisconsin
Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position
June 30, 2019

Total fund balances - governmental funds: \$ 18,731,433

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	110,562,889	
Governmental accumulated depreciation	<u>(29,241,197)</u>	81,321,692

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		10,721,957
Deferred inflows of resources		<u>(6,738,329)</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	62,825,000	
Debt premiums	1,898,071	
Capital lease payable	304,976	
Accrued interest on long-term debt	546,073	
Net pension liability	3,916,638	
Compensated absences	1,312,926	
OPEB - District health insurance plan	4,602,109	
OPEB - group life insurance plan	<u>645,066</u>	<u>(76,050,859)</u>

Total net position - governmental activities \$ 27,985,894

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, 2019

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 12,626,389	\$ 249,000	\$ 3,860,168	\$ 16,735,557
Other local sources	628,842	487,097	1,221,021	2,336,960
Interdistrict sources	19,936,069		16,196	19,952,265
Intermediate sources	277		1,742	2,019
State sources	14,529,491		14,197	14,543,688
Federal sources	938,339		274,214	1,212,553
Other sources	90,574		2,954	93,528
Total revenues	48,749,981	736,097	5,390,492	54,876,570
EXPENDITURES				
Instruction:				
Regular instruction	12,082,251	1,043,844	115	13,126,210
Vocational instruction	764,384		16,279	780,663
Special instruction	4,423,888			4,423,888
Other instruction	1,632,135		154,474	1,786,609
Total instruction	18,902,658	1,043,844	170,868	20,117,370
Support services:				
Pupil services	1,365,120		2,502	1,367,622
Instructional staff services	1,484,534		5,603	1,490,137
General administration services	528,781			528,781
Building administration services	1,820,125		32,361	1,852,486
Business administration	4,361,428	31,188,107	140,123	35,689,658
Central services	65,608		500	66,108
Insurance	253,002			253,002
Food service			1,038,284	1,038,284
Community service			543,830	543,830
Principal, interest, and debt issue costs	260,111		3,661,176	3,921,287
Other support services	920,018			920,018
Total support services	11,058,727	31,188,107	5,424,379	47,671,213
Non-program transactions:				
Purchased instructional services	17,610,146			17,610,146
Other non-program transactions	214,429			214,429
Total non-program transactions	17,824,575			17,824,575
Total expenditures	47,785,960	32,231,951	5,595,247	85,613,158
Excess (deficiency) of revenues over expenditures	964,021	(31,495,854)	(204,755)	(30,736,588)
OTHER FINANCING SOURCES				
Debt proceeds		18,000,000		18,000,000
Net premium on long-term debt			478,611	478,611
Sale of capital assets	121,756		617	122,373
Total other financing sources	121,756	18,000,000	479,228	18,600,984
Net change in fund balances	1,085,777	(13,495,854)	274,473	(12,135,604)
Fund balances - beginning	6,787,391	22,761,308	1,318,338	30,867,037
Fund balances - ending	\$ 7,873,168	\$ 9,265,454	\$ 1,592,811	\$ 18,731,433

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, 2019

Net change in fund balances - total governmental funds	\$	(12,135,604)
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	32,753,559	
Depreciation expenses reported in the statement of activities	<u>(2,826,492)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		29,927,067
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, and disposals) is to increase/decrease net position:		
		(88,862)
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		(1,433,768)
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		1,775,067
Debt proceeds are reported in governmental funds as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net position and does not affect the statement of activities		
The amount of debt proceeds in the current year is		(18,000,000)
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	(478,611)	
Amount of debt premiums amortized in the current year	<u>110,362</u>	(368,249)
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		45,186
Change in OPEB - District health insurance plan liability and related deferred outflows and inflows of resources		73,853
Change in OPEB - group life insurance plan liability and related deferred outflows and inflows of resources		(66,230)
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	2,020,283	
The amount of interest accrued during the current period	<u>(2,162,739)</u>	
Interest paid is greater (less) than interest accrued by		<u>(142,456)</u>
Change in net position - governmental activities	\$	<u><u>(413,996)</u></u>

Exhibit A-7
School District of McFarland, Wisconsin
Statement of Net Position
Fiduciary Funds
June 30, 2019

	<u>Agency</u>
ASSETS	
Cash and investments	\$ <u>160,799</u>
Total assets	\$ <u><u>160,799</u></u>
LIABILITIES	
Due to student groups	\$ <u>160,799</u>
Total liabilities	\$ <u><u>160,799</u></u>

Exhibit A-8
School District of McFarland, Wisconsin
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Private Purpose Trust
ADDITIONS	
Gifts	\$ 2,500
Total additions	2,500
DEDUCTIONS	
Scholarships awarded	\$ 2,500
Total deductions	2,500
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, 2019

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School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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, 2019

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, 2019

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, 2019

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.

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

Property taxes are recognized as revenue in the period for which the taxes are levied. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

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, 2019

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 and food service funds are governmental activities and consist of expendable food and 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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 generally pooled for investment purposes with the exception of a separate checking account for the debt service and accounts held with the Wisconsin Investment Series Cooperative for the capital projects and student activity funds. At June 30, 2019, the cash and investments included the following:

Account Balances	
Petty cash/cash on hand	\$ 3,000
Deposits with financial institutions	6,810,038
Wisconsin Investment Series Cooperative	10,784,637
Local Government Investment Pool	693
Total	\$ 17,598,368
Per Statement of Net Position - Exhibit A-1:	
Cash and investments	\$ 6,711,233
Restricted cash	10,726,336
Per Statement of Net Position - Fiduciary Funds - Exhibit A-7:	
Cash and investments	160,799
Total	\$ 17,598,368

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

The Wisconsin Investment Series Cooperative investments consist of the following:

Money market accounts	\$ 9,655,276
Certificates of deposit	1,129,361
	\$ 10,784,637

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	\$ 1,129,361	\$ 1,129,361

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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, 2019, the District had \$7,807,197 of deposits with financial institutions. Of this amount, \$397,779 was insured by the FDIC or the NCUA and \$7,409,418 was insured by collateral with financial institutions.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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, 2019, 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, 2019 was: 94.82% in U.S. Government Securities, 1.46% in Bankers' Acceptances and 3.72% 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) and Cash Management Class (CMS). The IS are pooled funds investing in U.S. government obligations, agencies and commercial paper. The Cash Management Class has no minimum balance requirements and no minimum amount requirements for deposits or withdrawals. The IS requires a 14-day minimum investment period and one business day withdrawal notice. Permitted Investments are in such a manner as to result in an average dollar weighted maturity for the Portfolio of no greater than sixty (60) days. The Permitted Investments are selected by the Fund's investment advisor, US Bank National Association (the "Investment Advisor") and its sub-advisor, Prudent Man Advisors, LLC (the "Subadvisor"), and consist of money market instruments having a maximum maturity of 397 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.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

NOTE 4 CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Balance 7/1/18	Additions	Deletions	Balance 6/30/19
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,109,194	\$	\$	\$ 2,109,194
Construction work in progress	24,651,272		(24,651,272)	
Total capital assets not being depreciated	26,760,466		(24,651,272)	2,109,194
 <i>Capital assets, being depreciated:</i>				
Buildings	37,688,185	53,802,618		91,490,803
Land improvements	2,456,021	2,034,890		4,490,911
Furniture and equipment	11,353,458	1,567,323	(448,800)	12,471,981
Total capital assets, being depreciated	51,497,664	57,404,831	(448,800)	108,453,695
Total capital assets	78,258,130	57,404,831	(25,100,072)	110,562,889
 <i>Less accumulated depreciation:</i>				
Buildings	15,562,675	2,037,322		17,599,997
Land improvements	1,943,343	101,306		2,044,649
Furniture and equipment	9,268,625	687,864	(359,938)	9,596,551
Total accumulated depreciation	26,774,643	2,826,492	(359,938)	29,241,197
Total net capital assets	\$ 51,483,487	\$ 54,578,339	\$ (24,740,134)	\$ 81,321,692

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 539,534
Vocational instruction	7,146
Other instruction	472
Pupil services	10,355
Instructional staff services	401
Building administration	7,790
Business administration	241,782
Other support services	1,084
Depreciation not charged to a specific function	2,017,928
Total depreciation for governmental activities	\$ 2,826,492

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital outlay was charged to governmental functions as follows:

Regular instruction	\$ 1,347,388
Vocational instruction	15,551
Other instruction	2,941
Building administration services	17,736
Business administration	31,237,607
Total capital outlay	\$ 32,621,223

NOTE 5 SHORT-TERM AND LONG-TERM OBLIGATIONS

A. Short-term Notes Payable

Short-term obligations of the District are as follows:

	Balance 7/1/2018	Additions	Removals	Balance 6/30/2019
Tax and revenue anticipation notes		\$ 1,500,000	\$ (1,500,000)	\$

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, 2019 were as follows:

	Beginning 7/1/2018	Increases	Decreases	Balance 6/30/2019	Current Portion
Bonds and notes payable:					
General obligation bonds and notes	\$ 46,350,000	\$ 18,000,000	\$ (1,525,000)	\$ 62,825,000	\$ 1,665,000
Unamortized bond premium	1,529,822	478,611	(110,362)	1,898,071	
Total bonds and notes payable	47,879,822	18,478,611	(1,635,362)	64,723,071	1,665,000
Other liabilities:					
Capital lease payable	555,043		(250,067)	304,976	146,299
Compensated absences	1,358,112	358,819	(404,005)	1,312,926	351,780
Total other liabilities	1,913,155	358,819	(654,072)	1,617,902	498,079
Per statement of net position	\$ 49,792,977	\$ 18,837,430	\$ (2,289,434)	\$ 66,340,973	\$ 2,163,079

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

Total interest paid and accrued during the year:

	Expense	Paid
Long-term debt	\$ 2,162,739	\$ 2,020,283
Short-term borrowing	1,717	1,717
Totals	\$ 2,164,456	\$ 2,022,000

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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, 2019 is comprised of the following individual issues:

Description	Issue Date	Interest Rates	Date of Maturity	Balance
G.O. promissory notes	12/28/2016	2.0 - 3.0%	4/1/2026	5,350,000
G.O. improvement bonds	8/1/2017	2.5 - 5.0%	4/1/2037	39,475,000
G.O. improvement bonds	8/15/2019	3.0 - 4.0%	4/1/2038	18,000,000
Total general obligation bonds and notes				<u>\$ 62,825,000</u>

The 2018 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$1,438,638,938. The legal debt limit and margin of indebtedness as of June 30, 2019 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$1,438,638,938)	\$ 143,863,894
Deduct long-term debt applicable to debt margin	<u>(62,825,000)</u>
Margin of indebtedness	<u>\$ 81,038,894</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest at June 30, 2019 follows:

Year Ended	General Obligation Bonds and Notes			
	June 30,	Principal	Interest	Total
2020	\$	1,665,000	\$ 2,174,944	\$ 3,839,944
2021		1,905,000	2,112,694	4,017,694
2022		2,135,000	2,034,194	4,169,194
2023		2,390,000	1,952,144	4,342,144
2024		2,585,000	1,868,344	4,453,344
2025 - 2029		15,500,000	7,691,719	23,191,719
2030 - 2034		17,710,000	5,071,156	22,781,156
2035 - 2038		18,935,000	1,739,375	20,674,375
Totals	\$	<u>62,825,000</u>	<u>\$ 24,644,570</u>	<u>\$ 87,469,570</u>

C. Employee Benefits

Employee benefits at June 30, 2019 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, 2019. The estimated liability for earned benefits at June 30, 2019 is \$1,312,926, 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, 2019

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 \$463,313. The future minimum lease payments as of June 30, 2019 are as follows:

Year Ended June 30,	
2020	\$ 149,968
2021	149,968
2022	11,347
Total Payments	311,283
Less: Interest	(6,307)
Principal lease payments	\$ 304,976

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, 2019

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
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
2018	2.4	17

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 \$1,133,690 in contributions from the employer.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contribution rates as of June 30, 2019 are:

Employee Category	Employee	Employer
General (including teachers)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At June 30, 2019, the School District of McFarland reported a liability (asset) of \$3,916,638 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the School District of McFarland's proportion was 0.11008948%, which was a decrease of 0.00008688% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School District of McFarland's recognized pension expense of \$2,596,164.

At June 30, 2019, 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	\$ 3,050,468	\$ 5,392,131
Changes of assumptions	660,202	
Net differences between projected and actual earnings on pension plan investments	5,719,982	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,255	68,435
Employer contributions subsequent to the measurement date	689,273	
Total	\$ 10,122,180	\$ 5,460,566

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$689,273 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, 2020. 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:	Net Deferred Outflows (Inflows) of Resources
2020	\$ 1,420,385
2021	349,958
2022	634,197
2023	1,567,801
Total	\$ 3,972,341

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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, 2018			
<u>Core Fund Asset Class</u>	<u>Asset Allocation</u> %	<u>Long-Term</u> <u>Expected Nominal</u> <u>Rate of Return %</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return %</u>
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%			
Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations			

Single Discount rate. A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 municipal bond 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, 2019

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
School District of McFarland's proportionate share of the net pension liability (asset)	\$15,565,132	\$3,916,638	(\$4,744,919)

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	\$ 99,239
Food service	
Inventory	12,366
Total nonspendable fund balance	<u>\$ 111,605</u>
Assigned:	
General Fund	
Replacements	\$ 43,480
Career and technical education incentive grant	79,621
Special education transition grant	16,000
Early retirement	122,000
Total assigned fund balance	<u>\$ 261,101</u>
Restricted:	
Debt service fund	\$ 1,211,524
Special revenue trust fund	175,041
Capital projects fund	9,265,454
Food service fund	162,591
Community service fund	31,289
Total restricted fund balance	<u>\$ 10,845,899</u>

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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, 2019 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Package cooperative	<u>\$ 1,742</u>	Cash flow

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, 2019 includes the following:

Governmental activities:	
Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 81,321,692
Less: related long-term debt outstanding	(54,591,187)
Less: unamortized bond premium	(1,898,071)
Total net investment in capital assets	<u>24,832,434</u>
Restricted:	
Food service	174,957
Debt service	665,451
Community service	31,289
Capital projects	726,664
Trust purposes	175,041
Total restricted	<u>1,773,402</u>
Unrestricted	<u>1,380,058</u>
Total governmental activities net position	<u>\$ 27,985,894</u>

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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 344 active and 42 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	42
Inactive employees entitled to but not yet receiving benefit payments	
Active employees	<u>344</u>
	<u><u>386</u></u>

Total OPEB Liability – The District’s total OPEB Liability of \$4,602,109 was measured at June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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	3.75 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 adjusted for future mortality improvements using the MP-2015 fully generated improvement scale (multiplied 50%).

The actuarial assumptions used in the June 30, 2018 valuation were based on a study conducted in 2015 using the Wisconsin Retirement System (WRS) experience from 2012-2014.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 6/30/2017	<u>\$ 5,600,132</u>
Changes for the year:	
Service cost	325,357
Interest	193,959
Changes of benefit terms	
Differences between expected and actual experience	(348,696)
Changes in assumptions or other inputs	(726,367)
Benefit payments	(442,276)
Net Changes	<u>(998,023)</u>
Balance at 6/30/2018	<u><u>\$ 4,602,109</u></u>

There were no changes of benefit terms.

Changes of assumptions or other inputs resulted in a decrease in the Total OPEB Liability. These changes included WRS decrement assumptions, assumed discount rate, updated age-graded factors used to determine Implicit Rate Subsidy and updated participation assumptions.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

		1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total OPEB Liability	6/30/2018	\$ 4,877,148	\$ 4,602,109	\$ 4,342,069

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	6/30/2018	\$ 4,411,203	\$ 4,602,109	\$ 4,822,939

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$405,597. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$	\$ 316,996
Changes of assumptions or other inputs		788,219
Contributions after the measurement date	479,450	
Total	\$ 479,450	\$ 1,105,215

\$479,450 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, 2020. 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:

2020	\$	(113,719)
2021		(113,719)
2022		(113,719)
2023		(113,719)
2024		(113,719)
Thereafter		(536,620)
Total	\$	(1,105,215)

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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, 2019 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, 2018 are as listed below:

Life Insurance Employee Contribution Rates* For the year ended December 31, 2018		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57
*Disabled members under age 70 receive a wavier-of-premium benefit		

During the reporting period, the LRLIF recognized \$4,816 in contributions from the employer.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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, 2019, the LRLIF Employer reported a liability (asset) of \$645,066 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the District's proportion was 0.24999300%, which was an increase of 0.008609% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$71,119.

At June 30, 2019, 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	\$	\$ 32,723
Changes of assumptions	61,549	139,825
Net differences between projected and actual earnings on OPEB plan investments	15,416	
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,930	
Employer contributions subsequent to the measurement date	2,432	
Totals	\$ 120,327	\$ 172,548

\$2,432 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, 2020. 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:	
2020	\$ (5,661)
2021	(5,661)
2022	(5,661)
2023	(7,826)
2024	(10,056)
Thereafter	(19,788)
Total	\$ (54,653)

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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

Actuarial assumptions. The total OPEB liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	4.1%
Long-Term Expected Rated of Return:	5.00%
Discount Rate:	4.22%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The Total OPEB Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation

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, 2018**

<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%	1.44%
US Credit Bonds	Barclays Credit	40%	2.69%
US Long Credit Bonds	Barclays Long Credit	4%	3.01%
US Mortgages	Barclays MBS	54%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

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

Single Discount rate. A single discount rate of 4.22% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.63% for the prior year. 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. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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 4.22 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 (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
District’s proportionate share of the net OPEB liability (asset)	\$917,650	\$645,066	\$434,830

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 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 \$17,811,920 for the school year ended June 30, 2019. 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 16 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.

School District of McFarland
Notes to the Basic Financial Statements
June 30, 2019

NOTE 17

COMMITMENTS/SUBSEQUENT EVENTS

On November 8, 2016, a referendum was passed to issue general obligation bonds in an amount not to exceed \$65,150,000 in order to pay for district-wide capital improvement projects. As of June 30, 2019, the District has issued all bonds, however, approximately \$8.5 million of expenditures will occur during the 2019-2020 school year.

Prior to June 30, 2019, the District approved the following:

- Roofing contract for approximately \$667,000.
- Tennis court renovations for approximately \$499,000.
- Purchase of chromebooks and desktop units for approximately \$268,000.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1
School District of McFarland, Wisconsin
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Property taxes	\$ 12,427,736	\$ 12,626,797	\$ 12,626,389	\$ 198,653	\$ (408)
Other local sources	181,000	228,000	628,842	447,842	400,842
Interdistrict sources	16,100,000	16,100,000	19,936,069	3,836,069	3,836,069
State sources	12,774,452	12,935,067	13,012,045	237,593	76,978
Federal sources	82,062	138,617	144,606	62,544	5,989
Other sources	40,000	40,000	90,574	50,574	50,574
Total revenues	<u>41,605,250</u>	<u>42,068,481</u>	<u>46,438,525</u>	<u>4,833,275</u>	<u>4,370,044</u>
EXPENDITURES					
Instruction:					
Undifferentiated curriculum	6,526,648	6,943,004	6,924,412	(397,764)	18,592
Regular curriculum	5,619,309	5,491,205	5,157,839	461,470	333,366
Vocational instruction	766,870	766,870	764,384	2,486	2,486
Physical curriculum	617,842	617,842	584,929	32,913	32,913
Co-curricular activities	780,107	780,107	842,584	(62,477)	(62,477)
Gifted and talented	223,462	223,462	204,622	18,840	18,840
Total instruction	<u>14,534,238</u>	<u>14,822,490</u>	<u>14,478,770</u>	<u>55,468</u>	<u>343,720</u>
Support services:					
Pupil services	847,647	857,647	724,492	123,155	133,155
Instructional staff services	1,098,410	1,152,590	1,201,207	(102,797)	(48,617)
General administration services	505,113	505,113	528,781	(23,668)	(23,668)
Building administration services	1,666,985	1,790,891	1,820,125	(153,140)	(29,234)
Business administration	4,071,718	4,151,643	4,218,645	(146,927)	(67,002)
Central services	30,425	29,999	65,608	(35,183)	(35,609)
Insurance	208,000	208,000	222,002	(14,002)	(14,002)
Principal and interest	288,098	288,098	260,111	27,987	27,987
Other support services	953,647	953,647	920,018	33,629	33,629
Total support services	<u>9,670,043</u>	<u>9,937,628</u>	<u>9,960,989</u>	<u>(290,946)</u>	<u>(23,361)</u>
Non-program transactions:					
Purchased instructional services	13,655,131	13,716,798	17,372,498	(3,717,367)	(3,655,700)
Other non-program transactions			1,178	(1,178)	(1,178)
Total non-program transactions	<u>13,655,131</u>	<u>13,716,798</u>	<u>17,373,676</u>	<u>(3,718,545)</u>	<u>(3,656,878)</u>
Total expenditures	<u>37,859,412</u>	<u>38,476,916</u>	<u>41,813,435</u>	<u>(3,954,023)</u>	<u>(3,336,519)</u>
Excess (deficiency) of revenues over expenditures	<u>3,745,838</u>	<u>3,591,565</u>	<u>4,625,090</u>	<u>879,252</u>	<u>1,033,525</u>
OTHER FINANCING SOURCES (USES)					
Transfer to special education fund	(3,728,176)	(3,781,240)	(3,661,069)	67,107	120,171
Sale of capital assets			121,756	121,756	121,756
Total other financing sources (uses)	<u>(3,728,176)</u>	<u>(3,781,240)</u>	<u>(3,539,313)</u>	<u>188,863</u>	<u>241,927</u>
Net change in fund balance	17,662	(189,675)	1,085,777	1,068,115	1,275,452
Fund balance - beginning	6,787,391	6,787,391	6,787,391		
Fund balance - ending	<u>\$ 6,805,053</u>	<u>\$ 6,597,716</u>	<u>\$ 7,873,168</u>	<u>\$ 1,068,115</u>	<u>\$ 1,275,452</u>

Exhibit B-2
School District of McFarland, Wisconsin
Budgetary Comparison Schedule for the Special Education Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances- Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Intermediate sources	\$	\$	\$ 277	\$ 277	\$ 277
State sources			1,465,000	52,446	52,446
Federal sources			881,000	(87,267)	(110,324)
Total revenues			<u>2,346,000</u>	<u>(34,544)</u>	<u>(57,601)</u>
EXPENDITURES					
Instruction:					
Special education curriculum			4,440,858	16,970	31,175
Total instruction			<u>4,440,858</u>	<u>16,970</u>	<u>31,175</u>
Support services:					
Pupil services			687,168	46,540	46,240
Instructional staff services			315,117	31,790	41,090
Business administration			168,763	25,980	20,076
Insurance			31,000		
Total support services			<u>1,202,048</u>	<u>104,310</u>	<u>107,406</u>
Non-program transactions:					
Purchased instructional services			231,270	(6,378)	52,442
Other non-program transactions			200,000	(13,251)	(13,251)
Total non-program transactions			<u>431,270</u>	<u>(19,629)</u>	<u>39,191</u>
Total expenditures			<u>6,074,176</u>	<u>101,651</u>	<u>177,772</u>
Excess (deficiency) of revenues over expenditures			<u>(3,728,176)</u>	<u>67,107</u>	<u>120,171</u>
OTHER FINANCING SOURCES (USES)					
Transfer from general fund			<u>3,728,176</u>	<u>(67,107)</u>	<u>(120,171)</u>
Net change in fund balance					
Fund balance - beginning					
Fund balance - ending	\$	\$	\$	\$	\$

Exhibit B-3
School District of McFarland
Schedule of Changes in the District's Total OEPB Liability and Related Ratios
June 30, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability			
Service cost	\$ 325,357	\$ 351,510	\$ 351,510
Interest	193,959	169,974	169,797
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(348,696)	-	-
Changes of assumptions or other inputs	(726,367)	(159,857)	-
Benefit payments	<u>(442,276)</u>	<u>(503,067)</u>	<u>(527,734)</u>
Net change in total OPEB	\$ (998,023)	\$ (141,440)	\$ (6,427)
Total OPEB Liability- Beginning	<u>5,600,132</u>	<u>5,741,572</u>	<u>5,747,699</u>
Total OPEB Liability- Ending	<u>\$ 4,602,109</u>	<u>\$ 5,600,132</u>	<u>\$ 5,741,272</u>
Covered Employee Payroll	<u>\$ 16,701,426</u>	<u>\$ 13,941,569</u>	<u>\$ 13,941,569</u>
 Total OPEB liability as a percentage of covered-employee payroll	 27.56%	 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, 2019

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)
2018	0.11008948%	\$ 3,916,638	\$ 16,908,431	23.16%	96.45%
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
2019	\$ 1,159,239	\$ (1,159,239)		\$ 17,537,686	6.61%
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, 2019

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)
2018	0.24999300%	\$ 645,066	\$ 12,346,000	5.22%	48.69%
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
2019	\$ 4,870	(4,870)		\$ 12,200,000	0.04%
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, 2019

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, 2019:

Fund	Excess Expenditures
General fund:	
Support services	\$ 23,361
Non-program transactions	3,656,878

School District of McFarland
Notes to the Required Supplementary Information
June 30, 2019

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	\$ 46,438,525	\$ 2,311,456
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	2,311,456	(2,311,456)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 48,749,981	\$
	<u>General Fund</u>	<u>Special Education Fund</u>
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 41,813,435	\$ 5,972,525
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	5,972,525	(5,972,525)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 47,785,960	\$

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 5 preceding years.

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

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

School District of McFarland
Notes to the Required Supplementary Information
June 30, 2019

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 8 preceding years.

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

Changes of assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

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 7 preceding years.

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

Changes of assumptions. Changes of assumptions or other inputs included updated WRS decrement assumptions, assumed interest rate, updated age-graded factors used to determine Implicit Rate Subsidy and updated participation assumptions.

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, 2019

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service	Food Service	Package Cooperative	Special Revenue Trust	Community Service	
ASSETS						
Cash and investments	\$ 1,211,524	\$ 202,771	\$	\$ 175,041	\$ 31,289	\$ 1,620,625
Accounts receivable		450				450
Due from other governments		4,733	1,742			6,475
Inventory		12,366				12,366
Total assets	\$ 1,211,524	\$ 220,320	\$ 1,742	\$ 175,041	\$ 31,289	\$ 1,639,916
LIABILITIES						
Due to other funds	\$	\$	\$ 1,742	\$	\$	\$ 1,742
Customer deposits		45,363				45,363
Total liabilities		45,363	1,742			47,105
FUND BALANCES						
Nonspendable		12,366				12,366
Restricted	1,211,524	162,591		175,041	31,289	1,580,445
Total fund balances	1,211,524	174,957		175,041	31,289	1,592,811
Total liabilities and fund balances	\$ 1,211,524	\$ 220,320	\$ 1,742	\$ 175,041	\$ 31,289	\$ 1,639,916

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, 2019

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Debt Service	Food Service	Package Cooperative	Special Trust Fund	Community Service	
REVENUES						
Property taxes	\$ 3,465,803				\$ 394,365	\$ 3,860,168
Other local sources	4,608	773,417		239,675	203,321	1,221,021
Interdistrict payments			16,196			16,196
Intermediate payments			1,742			1,742
State sources		14,197				14,197
Federal sources		274,214				274,214
Other sources				396	2,558	2,954
Total revenues	3,470,411	1,061,828	17,938	240,071	600,244	5,390,492
EXPENDITURES						
Instruction:						
Regular instruction				115		115
Vocational instruction			13,338	2,941		16,279
Other instruction			179	154,295		154,474
Total instruction			13,517	157,351		170,868
Support services						
Pupil services			126	2,376		2,502
Instructional staff services			3,713	1,890		5,603
Building administration				32,361		32,361
Business administration			582	3,421	136,120	140,123
Central services				500		500
Food services		1,038,284				1,038,284
Community services					543,830	543,830
Principal, interest, and debt issuance costs	3,661,176					3,661,176
Total support services	3,661,176	1,038,284	4,421	40,548	679,950	5,424,379
Total expenditures	3,661,176	1,038,284	17,938	197,899	679,950	5,595,247
Excess (deficiency) of revenues over expenditures	(190,765)	23,544		42,172	(79,706)	(204,755)
OTHER FINANCING SOURCES						
Sale of capital assets		617				617
Premium on long-term debt	478,611					478,611
Total other financing sources	478,611	617				479,228
Net change in fund balances	287,846	24,161		42,172	(79,706)	274,473
Fund balances - beginning	923,678	150,796		132,869	110,995	1,318,338
Fund balances - ending	\$ 1,211,524	\$ 174,957		\$ 175,041	\$ 31,289	\$ 1,592,811

Exhibit C-3
School District of McFarland, Wisconsin
Schedule of Changes in Activity Accounts
For the Year Ended June 30, 2019

	<u>Balance</u> <u>6/30/18</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/19</u>
ASSETS				
Cash	\$ 166,509	\$ 223,188	\$ (228,898)	\$ 160,799
Total assets	<u>\$ 166,509</u>	<u>\$ 223,188</u>	<u>\$ (228,898)</u>	<u>\$ 160,799</u>
LIABILITIES				
Due to Student Organizations:				
McFarland High School	\$ 74,295	\$ 159,677	\$ (145,293)	\$ 88,679
Indian Mountain Middle School	39,378	28,329	(43,069)	24,638
Waubesa School	23,659	12,192	(15,061)	20,790
McFarland Primary School	21,568	16,037	(16,329)	21,276
Spartan Headquarters Store	6,348	6,953	(7,885)	5,416
Special Education Transition	1,261		(1,261)	
Total due to student organizations	<u>166,509</u>	<u>223,188</u>	<u>(228,898)</u>	<u>160,799</u>
Total liabilities	<u>\$ 166,509</u>	<u>\$ 223,188</u>	<u>\$ (228,898)</u>	<u>\$ 160,799</u>

Exhibit C-4
School District of McFarland, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Awarding Agency/ Pass-Through Agency Award Description	Federal Catalog Number	Pass-Through Entity Identifying Number	(Receivable) June 30, 2018	Expenditures	Revenues Grantor Reimbursements	Receivable June 30, 2019	Passed Through to Subrecipients
<u>United States Department of Agriculture</u>							
Passed through Wisconsin Department of Public Instruction:							
Child Nutrition Cluster:							
School Breakfast Program	10.553	2019-133381-SB-546	\$	\$ 27,930	\$ 27,073	857	\$
National School Lunch Program	10.555	2019-133381-NSL-547		180,015	176,743	3,272	
Donated Food Commodities	10.555	Not Available		65,666	65,666		
Total-Child Nutrition Cluster				273,611	269,482	4,129	
Team Nutrition Grant	10.574	2019-133381-17TN-MyPlate Culinary Demonstration Subgrant-552		603		603	
Total United States Department of Agriculture				274,214	269,482	4,732	
<u>United States Department of Education</u>							
Passed through Wisconsin Department of Public Instruction:							
Special Education Cluster:							
IDEA - Flowthrough	84.027	2019-133381-IDEA-FT-341	(78,509)	590,124	603,503	65,130	
IDEA Preschool Discretionary	84.173	2019-133381-IDEA-PS-347	(4,267)	24,881	26,149	2,999	
High Cost Special Education Aid	84.027	2019-133381-IDEA-FT-341		21,198	21,198		
Total Special Education Cluster			(82,776)	636,203	650,850	68,129	
Title I - Grants to Local Education Agencies	84.010	2019-133381-TIA-141	(49,377)	53,161	55,573	46,965	48,900
Title IV-A-Student Support and Academic Enrichment	84.424	2019-133381-TIIVA-381	(6,823)	7,278	6,823	7,278	
Improving Teacher Quality State Grants	84.367	2019-133381-TIIA-365	(7,739)	29,714	32,088	5,365	
Passed Through Oregon School District Carl Perkins Act	84.048	2019-134144-CTE-400	(15,044)	16,196	31,240		
Passed Through CESA #2 Title IIIA English Language Acquisition	84.365	2019-749902-TIIIA-391	(8,823)	1,742	8,823	1,742	
Total United States Department of Education			(170,582)	744,294	785,397	129,479	48,900
<u>United States Department of Health and Human Services</u>							
Passed through Wisconsin Department of Health Services							
Medical Assistance	93.778	Not Available	(32,928)	211,984	234,421	10,491	
Total United States Department of Health and Human Services			(32,928)	211,984	234,421	10,491	
Total - All Federal Awards			\$ (203,510)	\$ 1,230,492	\$ 1,289,300	\$ 144,702	\$ 48,900

Exhibit C-5
School District of McFarland, Wisconsin
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2019

Awarding Agency/ Pass-Through Agency <u>Award Description</u>	State I.D. Number	Pass Through ID Number	(Receivable) June 30, 2018	Receipts		Receivable June 30, 2019	Passed Through to Subrecipients
				Grantor Reimbursements	Expenditures		
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>							
Entitlement Programs:							
Handicapped Pupils and School Age Parents:							
Direct State Payments	255.101	133381-100		\$ 1,422,150	\$ 1,422,150	\$	\$ 222,136
Total Handicapped Pupils and School Age Parents				1,422,150	1,422,150		222,136
General Equalization	255.201	133381-116	(186,732)	11,223,732	11,224,717	187,717	
Common School Fund	255.103	133381-104		82,594	82,594		
General Transportation Aid	255.107	133381-102		22,007	22,007		
High Cost Special Education Aid	255.210	133381-119		79,296	79,296		
School Breakfast Program	255.344	133381-108		2,877	2,877		
State Lunch	255.102	133381-107		9,731	9,731		
Wisconsin School Day Milk Program	255.115	133381-109		1,589	1,589		
Per Pupil Adjustment Aid	255.945	133381-113		1,420,488	1,420,488		
Aid for School Mental Health Programs	255.227	133381-176		3,273	3,273		
Personal Electronic Computing Device	255.296	133381-175		21,000	21,000		
Educator Effectiveness	255.940	133381-154		22,720	22,720		
Career and Technical Education Incentive Grants	255.950	133381-171		34,000	34,000		
Assessment of Reading Readiness	255.956	133381-166		8,069	8,069		
Aid for Special Ed Transition Grant	255.960	133381-168		16,000	16,000		
Total Wisconsin Department of Public Instruction			(186,732)	14,369,526	14,370,511	187,717	222,136
<u>WISCONSIN DEPARTMENT OF JUSTICE</u>							
DOJ School Safety Grant	455.206	Not Available		27,100	79,473	52,373	
Total State Awards			\$ (186,732)	\$ 14,396,626	\$ 14,449,984	\$ 240,090	\$ 222,136

Exhibit C-6
 School District of McFarland, Wisconsin
 Schedule of Charter School Authorizer Operating Costs
 Fiscal Year Ending June 30, 2019

OPERATING ACTIVITY	WUFUR OBJECT CODE	COST
Employee Salaries	100	\$ 16,035
Employee Benefits	200	2,088
Purchased Services	300	
Non-Capital Objects	400	
Capital Objects	500	
Insurance & Judgements	700	
Dues & Fees	900	
Total		\$ 18,123

School District of McFarland
Notes to the Schedules of Expenditures of Federal and State Awards
For the Year Ended June 30, 2019

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

2018-2019 eligible costs under the State Special Education Program are \$5,121,961. The 2019-2020 aid estimate is \$1,254,880.

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*

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, 2019, 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 16, 2019.

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 #2019-001 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.
November 16, 2019



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

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, 2019. 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, 2019.

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.
November 16, 2019

School District of McFarland
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

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>
10.553 / 10.555	Child Nutrition Cluster

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
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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, 2019

Section I – Summary of Auditor’s Results (Continued)

Other State Programs with Limited Required Procedures

Internal Control over major programs:

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

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

Identification of other state programs with limited procedures:

<u>State ID Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents

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

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

Identification of other federal program with required procedures:

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

School District of McFarland
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2019

Section II - Financial Statement Findings

Finding #2019-001- Preparation of Financial Statements (Prior year Finding #2018-001)

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, 2019

Section III - Federal Award Findings and Responses on Major Programs

None

Section IV – State Award Findings and Responses on Major Programs

None

Section V – Other State Programs with Limited Required Procedures Findings and Responses

None

Section VI – Other Federal Program with Required Procedures Findings and Responses

None

Section VII – 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 16, 2019

School District of McFarland
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2019

Finding

#2018-001 This is still a finding. See finding #2019-001.