

SCHOOL DISTRICT OF WAUPACA

Annual Financial Report

June 30, 2019

SCHOOL DISTRICT OF WAUPACA

Table of Contents

June 30, 2019

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 3
FINANCIAL STATEMENTS	
District-Wide Statement of Net Position	4
District-Wide Statement of Activities	5
Balance Sheet – Governmental Funds	6 – 7
Reconciliation of the Balance Sheet – Governmental Funds to the District-Wide Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9 – 10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the District-Wide Statement of Activities	11
Statement of Net Position – Fiduciary Funds	12
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	13
Notes to Financial Statements	14 – 42
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System	43
Schedule of Changes in Total Pension Liability and Related Ratios – Supplemental Pension	44
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Post-Employment Benefits – Single-Employer Plan	45
Schedules of Employer's Proportionate Share of the Total OPEB Liability and Employer Contributions – Other Post-Employment Benefits – Cost-Sharing Plan	46
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	47
Notes to Required Supplementary Information	48 – 50
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-Major Governmental Funds	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	52
Schedule of Changes in Assets and Liabilities – Pupil Activity Fund	53

SCHOOL DISTRICT OF WAUPACA

Table of Contents (Continued)

June 30, 2019

	<u>Page</u>
SUPPLEMENTARY INFORMATION (CONTINUED)	
Combining Schedule of Internal General and Special Education Funds – Balance Sheet	54
Combining Schedule of Internal General and Special Education Funds – Revenues, Expenditures and Changes in Fund Balances	55
Schedule of Charter School Authorizer Operating Costs	56
ADDITIONAL REPORTS	
Independent Auditors' Report on Internal Control Over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58 – 59
Independent Auditors' Report on Compliance with Requirements for Each Major Federal and State Program and on Internal Control Over Compliance Required by Uniform Guidance, <i>State Single Audit Guidelines</i> , and <i>Wisconsin Department of Public Instruction</i>	60 – 61
FEDERAL AND STATE AWARDS SECTION	
Schedule of Expenditures of Federal Awards	62 – 63
Schedule of State Financial Assistance	64 – 65
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	66
Schedule of Findings and Responses	67 – 70
Summary Schedule of Prior Audit Findings	71
Corrective Action Plan	72

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

To the Board of Education
School District of Waupaca
Waupaca, 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 School District of Waupaca (District), 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 School District of Waupaca as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
School District of Waupaca

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the schedules of employer's proportionate share of net pension liability (asset) and employer contributions – Wisconsin Retirement System, changes in total pension liability and related ratios – supplemental pension, changes in total OPEB liability and related ratios – other post-employment benefits – single-employer plan, employer's proportionate share of the total OPEB liability and employer contributions – other post-employment benefits – cost-sharing plan, and revenues, expenditures and changes in fund balance – budget and actual – general fund on pages 43 through 50 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 School District of Waupaca's basic financial statements. The combining non-major fund financial statements and the combining schedules of internal general and special education funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying schedule of changes in assets and liabilities – pupil activity fund, schedule of charter school authorizer operating costs, schedule of charter school authorizer services and costs, and schedule of state financial assistance are presented for purposes of additional analysis as required by *Wisconsin State Single Audit Guidelines* and the Wisconsin Public School District Audit Manual, issued by the Wisconsin Department of Public Instruction and are not a required part of the basic financial statements.

To the Board of Education
School District of Waupaca

Other Information (Continued)

The combining non-major fund financial statements, schedule of changes in assets and liabilities – pupil activity funds, combining schedules of internal general and special education funds, schedule of state financial assistance, schedule of expenditures of federal awards, schedules of charter school authorizer operating costs and charter school authorizer services and costs 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 27, 2019, on our consideration of the School District of Waupaca's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 School District of Waupaca's internal control over financial reporting and compliance.



KerberRose SC
Certified Public Accountants
November 27, 2019

FINANCIAL STATEMENTS

SCHOOL DISTRICT OF WAUPACA

District-Wide Statement of Net Position

As of June 30, 2019

	Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 5,861,227
Taxes Receivable	5,004,443
Accounts Receivable	11,028
Due from Federal Government	195,204
Due from State Government	184,117
Due from Other Governments	319
Inventory	2,081
Total Current Assets	11,258,419
Noncurrent Assets	
Land	558,095
Buildings and Building Improvements	47,935,156
Machinery and Equipment	5,192,039
Less: Accumulated Depreciation	(27,397,275)
Total Noncurrent Assets	26,288,015
TOTAL ASSETS	37,546,434
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	8,877,003
Deferred Outflows Related to Other Post-Employment Benefits - Single-Employer Plan	186,225
Deferred Outflows Related to Other Post-Employment Benefits - Cost-Sharing Plan	88,527
Deferred Outflows Related to Supplemental Pension Benefits	226,156
Total Deferred Outflows of Resources	9,377,911
LIABILITIES	
Current Liabilities	
Accounts Payable	13,981
Accrued Liabilities:	
Payroll, Payroll Taxes, Insurance	1,710,280
Interest	166,353
Unearned Revenue	14,494
Current Portion of Long-Term Obligations	222,023
Total Current Liabilities	2,127,131
Noncurrent Liabilities	
Noncurrent Portion of Long-Term Obligations	7,371,493
TOTAL LIABILITIES	9,498,624
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	4,762,618
Deferred Inflows Related to Supplemental Pension Benefits	23,853
Deferred Inflows Related to Other Post-Employment Benefits - Single-Employer Plan	250,578
Deferred Inflows Related to Other Post-Employment Benefits - Cost-Sharing Plan	212,580
Total Deferred Inflows of Resources	5,249,629
NET POSITION	
Net Investment in Capital Assets	25,676,359
Restricted	972,535
Unrestricted	5,527,198
TOTAL NET POSITION	\$ 32,176,092

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA

District-Wide Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges For Services		Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular Instruction	\$ 10,304,958	\$ 922,450	\$ 1,145,090	\$ (8,237,418)
Vocational Instruction	1,101,920	-	19,038	(1,082,882)
Physical Instruction	784,424	12,029	-	(772,395)
Special Instruction	3,218,968	55,584	1,448,985	(1,714,399)
Other Instruction	858,608	30,256	581,167	(247,185)
Total Instruction	<u>16,268,878</u>	<u>1,020,319</u>	<u>3,194,280</u>	<u>(12,054,279)</u>
Support Services				
Pupil Services	1,342,501	-	-	(1,342,501)
Instructional Staff Services	2,152,869	-	305,797	(1,847,072)
General Administration Services	1,590,817	-	-	(1,590,817)
Building Administration Services	1,478,462	-	-	(1,478,462)
Business Services	289,688	-	-	(289,688)
Operations and Maintenance of Plant	2,958,291	-	-	(2,958,291)
Pupil Transportation Services	1,597,624	-	76,873	(1,520,751)
Food Service	1,054,079	464,688	556,821	(32,570)
Central Services	981,168	-	-	(981,168)
Insurance	233,966	-	-	(233,966)
Other Support Services	304,270	-	-	(304,270)
Interest and Fiscal Charges	88,246	-	-	(88,246)
Total Support Services	<u>14,071,981</u>	<u>464,688</u>	<u>939,491</u>	<u>(12,667,802)</u>
Non-Program Transactions				
Open Enrollment	975,866	-	-	(975,866)
Non-Open Enrollment	390,649	-	-	(390,649)
Total Non-Program Transactions	<u>1,366,515</u>	<u>-</u>	<u>-</u>	<u>(1,366,515)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 31,707,374</u>	<u>\$ 1,485,007</u>	<u>\$ 4,133,771</u>	<u>(26,088,596)</u>
GENERAL REVENUES				
Property Taxes:				
General Purposes				13,619,054
Debt Services				3,082,750
State and Federal Aids not Restricted to Specific Functions:				
Equalization Aid, Exempt Computer Aid				9,953,583
Interest and Investment Earnings				101,459
Miscellaneous				352,593
Total General Revenues				<u>27,109,439</u>
CHANGE IN NET POSITION				1,020,843
NET POSITION - BEGINNING OF YEAR				<u>31,155,249</u>
NET POSITION - END OF YEAR				<u>\$ 32,176,092</u>

See Accompanying Notes

THIS PAGE LEFT BLANK INTENTIONALLY

SCHOOL DISTRICT OF WAUPACA

Balance Sheet

Governmental Funds

As of June 30, 2019

	<u>General</u>
ASSETS	
Cash and Investments	\$ 5,551,348
Taxes Receivable	5,004,443
Accounts Receivable	10,956
Due from Federal Government	169,192
Due from State Government	184,117
Due from Other Governments	319
Due from Food Service Fund	11,590
Inventory	2,081
TOTAL ASSETS	<u>\$ 10,934,046</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 13,981
Accrued Liabilities:	
Payroll, Payroll Taxes, Insurance	1,710,280
Due to General Fund	-
Unearned Revenue	-
Total Liabilities	<u>1,724,261</u>
Fund Balances	
Nonspendable:	
Inventory	2,081
Restricted:	
Special Revenue Fund	-
Capital Expansions	-
Unassigned	9,207,704
Total Fund Balances	<u>9,209,785</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,934,046</u>

See Accompanying Notes

Other Governmental Funds	Total Governmental Funds
\$ 309,879	\$ 5,861,227
-	5,004,443
72	11,028
26,012	195,204
-	184,117
-	319
-	11,590
-	2,081
<u>\$ 335,963</u>	<u>\$ 11,270,009</u>
\$ -	\$ 13,981
-	1,710,280
11,590	11,590
14,494	14,494
<u>26,084</u>	<u>1,750,345</u>
-	2,081
262,650	262,650
47,229	47,229
-	9,207,704
<u>309,879</u>	<u>9,519,664</u>
<u>\$ 335,963</u>	<u>\$ 11,270,009</u>

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA
 Reconciliation of the Balance Sheet - Governmental Funds to the District-Wide Statement of Net Position
 As of June 30, 2019

Total Fund Balances - Governmental Funds		\$ 9,519,664
<i>Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balances because:</i>		
Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:		
Capital Assets	53,685,290	
Accumulated Depreciation	<u>(27,397,275)</u>	26,288,015
The District's proportionate share of the Wisconsin Retirement System is not due in the current period; therefore, it is not reported in the fund financial statements.		
Net Pension Liability	(3,451,729)	
Deferred Outflows of Resources Related to Pension	8,877,003	
Deferred Inflows of Resources Related to Pension	<u>(4,762,618)</u>	662,656
The District's proportionate share of the supplemental pension is not due in the current period; therefore, it is not reported in the fund financial statements.		
Supplemental Pension Benefits Liability	(1,418,813)	
Deferred Outflows of Resources Related to Supplemental Pension	226,156	
Deferred Inflows of Resources Related to Supplemental Pension	<u>(23,853)</u>	(1,216,510)
The District's proportionate share of the OPEB amounts are not due in the current period; therefore, it is not reported in the fund financial statements.		
Post-Employment Benefits Liability - Single-Employer Plan	(1,080,874)	
Post-Employment Benefits Liability - Cost-Sharing Plan	(699,898)	
Deferred Outflows of Resources related to OPEB - Single-Employer Plan	186,225	
Deferred Outflows of Resources related to OPEB - Cost-Sharing Plan	88,527	
Deferred Inflows of Resources related to OPEB - Single-Employer Plan	(250,578)	
Deferred Inflows of Resources related to OPEB - Cost-Sharing Plan	<u>(212,580)</u>	(1,969,178)
Certain liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Liabilities reported in the statement of net position that are not reported in the funds balance sheet:		
General Obligations	(611,656)	
Accrued Interest	(166,353)	
Compensated Absences	<u>(330,546)</u>	(1,108,555)
Total Net Position - Governmental Activities		<u>\$ 32,176,092</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHOOL DISTRICT OF WAUPACA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	<u>General</u>	<u>Debt Service</u>
REVENUES		
Property Taxes	\$ 13,619,054	\$ 3,082,750
Other Local Sources	297,173	-
Interdistrict Sources	957,010	-
Intermediate Sources	16,031	-
State Sources	11,606,757	-
Federal Sources	1,326,577	-
Other Sources	64,333	-
Total Revenues	<u>27,886,935</u>	<u>3,082,750</u>
EXPENDITURES		
Instruction:		
Regular Instruction	9,015,090	-
Vocational Instruction	1,025,155	-
Physical Instruction	729,599	-
Special Instruction	2,984,114	-
Other Instruction	908,574	-
Total Instruction	<u>14,662,532</u>	<u>-</u>
Support Services:		
Pupil Services	1,248,797	-
Instructional Staff Services	2,063,311	-
General Administration Services	634,421	-
Building Administration Services	1,312,556	-
Business Services	289,726	-
Operations and Maintenance	2,857,999	-
Pupil Transportation Services	1,500,947	-
Food Service Operations	-	-
Central Services	940,447	-
Insurance	233,966	-
Other Support Services	235,411	-
Principal and Interest	-	3,235,262
Total Support Services	<u>11,317,581</u>	<u>3,235,262</u>
Non-Program Transactions:		
Open Enrollment	975,866	-
Non-Open Enrollment	390,649	-
Total Non-Program Transactions	<u>1,366,515</u>	<u>-</u>
Total Expenditures	<u>27,346,628</u>	<u>3,235,262</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>540,307</u>	<u>(152,512)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from Sale of Capital Assets	114,507	-
Transfer from General Fund	-	24,501
Transfer to Food Service Fund	(29,797)	-
Transfer to Debt Service Fund	(24,501)	-
Total Other Financing Sources (Uses)	<u>60,209</u>	<u>24,501</u>
NET CHANGES IN FUND BALANCES	600,516	(128,011)
FUND BALANCES - BEGINNING OF YEAR	<u>8,609,269</u>	<u>128,011</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,209,785</u>	<u>\$ -</u>

See Accompanying Notes

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 16,701,804
1,045,855	1,343,028
-	957,010
-	16,031
19,488	11,626,245
537,333	1,863,910
41,350	105,683
<u>1,644,026</u>	<u>32,613,711</u>
563,005	9,578,095
-	1,025,155
-	729,599
-	2,984,114
-	908,574
<u>563,005</u>	<u>15,225,537</u>
-	1,248,797
-	2,063,311
-	634,421
62	1,312,618
-	289,726
11,476	2,869,475
-	1,500,947
1,051,306	1,051,306
-	940,447
-	233,966
-	235,411
-	3,235,262
<u>1,062,844</u>	<u>15,615,687</u>
-	975,866
-	390,649
-	1,366,515
<u>1,625,849</u>	<u>32,207,739</u>
18,177	405,972
-	114,507
29,797	54,298
-	(29,797)
-	(24,501)
<u>29,797</u>	<u>114,507</u>
47,974	520,479
<u>261,905</u>	<u>8,999,185</u>
<u>\$ 309,879</u>	<u>\$ 9,519,664</u>

SCHOOL DISTRICT OF WAUPACA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds to the District-Wide Statement of Activities
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	520,479
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 expense in the statement of activities.		
Capital outlay reported in governmental fund statements	245,948	
Depreciation expense reported in the statement of activities	<u>(1,320,678)</u>	
Amount by which capital outlays are less than depreciation in the current period.		(1,074,730)
The District disposed of outdated assets resulting in a reduction of capital assets and recapture of prior year depreciation expense reported in the statement of activities as an expense and has no effect on the governmental funds.		
The value of capital assets disposed of during the year	(188,337)	
The amount of depreciation recapture for the year	<u>71,187</u>	
Amount by which capital disposals are more than depreciation recapture in the current period.		(117,150)
Amounts related to OPEB that affect the statement of activities but do not affect the fund financial statements:		
Post Employment Benefits - Single-Employer Plan	(4,134)	
Post Employment Benefits - Cost-Sharing Plan	<u>(62,666)</u>	(66,800)
Amounts related to the pension plan that affect the statement of activities but do not affect the fund financial statements.		
		(1,405,732)
Amounts related to the supplemental pension plan that affect the statement of activities but do not affect the fund financial statements.		
		26,766
Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.		
Compensated absences paid in current year	143,271	
Compensated absences earned in current year	<u>(152,277)</u>	
Amounts paid are more than amounts earned by		(9,006)
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		3,162,142
In governmental funds interest payments on outstanding 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	73,120	
The amount of interest accrued during the current period	<u>(88,246)</u>	
Interest paid is less than interest accrued by		<u>(15,126)</u>
Change in Net Position - Governmental Activities	\$	<u>1,020,843</u>

SCHOOL DISTRICT OF WAUPACA
Statement of Net Position
Fiduciary Funds
As of June 30, 2019

	Private Purpose Trust Fund	Agency Funds	Total
ASSETS			
Cash and Investments	\$ 4,048	\$ 72,589	\$ 76,637
LIABILITIES			
Due to Student Groups	-	72,589	72,589
NET POSITION			
Restricted for Scholarships	\$ 4,048	\$ -	\$ 4,048

SCHOOL DISTRICT OF WAUPACA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2019

	Private Purpose Trust Fund
ADDITIONS	
Contributions	\$ 1,450
DEDUCTIONS	
Scholarships Awarded	<u>8,750</u>
CHANGE IN NET POSITION	(7,300)
NET POSITION - BEGINNING	<u>11,348</u>
NET POSITION - ENDING	<u>\$ 4,048</u>

See Accompanying Notes

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of School District of Waupaca (District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management who is responsible for the integrity and objectivity of the financial statements. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). These accounting policies conform to GAAP and have been consistently applied in the preparation of the financial statements. The more significant accounting policies established by GAAP and used by the District are discussed below.

Nature of Operations

The School District of Waupaca is organized as a unified school district. The District, governed by a seven-member elected school board, operates grades preschool through 12 and is comprised of eleven taxing districts.

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

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.

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 those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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 (1) charges paid by the recipients for goods or services offered by the programs and (2) 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.

Fund Financial Statements

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.

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

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

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

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type and
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all 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, capital project or debt service based upon the following guidelines.

General Fund

The general fund is the primary 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) 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 principal, interest, and related costs.

Capital Project Funds

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital expenditures.

Fiduciary Funds (Not Included in District-Wide Statements)

Agency Funds

Agency funds are used to account for assets held by the District as an agent for various student organizations.

Private-Purpose Trust

This fund reports a trust arrangement under which principal and income benefit a scholarship program.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Major Funds

The District reports the following major governmental funds:

General Fund - The general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Non-Major Funds

The District reports the following non-major funds:

Special Revenue Trust Fund - This fund accounts for resources and payments made for gifts given to the District for specific projects.

Capital Expansion Fund - This fund accounts for resources and payments made for capital expenditures related to buildings or sites.

Food Service Fund - This fund accounts for the activities associated with the District's breakfast and lunch programs.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The district-wide and private purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus and utilizes 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. Nonexchange 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.

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.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted resources may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Cash

The District's cash is considered to be cash on hand, and demand deposits. Cash balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the State Investment Board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

Accounts Receivable

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

Property Taxes

The aggregate District tax levy is apportioned and certified by November 6th of the current fiscal year for collection by 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 in two or more installments with the first installment payable by the subsequent January 31th and a final payment no later than the following July 31th. On or before January 15th, and by the twentieth of each subsequent month thereafter, the District may be 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. The 2018 tax levy is used to finance operations of the District's fiscal year ended June 30, 2019. 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.

Inventory

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

Inventory of governmental fund types in the fund financial statements is classified as nonspendable fund balance to indicate they do not represent spendable available financial resources.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Interfund Activity

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Capital Assets

In the district-wide statements, property, plant and equipment are accounted for as capital assets. All capital assets are valued at actual or estimated historical cost if actual cost is unavailable, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at acquisition value at the date of donation.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows: buildings, improvements, machinery, and equipment are capitalized using a capitalization threshold of \$1,000. All depreciable capital assets are depreciated on a straight-line basis with estimated useful lives for buildings and building improvements of 20-50 years and machinery and equipment of 5-20 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

Compensated Absences

The District's policy allows non-certified employees to earn varying amounts of vacation pay. Upon termination of employment, the employee is entitled to a cash payment of unused vacation pay. Any vacation not taken by December 31 is forfeited. Administrators and teachers are allowed to earn varying amounts of sick pay accumulating to a maximum vested amount. Upon retirement, the employee is entitled to a credit for the amount of unused sick pay, to be used to pay the retiree's group health insurance until the vested amount is exhausted.

In the fund statements, benefits that require payment in the future fiscal years though related to currently received services are recorded as an expenditure in the period or periods in which they are paid or normally payable rather than the period in which they are incurred. The value of vested benefits payable in future fiscal periods are recorded in the district-wide statements.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Principal payments decrease the long-term debt liability on the statement of net position and do not affect the statement of activities. Interest is reported as an expense in the statement of activities on the accrual basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal and interest payments are reported as debt service expenditures.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The District has four deferred outflows of resources reported on the statement of net position. The deferred outflows related to the pension plan are explained in more detail in Note 7. The deferred outflows related to the supplemental pension plan are reported in more detail in Note 8. The deferred outflows related to the single employer OPEB are explained in more detail in Note 9. The deferred outflows related to the OPEB plan are explained in more detail in Note 10.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The District has four deferred inflows of resources reported on the statement of net position. The deferred inflows related to the pension plan are explained in more detail in Note 7. The deferred inflows related to the supplemental pension plan are explained in more detail in Note 8. The deferred inflows related to the single employer OPEB are explained in more detail in Note 9. The deferred inflows related to the OPEB plan are explained in more detail in Note 10.

Pension and Other Post-Employment Benefits

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

Other Post-Employment Benefits (OPEB). The fiduciary net position of the District's single-employer other post-employment benefit plan and Local Retiree Life Insurance Fund have 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 plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, 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 WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

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 available expendable financial resources are recorded during the year as expenditures in the appropriate governmental fund types. If they are not liquidated with available expendable financial resources, a liability is recorded in the statement of net position. There were no significant claims or judgments at year-end.

Fund 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.
- b. Restricted component of net position – Consist of resources 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 component of net position – Net amount that does not meet the definition of “restricted” or “net investment in capital assets”.

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

Fund Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year end; however, the amount can be determined in the subsequent period. The Board of Education is the decision making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance in the general fund represents amounts constrained by the Board of Education for a specific intended purpose. The District has not delegated that authority to others. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies (Continued)

The District, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The District has not adopted a minimum fund balance policy.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from these estimates.

Note 2 - Cash and Investments

The debt service and capital expansion funds account for their transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, the trust and agency funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

The District is required to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

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

Additional restrictions could arise from local charters, ordinances, resolutions and grant resolutions of the District.

At June 30, 2019 the bank balance of cash was \$4,508,353. The District maintains its cash accounts at several financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial risk.

Deposits in each bank are insured by the FDIC in the amount of \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts); and up to \$250,000 for the combined amount of all interest and non-interest bearing demand deposit accounts.

Deposits in credit unions are insured by the National Credit Union Share Insurance Fund (NSUSIF). NCUA's standard maximum share insurance amount is \$250,000.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 2 - Cash and Investments (Continued)

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the uninsured deposits below.

The following represents a summary of deposits as of June 30, 2019:

Fully Insured Deposits	\$	797,676
Collateralized		3,600,000
Uninsured		<u>110,677</u>
	\$	<u>4,508,353</u>

For all deposits shown, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and the carrying value is due to outstanding checks and/or deposits in transit.

Investments are measured at fair value on a recurring basis. Recurring fair value measurement are those that Governmental Accounting Standards Board (GASB) Statements require at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. No investments are reported at amortized costs. Adjustments necessary to record investments at fair value are recorded as increases or decreases in investment income.

- Level 1 – Valuation for assets are from quoted prices in active markets. These valuations are obtained from readily available pricing sources from market transactions involving identical assets.
- Level 2 – Valuation for assets are from less active markets. These valuations are obtained from third party pricing services for identical or similar assets.
- Level 3 – Measurements that are lease observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations. These valuations incorporate certain assumptions and projections in determining fair value assigned to such assets.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2019, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

Investments in the local government investment pool are not insured against losses arising from principal defaults on securities acquired by the pool. The balance in the local government investment pool at June 30, 2019 was \$2,928,596.

The District's LGIP investments are measured at amortized cost, which approximates fair value. Adjustments necessary to record investments at amortized cost are recorded in the statement of revenues, expenditures and changes in fund balances and the statement of changes in fiduciary net position as increases or decreases in investment income.

Investments held in the District's endowment fund at the Community Foundation for the Fox Valley Region are not insured against losses. The balance in the endowment fund at June 30, 2019 was \$10,107, all of which is considered a Level 3 input.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 3 - Interfund Receivable, Payable, and Transfers

The interfund receivable and payable for the year ended June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Food Service	<u>\$ 11,590</u>	Year End Cash Flow Timing

The interfund transfer for the year ended June 30, 2019 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Food Service	<u>\$ 29,797</u>	Reimburse Fund for Operating Deficit
General Fund	Debt Service	<u>\$ 24,501</u>	Reimburse Fund for Operating Deficit

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 4 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being				
Depreciated:				
Sites (Land)	\$ 583,095	\$ -	\$ 25,000	\$ 558,095
Capital Assets being				
Depreciated:				
Buildings and Building				
Improvements	48,089,895	4,598	159,337	47,935,156
Machinery and Equipment	4,954,689	241,350	4,000	5,192,039
Total Capital Assets Being				
Depreciated	53,044,584	245,948	163,337	53,127,195
Less Accumulated				
Depreciation for:				
Buildings and Building				
Improvements	(22,502,333)	(1,092,668)	(67,187)	(23,527,814)
Machinery and Equipment	(3,645,451)	(228,010)	(4,000)	(3,869,461)
Total Accumulated				
Depreciation	(26,147,784)	(1,320,678)	(71,187)	(27,397,275)
Total Capital Assets Being				
Depreciated, Net of				
Accumulated Depreciation	26,896,800	(1,074,730)	92,150	25,729,920
Governmental Activities Capital				
Assets, Net of Accumulated				
Depreciation	<u>\$ 27,479,895</u>	<u>\$ (1,074,730)</u>	<u>\$ 117,150</u>	<u>\$ 26,288,015</u>

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 4 - Capital Assets (Continued)

Depreciation expense for fiscal year ended June 30, 2019 amounted to \$1,320,678 and was charged to the following functions:

Instruction:			
Regular	\$	141,709	
Support Services:			
General Administration		934,247	
Operations and Maintenance		54,016	
Pupil Transportation		119,521	
Food Service		2,773	
Support and Administration		68,411	
Total Depreciation Expense	\$	1,320,678	

Note 5 - Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities					
General Obligation Debt					
Refunding Bonds	\$ 2,970,000	\$ -	\$ 2,970,000	\$ -	\$ -
State Trust Fund Loan	803,798	-	192,142	611,656	197,856
Compensated Absences	321,540	152,277	143,271	330,546	24,167
Supplemental Benefit Plan - Stipend	1,375,400	202,040	158,627	1,418,813	-
Net Pension Liability	-	5,784,708 *	2,332,979	3,451,729	-
Other Post-Employment					
Benefits - Cost-Sharing Plan	845,486	65,364	210,952	699,898	-
Other Post-Employment					
Benefits - Single-Employer Plan	1,198,469	218,201	335,796	1,080,874	-
Total Long-Term Liabilities	\$ 7,514,693	\$ 6,422,590	\$ 6,343,767	\$ 7,593,516	\$ 222,023

*The net pension liability additions have been adjusted for the beginning net pension asset balance at June 30, 2018.

Total interest paid for the year ended June 30, 2019, was \$73,120 for general obligation debt as reflected in the fund financial statements.

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:

	Date of Issuance	Final Maturity	Interest Rate	Original Indebtedness	Balance 6/30/19
Long-Term Obligations:					
State Trust Fund Loan	07/14/17	03/15/22	3.00%	\$ 1,000,000	\$ 611,656

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 5 - Long-Term Obligations (Continued)

Legal Margin for Debt

The 2018 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,607,612,330. 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 \$1,607,612,330)	\$	160,761,233
Deduct long-term debt applicable to debt margin		(611,656)
Margin of Indebtedness	<u>\$</u>	<u>160,149,577</u>

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

Year Ending June 30,	Principal	Interest	Total
2020	\$ 197,856	\$ 18,400	\$ 216,256
2021	203,842	12,414	216,256
2022	209,958	6,299	216,257
Total	<u>\$ 611,656</u>	<u>\$ 37,113</u>	<u>\$ 648,769</u>

Compensated absences, pension stipends, and post-employment retirement benefits are excluded from the above cash flow requirements because repayment schedules have not been determined or are not required.

Note 6 - Net Position

District-Wide Statements

Net position of the governmental activities reported on the district-wide statement of net position at June 30, 2019 includes the following:

Net Investment in Capital Assets	
Net Capital Assets	\$ 26,288,015
Less: Related Long-Term Debt Outstanding	611,656
Net Investment in Capital Assets	<u>25,676,359</u>
Restricted	
Special Revenue Trust	262,650
Capital Expansion	47,229
Pension	662,656
Total Restricted	<u>972,535</u>
Unrestricted	<u>5,527,198</u>
Total Net Position	<u>\$ 32,176,092</u>

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

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, expected to work at least 1,200 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.

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 December, 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.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
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, 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 \$955,586 in contributions from the employer.

Contribution rates as of June 30, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.7%	6.7%

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

At June 30, 2019, the District reported a liability of \$3,451,729 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability 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 pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.09702175%, which was a decrease of 0.00147439% from its proportion of 0.009849614% measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,332,979.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 2,657,955	\$ 4,752,079
Changes in assumptions	581,835	-
Net differences between projected and actual earnings on pension plan investments	5,041,015	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,378	10,539
Employer contributions subsequent to the measurement date	581,820	-
Total	<u>\$ 8,877,003</u>	<u>\$ 4,762,618</u>

The \$581,820 reported as deferred outflows related to pension resulting from the WRS employer's contributions subsequent to the measurement date will be recognized as a change of the net pension liability in the year ending 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:

<u>Year Ending June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	\$ 1,281,800
2021	321,386
2022	555,496
2023	1,373,883
	<u>\$ 3,532,565</u>

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

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	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair 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.

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49.0%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9.0	6.5	3.9
Private Equity/Debt	8.0	9.4	6.7
Multi-Asset	4.0	6.7	4.1
Total Core Fund	110.0%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	7.6%	5.0%
International Equities	30.0	8.5	5.9
Total Variable Fund	100.0%	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

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plan (Continued)

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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 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%)
District's proportionate share of the net pension liability (asset)	\$ 13,717,535	\$ 3,451,729	\$ (4,181,693)

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>.

Payables to the Pension Plan

The District is required to remit the monthly required contribution for both the employee and District portions by the last day of the following month. The amount due to WRS as of June 30, 2019 is \$371,147 for June payrolls.

Note 8 - Defined Benefit Plan – Supplemental Pension

In addition to the pension benefits described in Note 7 the District has early retirement provisions for certain early retirement employees.

Plan Description. The School District of Waupaca provides a single employer defined benefit plan to eligible teachers and administrators. There are 198 active and 32 retired employees in the plan. Eligibility is established and amended through collective bargaining with the recognized bargaining agent for teachers. Currently, teachers can retire and receive benefits after the attainment of age 55 and the completion of 10 years of service. Administrators can retire and receive benefits after attainment of age 55 and 10 years of service.

Teachers. Eligible retirees will receive monthly cash payments of \$400. These payments will be made for a total of 48 months. Amounts are pro-rated for part-time teachers.

Administrators. The District will make monthly contributions of \$977 into a tax sheltered annuity (TSA) on behalf of the eligible retiree. These contributions will be made for a total of 30 months.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 8 - Defined Benefit Plan – Supplemental Pension (Continued)

Funding Policy. Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all stipend/retirement benefits. The employer makes all contributions.

Benefit Payments. For the year ended June 30, 2019, the District paid \$158,627 for the supplemental pension as benefits came due.

Total Pension Liability. The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to Plan members in accordance with the benefit terms
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the Plan administrator, and Plan members.

No assets are accumulated in a trust that meets all of the above criteria because the District's contributions are not irrevocable. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total pension liability.

The District's total pension liability was determined by an actuarial valuation as of June 30, 2018 (the measurement date). Changes in the District's total pension liability were as follows:

Total Pension Liability - Beginning of Year	\$	<u>1,375,400</u>
Changes for the year:		
Service Cost		70,922
Interest		46,604
Changes of Assumptions		15,102
Difference between expected and actual		69,412
Benefit Payments		<u>(158,627)</u>
Net Increase in Total Pension Liability		<u>43,413</u>
Total Pension Liability - End of Year	\$	<u><u>1,418,813</u></u>

Actuarial Assumptions. The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2018
Measurement Date of Pension Liability:	June 30, 2018
Reporting Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal - Level % of Salary
Discount Rate	
Valuing Liabilities	3.75%, 2.5% Assumed Rate of Inflation
Municipal Bond Rate	3.75%, 2.5% Assumed Rate of Inflation
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.2%-5.8% Including Inflation

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 8 - Defined Benefit Plan – Supplemental Pension (Continued)

Factors Affecting Trends for Amounts Related to the Pension Liability. There were no changes in actuarial methods or assumptions reflected in the calculation of the total pension liability as of the June 30, 2018 measurement date.

Discount Rate. A discount rate of 3.75% was used in calculating the District's Pension liabilities (based upon all projected payments discounted at a municipal bond rate of 3.0%). 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.

The following presents the District's proportionate share of the pension liability calculated using the discount rate of 3.75 percent, as well as what the District's proportionate share of the pension 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 rate:

	<u>1% Decrease</u> <u>2.75%</u>	<u>Current</u> <u>Discount</u> <u>Rate 3.75%</u>	<u>1% Increase</u> <u>4.75%</u>
Total Pension Liability	\$ 1,478,482	\$ 1,418,813	\$ 1,360,488

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the District recognized pension expense of \$(43,413). At June 30, 2019, the District reported deferred outflows and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflow</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference Between Expected and Actual Experience	\$ 63,102	\$ -
Changes of Assumptions or Other Input	13,729	23,853
Contributions Subsequent to Measurement Date	149,325	-
Total	<u>\$ 226,156</u>	<u>\$ 23,853</u>

The \$149,325 reported as deferred outflows related to pension resulting from the employer's contributions subsequent to the measurement date will be recognized as an adjustment of the total pension liability in the year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	<u>Deferred Inflows of</u> <u>Resources</u>
2020	\$ 5,033
2021	5,033
2022	5,033
2023	5,033
2024	5,033
Thereafter	27,813
	<u>\$ 52,978</u>

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 9 - Post-Employment Benefits Other Than Pension Benefits – Single-Employer Plan

General Information About the Plan

Plan Description. The School District of Waupaca operates a single-employer retiree benefit plan that provides post-employment health benefits to eligible employees and their spouses. Benefits and eligibility for teachers and food service workers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include post-employment health coverage. Benefits and eligibility for administrators, secretaries and general support staff are established and amended by the governing body.

Certified Teaching Staff. The District also provides post-employment health and dental care benefits to teachers who have reached the age of 55 and served at the District for at least 10 years. Teachers are allowed to continue health insurance coverage until Medicare age. Teachers are required to self-pay the full (100%) of the required medical premiums. The District credits \$40 for each day to a maximum of ninety unused sick days, provided the teacher has accumulated over forty-five unused sick days, towards the teacher's health insurance premiums.

Administrative Staff. The District also provides post-employment health and dental care benefits to any degree-holding administrator who has reached the age of 55 and served at the District for at least 10 years. Administrators are allowed to continue health insurance coverage until Medicare age. Administrators are required to self-pay the full (100%) of the required medical premiums. The District credits \$100 for each day to a maximum of hundred fifty unused sick days, provided the retiree has accumulated over sixty unused sick days, towards the retiree's health insurance premiums.

Benefits Provided. The Plan provides post-employment health and dental care benefits to eligible teachers and administrators as described in the *Plan Description* section.

Employees Covered by the Benefit Terms. At June 30, 2019, the District's membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	156
	<u>171</u>

OPEB Liability

The District's OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions	
Inflation	2.50%
Discount Rate	3.75%
Healthcare Cost Trend Rates	7.50% decreasing by 0.50% per year down to 6.50%. Then by 0.10% per year down to 5.0%, and level thereafter
Mortality	Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale (multiplied by 50%)

Actuarial assumptions are based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 9 - Post-Employment Benefits Other Than Pension Benefits – Single-Employer Plan (Continued)

Changes in the Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Balance at 6/30/18	\$ 1,198,469
Changes for the year:	
Service Cost	74,249
Interest	42,242
Differences Between Expected and Actual Experience	101,710
Changes of Assumptions or Other Input	(278,420)
Benefit Payments	(57,376)
Net Changes	<u>(117,595)</u>
Balance at 6/30/19	\$ <u>1,080,874</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the District's total OPEB liability calculated using the discount rate of 3.75 percent, as well as what the 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 rate:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB Liability	\$ 1,152,078	\$ 1,080,874	\$ 1,013,264

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the District's total OPEB liability calculated using the current healthcare cost trend rate of 7.50 percent decreasing to 5.0 percent, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.50 percent decreasing to 6.0 percent) than the current rate:

	1% Decrease (6.50% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.50% decreasing to 5.0%)	1% Increase (8.50% decreasing to 6.0%)
Total OPEB Liability	\$ 984,204	\$ 1,080,874	\$ 1,191,854

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 9 - Post-Employment Benefits Other Than Pension Benefits – Single-Employer Plan (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$98,820 related to the single-employer plan.

At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ 91,539	\$ -
Changes in assumptions	-	250,578
Employer contributions subsequent to the measurement date	94,686	-
Total	\$ 186,225	\$ 250,578

The \$94,686 reported as deferred outflows related to OPEB resulting from the District's employer's contributions subsequent to the measurement date will be recognized as an adjustment in the OPEB liability in the plan 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:

Year Ending June 30	Deferred Inflows of Resources
2020	\$ (17,671)
2021	(17,671)
2022	(17,671)
2023	(17,671)
2024	(17,671)
Thereafter	(70,684)
	\$ (159,039)

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 10 - Post-Employment Benefits Other Than Pension Benefits – Cost-Sharing Plan

Plan Description. The Local Retiree Life Insurance Fund (LRLIF) is a cost-sharing multiple-employer defined benefit OPEB plan (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:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% 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	
<u>Attained Age</u>	<u>Basic/Supplemental</u>
Under 30	\$ 0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57
*Disabled members over age 70 receive a waiver-of-premium benefit	

During the reporting period, the Plan recognized \$5,225 in contributions from the employer.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 10 - Post-Employment Benefits Other Than Pension Benefits – Cost-Sharing Plan (Continued)

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

At June 30, 2019, the District reported a liability of \$699,898 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability 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 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 0.27124300%, which was a decrease of 0.009782% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$65,364 related to the cost-sharing plan.

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	\$ -	\$ 35,505
Changes in assumptions	66,781	151,710
Net differences between projected and actual earnings on pension plan investments	16,726	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	25,365
Employer contributions subsequent to the measurement date	5,020	-
Total	\$ 88,527	\$ 212,580

The \$5,020 reported as deferred outflows related to OPEB resulting from the District's employer's contributions subsequent to the measurement date will be recognized as an adjustment of the net OPEB liability in the plan 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:

Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2020	(17,942)
2021	(17,942)
2022	(17,942)
2023	(20,291)
2024	(22,711)
Thereafter	(32,245)
	\$ (129,073)

SCHOOL DISTRICT OF WAUPACA

Notes to Financial Statements
For the Year Ended June 30, 2019

Note 10 - Post-Employment Benefits Other Than Pension Benefits – Cost-Sharing 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:	4.10%
Long-Term Expected Rate 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**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
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 WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 10 - Post-Employment Benefits Other Than Pension Benefits – Cost-Sharing 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 (3.22%)	Discount Rate (4.22%)	1% Increase (5.22%)
Total OPEB Liability	\$ 995,652	\$ 699,898	\$ 471,792

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>

Payables to the OPEB Plan

As of June 30, 2019, the District had no outstanding payables to the OPEB plan.

Note 11 - Limitation on School District Revenues

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount has been approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

Note 12 - Contingencies and Commitments

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

From time to time the District is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of District management, these issues, and any other proceedings known to exist at June 30, 2019, are not likely to have a material adverse impact on the District's financial position.

The District has contracted for special education services for the 2019 – 2020 school year. The contract amount is approximately \$106,000.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 13 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and natural disasters. The District insures through commercial insurance companies for all other risks of loss. Settled claims from these risks have not exceeded insurance coverage in the past three fiscal years.

The District established a self-funded dental plan for its employees. The Plan administrator, Delta Dental, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ended June 30. Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. The Plan is accounted for in the general fund of the District.

At June 30, 2019, the District has reported a liability of \$294,520 which represents reported and unreported claims which were incurred on or before June 30, 2019, but were not paid by the District as of that date. The amounts not reported to the District were estimated using data provided by the plan administrator. Changes in the program's claim liability amount for the year ended June 30, 2019 with comparative totals for the prior two years follow:

	<u>Liability July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability June 30</u>
2017	\$ 217,302	\$ 318,942	\$ 272,070	\$ 264,174
2018	264,174	295,546	256,694	303,026
2019	303,026	247,591	256,097	294,520

The District must also comply with restrictions on the accumulation of excess assets. The Wisconsin Department of Public Instruction requires that any "excess net assets" which arise at the end of the contract date must be used to reduce the premium equivalency charges for the new contract period. "Excess net assets" are defined as the amount which exceeds the lesser of 25% of the estimated annual costs for the succeeding contract year or the estimated incurred but not reported (IBNR) claims unless an IBNR claim liability greater than 25% of the estimated annual costs for the succeeding contract year has been established by audit.

Note 14 - Upcoming Accounting Pronouncements

GASB Statement No. 84, Fiduciary Activities

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. If an activity meets the criteria, it should be reported in a fiduciary fund in the basic financial statements and a statement of fiduciary net position and a statement of changes in fiduciary net position should be presented. Four fiduciary funds that should be reported, if applicable, include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. If an event occurs that compels a government to disburse fiduciary resources, a liability must be recognized to the beneficiaries. The pronouncement will be effective for the year ending June 30, 2020.

SCHOOL DISTRICT OF WAUPACA
Notes to Financial Statements
For the Year Ended June 30, 2019

Note 14 - Upcoming Accounting Pronouncements (Continued)

GASB Statement No. 87, Leases

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The pronouncement will be effective for the year ending June 30, 2021.

The District is evaluating the impact these standards will have on the financial statements when adopted.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF WAUPACA
Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System (WRS)
Last 10 Fiscal Years*

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Asset/Liability	District's Proportionate Share of the Net Pension (Asset)/Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2018	0.09702175%	\$ 3,451,729	\$ 14,550,820	23.72%	96.45%
12/31/2017	0.09849614%	(2,924,467)	14,424,259	-20.27%	102.93%
12/31/2016	0.09887827%	814,993	14,379,246	5.67%	99.12%
12/31/2015	0.09986712%	1,622,821	14,059,321	11.54%	98.20%
12/31/2014	0.09981556%	(2,451,743)	13,747,134	-17.83%	102.74%

Schedule of Employer Contributions
Wisconsin Retirement System (WRS)
Last 10 Fiscal Years*

District Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2019	\$ 955,586	\$ (955,586)	-	\$ 14,461,325	6.61%
6/30/2018	974,902	(974,902)	-	14,327,873	6.80%
6/30/2017	980,854	(980,854)	-	14,404,697	6.81%
6/30/2016	949,034	(949,034)	-	14,379,986	6.60%
6/30/2015	956,039	(956,039)	-	13,897,304	6.88%

*Ten years of data will be accumulated beginning with the District's fiscal year ended June 30, 2015

SCHOOL DISTRICT OF WAUPACA
Schedule of Changes in Total Pension Liability and Related Ratios
Supplemental Pension
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 70,922	\$ 76,051	\$ 76,051
Interest	46,604	42,291	43,274
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	69,412	-	-
Changes in Assumptions	15,102	(29,153)	-
Benefit Payments	<u>(158,627)</u>	<u>(170,942)</u>	<u>(133,245)</u>
Net Change in Total Pension Liability	43,413	(81,753)	(13,920)
Total Pension Liability - Beginning	1,375,400	1,457,153	1,471,073
Total Pension Liability - Ending	<u>\$ 1,418,813</u>	<u>\$ 1,375,400</u>	<u>\$ 1,457,153</u>
Covered-Employee Payroll	\$ 10,644,741	\$ 10,379,869	\$ 10,379,869
District's Total Pension Liability as a Percentage of Covered-Employee Payroll	13.33%	13.25%	14.04%

*Ten years of data will be accumulated beginning with 2017.

SCHOOL DISTRICT OF WAUPACA
Schedule of Changes in Total OPEB Liability and Related Ratios
Other Post-Employment Benefits - Single-Employer Plan
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$ 74,249	\$ 74,249
Interest	42,242	40,493
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	101,710	-
Changes in Assumptions	(278,420)	-
Benefit Payments	(57,376)	(72,209)
Net Change in Total OPEB Liability	(117,595)	42,533
Total OPEB Liability - Beginning	1,198,469	1,155,936
Total OPEB Liability - Ending	<u>\$ 1,080,874</u>	<u>\$ 1,198,469</u>
Covered-Employee Payroll	\$ 12,998,164	\$ 8,222,245
District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	8.32%	14.58%

*Ten years of data will be accumulated beginning with 2017.

SCHOOL DISTRICT OF WAUPACA
Schedule of Employer's Proportionate Share of the Total OPEB Liability
Other Post-Employment Benefits - Cost-Sharing Plan
Last 10 Fiscal Years*

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/2018	0.27124300%	\$ 699,898	\$ 12,273,000	5.70%	48.69%
12/31/2017	0.28102500%	845,486	11,817,905	7.15%	44.81%

Schedule of Employer Contributions
Other Post-Employment Benefits - Cost-Sharing Plan
Last 10 Fiscal Years*

District Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2019	7,789	\$ (7,789)	-	\$ 12,300,000	0.06%
6/30/2018	7,548	(7,548)	-	11,817,905	0.06%

*Ten years of data will be accumulated beginning with 2018.

SCHOOL DISTRICT OF WAUPACA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original & Final</u>	<u>Actual Budgetary Basis</u>	
REVENUES			
Property Taxes	\$ 13,692,276	\$ 13,619,054	\$ (73,222)
Other Local Sources	79,200	297,173	217,973
Interdistrict Sources	900,000	901,426	1,426
State Sources	10,205,297	10,781,427	576,130
Federal Sources	675,851	718,953	43,102
Other Sources	155,000	64,333	(90,667)
Total Revenues	<u>25,707,624</u>	<u>26,382,366</u>	<u>674,742</u>
EXPENDITURES			
Instruction			
Regular Instruction	9,201,243	9,015,090	186,153
Vocational Instruction	1,043,438	1,025,155	18,283
Physical Instruction	734,394	729,599	4,795
Other Instruction	694,746	907,951	(213,205)
Total Instruction	<u>11,673,821</u>	<u>11,677,795</u>	<u>(3,974)</u>
Support Services			
Pupil Services	754,433	735,696	18,737
Instructional Staff Services	1,844,173	1,831,029	13,144
General Administration Services	569,715	634,421	(64,706)
Building Administration Services	1,331,720	1,312,556	19,164
Business Services	288,595	289,726	(1,131)
Operations and Maintenance	2,744,204	2,857,999	(113,795)
Pupil Transportation	1,255,506	1,500,140	(244,634)
Central Services	1,046,709	940,447	106,262
Insurance	208,688	233,966	(25,278)
Other Support Services	189,371	235,411	(46,040)
Total Support Services	<u>10,233,114</u>	<u>10,571,391</u>	<u>(338,277)</u>
Non-Program Transactions			
Open Enrollment	960,500	975,866	(15,366)
Non-Open Enrollment	86,033	197,477	(111,444)
Total Non-Program Transactions	<u>1,046,533</u>	<u>1,173,343</u>	<u>(126,810)</u>
Total Expenditures	<u>22,953,468</u>	<u>23,422,529</u>	<u>(469,061)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,754,156</u>	<u>2,959,837</u>	<u>205,681</u>
OTHER FINANCING SOURCE (USES)			
Transfer to Special Education Fund	(2,494,541)	(2,419,530)	75,011
Transfer to Food Service Fund	(142,933)	(29,797)	113,136
Transfer to Debt Service Fund	(24,501)	(24,501)	-
Proceeds from Sale of Capital Assets	-	114,507	114,507
Total Other Financing Source (Use)	<u>(2,661,975)</u>	<u>(2,359,321)</u>	<u>302,654</u>
NET CHANGE IN FUND BALANCE	92,181	600,516	508,335
FUND BALANCE - BEGINNING OF YEAR	8,609,269	8,609,269	-
FUND BALANCE - END OF YEAR	<u>\$ 8,701,450</u>	<u>\$ 9,209,785</u>	<u>\$ 508,335</u>

SCHOOL DISTRICT OF WAUPACA
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Budgets and Budgetary Accounting

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data:

- a. Based upon requests from district staff, district administration recommends budget proposals to the Board of Education.
- b. The Board of Education reviews the proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- c. Pursuant to a public budget hearing, the Board of Education may make alterations to the proposed budget.
- d. Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire Board of Education.
- e. Appropriations lapse at year-end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance.

Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the financial statements.

There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes the special education fund was budgeted separate from the general fund, but for GAAP the two are combined. There is a reconciliation to the statement of revenues, expenditures and changes in fund balances provided as part of the notes to the required supplementary information.

Excess of Actual Expenditures Over Budget in Individual Funds

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2019:

<u>Individual Function</u>	<u>Excess Expenditures</u>
Other Instruction	\$ 213,205
General Administration Services	64,706
Business Services	1,131
Operations and Maintenance	113,795
Pupil Transportation	244,634
Insurance	25,278
Other Support Services	46,040
Open Enrollment	15,366
Non-Open Enrollment	111,444

SCHOOL DISTRICT OF WAUPACA
Notes to Required Supplementary Information - Continued
For the Year Ended June 30, 2019

Budget-to-Actual Reconciliation

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	<u>General Fund</u>
Sources/Inflows of Resources	
Actual Amounts (Budgetary Basis) "Total Revenues and Other Financing Sources" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 26,496,873
Differences - Budget to GAAP	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	1,504,569
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds	\$ 28,001,442
Uses/Outflows of Resources	
Actual Amounts (Budgetary Basis) "Total Expenditures and Other Financing Uses" from the Schedule of Revenues, Expenditures and Changes in Fund Balance	\$ 25,896,357
Differences - Budget to GAAP	
The Special Education Fund was Budgeted Separately but does not Meet the Definition of a Special Revenue Fund and was Combined with the General Fund	3,924,099
The Transfer to the Special Education Fund is Eliminated because it is Considered to be Part of the General Fund	(2,419,530)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 27,400,926

SCHOOL DISTRICT OF WAUPACA
Notes to Required Supplementary Information - Continued
For the Year Ended June 30, 2019

Defined Benefit Pension Plan

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

Changes of assumptions. The change in assumptions is as follows:

	Fiscal Year Ended		
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Long-Term Bond Rate	3.71%	3.31%	3.56%

Supplemental Pension Plan

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

Changes of assumptions. The change in assumptions is as follows:

	Fiscal Year Ended		
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Discount Rate	3.75%	3.50%	3.00%

Post-Employment Benefits Other Than Pension Benefits – Single-Employer Plan

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

Changes of assumptions. The change in assumptions is as follows:

	Fiscal Year Ended		
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Discount Rate	3.75%	3.50%	3.00%

Post-Employment Benefits Other Than Pension Benefits – Cost-Sharing Plan

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

Changes of assumptions. There were no changes in assumptions:

	Fiscal Year Ended	
	<u>6/30/2019</u>	<u>6/30/2018</u>
Discount Rate	4.22%	3.63%

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF WAUPACA

Combining Balance Sheet
 Non-Major Governmental Funds
 As of June 30, 2019

	<u>Special Revenue Trust</u>	<u>Capital Expansion</u>	<u>Food Service</u>	<u>Total</u>
ASSETS				
Cash and Investments	\$ 262,650	\$ 47,229	\$ -	\$ 309,879
Accounts Receivable	-	-	72	72
Due from Federal Government	-	-	26,012	26,012
Total Assets	<u>\$ 262,650</u>	<u>\$ 47,229</u>	<u>\$ 26,084</u>	<u>\$ 335,963</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to General Fund	\$ -	\$ -	\$ 11,590	\$ 11,590
Unearned Revenue	-	-	14,494	14,494
Total Liabilities	<u>-</u>	<u>-</u>	<u>26,084</u>	<u>26,084</u>
Fund Balances				
Restricted	<u>262,650</u>	<u>47,229</u>	<u>-</u>	<u>309,879</u>
Total Liabilities and Fund Balances	<u>\$ 262,650</u>	<u>\$ 47,229</u>	<u>\$ 26,084</u>	<u>\$ 335,963</u>

SCHOOL DISTRICT OF WAUPACA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Revenue Trust</u>	<u>Capital Expansion</u>	<u>Food Service</u>	<u>Total</u>
REVENUES				
Local Sources	\$ 581,167	\$ -	\$ 464,688	\$ 1,045,855
State Sources	-	-	19,488	19,488
Federal Sources	-	-	537,333	537,333
Other Sources	-	41,350	-	41,350
Total Revenues	<u>581,167</u>	<u>41,350</u>	<u>1,021,509</u>	<u>1,644,026</u>
EXPENDITURES				
Instruction:				
Regular Instruction	<u>563,005</u>	-	-	<u>563,005</u>
Support Services:				
Building Administration Services	62	-	-	62
Operations and Maintenance	-	11,476	-	11,476
Food Service	-	-	1,051,306	1,051,306
Total Support Services	<u>62</u>	<u>11,476</u>	<u>1,051,306</u>	<u>1,062,844</u>
Total Expenditures	<u>563,067</u>	<u>11,476</u>	<u>1,051,306</u>	<u>1,625,849</u>
OTHER FINANCING SOURCES				
Transfer From General Fund	-	-	29,797	29,797
NET CHANGE IN FUND BALANCES	18,100	29,874	-	47,974
FUND BALANCES - BEGINNING OF YEAR	<u>244,550</u>	<u>17,355</u>	-	<u>261,905</u>
FUND BALANCES - END OF YEAR	<u>\$ 262,650</u>	<u>\$ 47,229</u>	<u>\$ -</u>	<u>\$ 309,879</u>

SCHOOL DISTRICT OF WAUPACA
Schedule of Changes in Assets and Liabilities
Pupil Activity Fund
For the Year Ended June 30, 2019

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2019</u>
ASSETS				
Cash	\$ 60,711	\$ 143,701	\$ 131,823	\$ 72,589
LIABILITIES				
Due to Student Organizations:				
Middle School	\$ 7	\$ -	\$ -	\$ 7
High School	60,704	143,701	131,823	72,582
TOTAL LIABILITIES	<u>\$ 60,711</u>	<u>\$ 143,701</u>	<u>\$ 131,823</u>	<u>\$ 72,589</u>

SCHOOL DISTRICT OF WAUPACA
Combining Schedule of Internal General and Special Education Funds
Balance Sheet
As of June 30, 2019

	General	Special Education	Total General Fund
ASSETS			
Cash and Investments	\$ 5,317,916	\$ 233,432	\$ 5,551,348
Taxes Receivable	5,004,443	-	5,004,443
Accounts Receivable	10,956	-	10,956
Due from Food Service Fund	11,590	-	11,590
Due from Federal Government	169,192	-	169,192
Due from State Government	183,767	350	184,117
Due from Other Governments	319	-	319
Inventory	2,081	-	2,081
TOTAL ASSETS	<u>\$ 10,700,264</u>	<u>\$ 233,782</u>	<u>\$ 10,934,046</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 13,981	\$ -	\$ 13,981
Accrued Liabilities:			
Payroll, Payroll Taxes, Insurance	1,476,498	233,782	1,710,280
Total Liabilities	<u>1,490,479</u>	<u>233,782</u>	<u>1,724,261</u>
Fund Balances			
Nonspendable:			
Inventory	2,081	-	2,081
Unassigned	9,207,704	-	9,207,704
Total Fund Balances	<u>9,209,785</u>	<u>-</u>	<u>9,209,785</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,700,264</u>	<u>\$ 233,782</u>	<u>\$ 10,934,046</u>

SCHOOL DISTRICT OF WAUPACA
Combining Schedule of Internal General and Special Education Funds
Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

	General	Special Education	Total General Fund
REVENUES			
Property Taxes	\$ 13,619,054	\$ -	\$ 13,619,054
Other Local Sources	297,173	-	297,173
Interdistrict Sources	901,426	55,584	957,010
Intermediate Sources	-	16,031	16,031
State Sources	10,781,427	825,330	11,606,757
Federal Sources	718,953	607,624	1,326,577
Other Sources	64,333	-	64,333
Total Revenues	26,382,366	1,504,569	27,886,935
EXPENDITURES			
Instruction:			
Regular Instruction	9,015,090	-	9,015,090
Vocational Instruction	1,025,155	-	1,025,155
Physical Instruction	729,599	-	729,599
Special Instruction	-	2,984,114	2,984,114
Other Instruction	907,951	623	908,574
Total Instruction	11,677,795	2,984,737	14,662,532
Support Services:			
Pupil Services	735,696	513,101	1,248,797
Instructional Staff Services	1,831,029	232,282	2,063,311
General Administration Services	634,421	-	634,421
Building Administration Services	1,312,556	-	1,312,556
Business Services	289,726	-	289,726
Operations and Maintenance	2,857,999	-	2,857,999
Pupil Transportation Services	1,500,140	807	1,500,947
Central Services	940,447	-	940,447
Insurance	233,966	-	233,966
Other Support Services	235,411	-	235,411
Total Support Services	10,571,391	746,190	11,317,581
Non-Program Transactions:			
Open Enrollment	975,866	-	975,866
Non-Open Enrollment	197,477	193,172	390,649
Total Non-Program Transactions	1,173,343	193,172	1,366,515
Total Expenditures	23,422,529	3,924,099	27,346,628
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,959,837	(2,419,530)	540,307
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	114,507	-	114,507
Transfer Between Funds	(2,419,530)	2,419,530	-
Transfer to Debt Service Fund	(24,501)	-	(24,501)
Transfer to Food Service Fund	(29,797)	-	(29,797)
Total Other Financing Sources (Uses)	(2,359,321)	2,419,530	60,209
NET CHANGES IN FUND BALANCES	600,516	-	600,516
FUND BALANCES - BEGINNING OF YEAR	8,609,269	-	8,609,269
FUND BALANCES - END OF YEAR	\$ 9,209,785	\$ -	\$ 9,209,785

SCHOOL DISTRICT OF WAUPACA
Schedule of Charter School Authorizer Operating Costs
For the Year Ended June 30, 2019

<u>Operating Activity</u>	<u>WUFAR Object Code</u>	<u>Chain Exploration Center Cost</u>
Other	900	<u>\$ 500</u>

THIS PAGE LEFT BLANK INTENTIONALLY

ADDITIONAL REPORTS

Independent Auditors' Report on Internal Control Over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education
School District of Waupaca
Waupaca, 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 Waupaca (District), 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, and have issued our report thereon dated November 27, 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 significant deficiency* is a deficiency, or a combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged by governance. *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.

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 and significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying *schedule of findings and responses* as #2019-001, #2019-002 and #2019-003 to be material weaknesses.

To the Board of Education
School District of Waupaca

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 Waupaca Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying *schedule of findings and responses* and *corrective action plan*. The District's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

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 result 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



KerberRose SC
Certified Public Accountants
November 27, 2019

Independent Auditors' Report on Compliance with Requirements for Each Major Federal and State Program and on Internal Control over Compliance Required by Uniform Guidance, State Single Audit Guidelines, and the Wisconsin Department of Public Instruction

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

Report on Compliance for Each Major Federal and State Program

We have audited the School District of Waupaca's (District) compliance with the types of compliance requirements described in *Uniform Guidance Compliance Supplement*, *State Single Audit Guidelines* and the *Wisconsin Department of Public Instruction Audit Manual* 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 federal and state programs are identified in the accompanying summary of auditors' results section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditors' 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 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)*, *State Single Audit Guidelines* and *Wisconsin Public School District Audit Manual*. Those standards, *Uniform Guidance* and the *Audit Manual* 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 programs 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 on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the School District of Waupaca 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.

To the Board of Education
School District of Waupaca

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 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 major federal and state programs 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 Uniform Guidance, State Single Audit Guidelines and the *Wisconsin Public School District Audit Manual*, 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 deficiencies, significant deficiencies, or material weaknesses. 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 testing based on requirements of *Uniform Guidance*, State Single Audit Guidelines, and the *Wisconsin Public School District Manual*. Accordingly, this report is not suitable for any other purpose.



KerberRose SC
Certified Public Accountants
November 27, 2019

FEDERAL AND STATE AWARDS SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

SCHOOL DISTRICT OF WAUPACA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Awarding Agency/ Award Description/ Pass-Through Agency	Federal Catalog Number	Pass-Through Number	Program or Award Amount
U.S. DEPARTMENT OF AGRICULTURE			
<i>CHILD NUTRITION CLUSTER</i>			
Wisconsin Department of Public Instruction Non-Cash Assistance (Commodities) National School Lunch Program July 1, 2018-June 30, 2019	10.555	2019-686195-NSL-547	N/A
Cash Assistance School Breakfast Program July 1, 2017-June 30, 2018 July 1, 2018-June 30, 2019	10.553	2019-686195-SB-Severe-546	N/A
National School Lunch Program July 1, 2017-June 30, 2018 July 1, 2018-June 30, 2019	10.555	2019-686195-NSL-547	N/A
Summer Food Service Program July 1, 2017-June 30, 2018 July 1, 2018-June 30, 2019	10.559	2019-686195-SFSP-586	N/A
* Total Child Nutrition Cluster			
U.S. DEPARTMENT OF EDUCATION			
<i>SPECIAL EDUCATION CLUSTER</i>			
IDEA Flow Through Wisconsin Department of Public Instruction July 1, 2018-June 30, 2019	84.027	2019-686195-IDEA-FT-341	436,569
IDEA High Cost Special Education Wisconsin Department of Public Instruction July 1, 2018-June 30, 2019	84.027	2019-686195-IDEA-FT-341	1,247
Preschool Entitlement Wisconsin Department of Public Instruction July 1, 2018-June 30, 2019	84.173	2019-686195-IDEA-PS-347	23,831
* Total Special Education Cluster			
TITLE II-A FORMULA TEACHER AND PRINCIPAL TRAINING			
Wisconsin Department of Public Instruction July 1, 2008-June 30, 2019	84.367	2019-686195-TIIA-365	70,818
<i>TITLE I, PART A</i>			
Title I-A Basic Grant Wisconsin Department of Public Instruction July 1, 2017-June 30, 2018 July 1, 2018-June 30, 2019	84.010	2019-686195-TIA-141	330,118 327,665
Title I Neglected Wisconsin Department of Public Instruction July 1, 2017-June 30, 2018 July 1, 2018-June 30, 2019	84.010	2019-686195-TI-D Neglected-149	33,403 41,618
Total Title I			
CARL PERKINS VOCATIONAL EDUCATION ACT			
Wisconsin Department of Public Instruction July 1, 2018-June 30, 2019	84.048	2019-686195-CTE-400	19,038
WISCONSIN CHARTER SCHOOLS PROGRAM			
Wisconsin Department of Public Instruction July 1, 2018-June 30, 2019	84.282	2019-686195-WCSP-360	650,625
TOTAL U.S. DEPARTMENT OF EDUCATION			
U.S. DEPARTMENT OF HEALTH AND FAMILY SERVICES			
<i>MEDICAID SCHOOL BASED SERVICES</i>			
Passed through Wisconsin Department of Health Services July 1, 2017-June 30, 2018 July 1, 2018-June 30, 2019	93.778	Unknown	N/A
TOTAL WISCONSIN DEPARTMENT OF HEALTH SERVICES			
TOTAL FEDERAL ASSISTANCE			

<u>Receivable</u> <u>7/1/18</u>	<u>Grantor</u> <u>Reimbursement</u>	<u>Expenditures</u>	<u>Receivable</u> <u>6/30/19</u>
\$ -	\$ 64,753	\$ 64,753	\$ -
2,012	2,012	-	-
-	74,745	76,983	2,238
10,468	10,468	-	-
-	360,811	371,265	10,454
17,943	17,943	-	-
-	11,011	24,331	13,320
<u>30,423</u>	<u>541,743</u>	<u>537,332</u>	<u>26,012</u>
-	436,569	436,569	-
-	1,247	1,247	-
-	23,831	23,831	-
-	<u>461,647</u>	<u>461,647</u>	-
-	70,818	70,818	-
243,070	243,070	-	-
-	259,091	327,665	68,574
9,189	9,189	-	-
-	27,351	41,618	14,267
<u>252,259</u>	<u>538,701</u>	<u>369,283</u>	<u>82,841</u>
-	19,038	19,038	-
-	59,583	145,914	86,351
<u>252,259</u>	<u>1,149,767</u>	<u>1,066,700</u>	<u>169,192</u>
55,652	55,652	-	-
-	259,878	259,878	-
<u>55,652</u>	<u>315,530</u>	<u>259,878</u>	-
<u>\$ 338,334</u>	<u>\$ 2,007,040</u>	<u>\$ 1,863,910</u>	<u>\$ 195,204</u>

SCHOOL DISTRICT OF WAUPACA
Schedule of State Financial Assistance
For the Year Ended June 30, 2019

Awarding Agency/ Awarding Description/ Pass-Through Agency	State I.D. Number	State Pass Through Number	Receivable 7/1/18
WI DEPARTMENT OF PUBLIC INSTRUCTION			
<i>ENTITLEMENT PROGRAMS</i>			
<i>MAJOR STATE PROGRAMS</i>			
General Equalization - DPI	255.201	686195-116	\$ 147,863
Handicapped Pupils and School Age Parents Internal District Program - DPI	255.101	686195-100	-
CESA #5	255.101	686195-100	-
Common School Library Aid - DPI	255.103	686195-104	-
Pupil Transportation - DPI	255.107	686195-102	-
TOTAL MAJOR PROGRAMS			<u>147,863</u>
<i>NON-MAJOR STATE PROGRAMS</i>			
State Lunch - DPI	255.102	686195-107	-
WI Morning Milk Program - DPI	255.109	686195-115	-
Per Pupil Aid - DPI	255.945	686195-113	-
High Cost Special Education Aid - DPI	255.210	686195-119	-
Aid for School Mental Health Programs - DPI	255-227	686195-176	-
Special Education Transition Readiness Grant - DPI	255-257	686195-174	-
Personal Electronic Computing Device - DPI	255.296	686195-175	-
School Breakfast Program - DPI	255.344	686195-108	-
Student Achievement - DPI	255.504	686195-160	-
Educator Effectiveness Grant - DPI	255.940	686195-154	15,920
Career and Technical Education Incentive Grant - DPI	255.950	686195-171	-
Robotics Lead Participation Grants - DPI	255.959	686195-167	-
Assessments of Reading Readiness - DPI	255.956	686195-166	-
Aid for Special Education Transition Grants - DPI	255.960	686195-168	-
TEACH	N/A	N/A	-
Safety Grant - WI Dept of Justice	N/A	N/A	-
Early College Credit Program - DPI	N/A	N/A	-
Aids in Lieu of Taxes - WI Dept of Natural Resources	N/A	N/A	-
Personal Property Aid - WI Dept of Revenue	N/A	N/A	-
Exempt Computer Aid - WI Dept of Revenue	N/A	N/A	37,386
TOTAL NON-MAJOR PROGRAMS			<u>53,306</u>
TOTAL STATE ASSISTANCE			<u>\$ 201,169</u>

<u>State</u> <u>Reimbursements</u>	<u>Expenditures</u>	<u>Receivable</u> <u>6/30/19</u>
\$ 8,393,081	\$ 8,385,453	\$ 140,235
791,306	791,306	-
16,031	16,031	-
89,065	89,065	-
76,873	76,873	-
<u>9,366,356</u>	<u>9,358,728</u>	<u>140,235</u>
10,185	10,185	-
5,563	5,563	-
1,377,324	1,377,324	-
4,665	4,665	-
44,473	44,473	-
23,009	23,009	-
19,875	19,875	-
3,740	3,740	-
586,392	586,392	-
33,600	17,680	-
46,000	46,000	-
-	5,000	5,000
2,587	2,587	-
6,000	6,350	350
33,655	33,655	-
10,384	10,384	-
-	242	242
9,247	9,247	-
38,887	38,887	-
37,386	38,290	38,290
<u>2,292,972</u>	<u>2,283,548</u>	<u>43,882</u>
<u>\$ 11,659,328</u>	<u>\$ 11,642,276</u>	<u>\$ 184,117</u>

SCHOOL DISTRICT OF WAUPACA

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance For the Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the School District of Waupaca under programs of the federal and state governments for the year ended June 30, 2019. The information in these schedules 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 *Wisconsin Public School District Audit Manual*. Because the schedule presents only a select portion of operations of the District, it is not intended to, and does not, present the financial position and change in net position of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

School District of Waupaca has not elected to use the 10 percent *de minimis* indirect cost rate as allowable under the Uniform Guidance.

Note 3 - Special Education and School Age Parents Program

2018 – 2019 eligible costs under the State Special Education Program are \$3,183,867.

Note 4 - Oversight Agencies

The District's federal oversight agency is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

SCHOOL DISTRICT OF WAUPACA
 Schedule of Findings and Responses
 For the Year Ended June 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None Reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program
84.010	Title I
93.778	Medical Assistance Program
Special Education Cluster:	
84.027	IDEA Flow Through
84.173	Preschool Entitlement

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
---	-----------

Auditee qualified as a low-risk auditee?	No
--	----

State Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported

Type of auditors’ report issued on compliance for major programs:	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> or the Wisconsin Department of Public Instruction Audit Manual?	No
---	----

Identification of major state programs:

State I.D. Number	Name of State Program
255.101	Special Education and School Age Parents
255.201	General Equalization
255.107	General Transportation
255.103	Common School Fund Library

SCHOOL DISTRICT OF WAUPACA
 Schedule of Findings and Responses (Continued)
 For the Year Ended June 30, 2019

Section II - Financial Statement Findings

#2019-001 Financial Reporting

Prior Year Audit Finding	#2018-001
Criteria	Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net position, and disclosures in the financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
Condition	During our audit, we noted that the internal control system does not include a process for preparing the annual audited financial statements and the related disclosures in accordance with GAAP.
Cause	Management requested that KerberRose SC assist in preparing a draft of the audited financial statements, including the related footnote disclosures. The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost.
Effect	Although the auditors are preparing the financial statements and related footnotes, management of the District thoroughly reviews them and accepts responsibility for their completeness and accuracy.
Recommendation	We recommend that management continues to make this decision on a cost/benefit basis.
Management's Response	Due to limited staffing the District will continue to contract with an outside audit firm to complete the statements and related notes to comply with GAAP. Management does review and approve the financial statements and management accepts responsibility for the financial statements.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

SCHOOL DISTRICT OF WAUPACA
 Schedule of Findings and Responses (Continued)
 For the Year Ended June 30, 2019

Section II - Financial Statement Findings (Continued)

#2019-002 - Preparation of Schedule of Federal Expenditures and State Financial Assistance

Prior Year Audit Finding	#2018-002
Criteria	Uniform Guidance, § ___.300, requires that the District "identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity." In addition, the District is required to "prepare appropriate financial statements, including the schedule of expenditures of federal award in accordance with § ___.310." A similar requirement exists for state programs under the <i>State Single Audit Guidelines</i> .
Condition	The District was unable to provide us with a schedule of federal and state expenditures with the appropriate allocation of funds by CFDA number, state identification number and funding source.
Cause	The District felt that they did not have the resources to devote to preparation of this schedule.
Effect	Because the auditors do not have the in-depth knowledge of the District's general ledger detail, it is possible that a federal or state grant award could be missed or reported in error.
Recommendation	We recommend that the District assign an individual internally that is qualified to prepare these schedules.
Management's Response	The District agrees with this finding but will continue to rely on the audit firm to perform these functions because of limited office personnel and time to perform this function.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

SCHOOL DISTRICT OF WAUPACA
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2019

Section II - Financial Statement Findings (Continued)

#2019-003 Material Account Adjustments

Prior Year Audit Finding	#2018-003
Criteria	Management is responsible for maintaining internal controls and maintaining its accounting records in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
Condition	Throughout the course of performing the audit, certain adjustments were identified and proposed. Management has approved and posted these material adjustments to present fair and accurate financial statements.
Cause	Internal controls did not detect certain adjustments necessary to properly record year-end balances.
Effect	The initial trial balances were misstated.
Recommendation	We recommend that management take steps to ensure that all year-end adjustments are identified and posted for financial reporting purposes.
Management's Response	The District is aware of the reasons for the material account adjustments and has continued to take action to implement procedures for the preparation of year-end adjustments.
Responsible Official	Carl Hayek, Business Manager
Anticipated Completion Date	This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

Section III - Federal Award Findings

There were no findings for federal awards.

Section IV - State Award Findings

There were no findings for state awards.

SCHOOL DISTRICT OF WAUPACA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

Financial Statement Findings

#2018-001 - Financial Reporting - See corrective action plan finding #2019-001.

#2018-002 - Preparation of Schedules of Federal Expenditures and State Financial Assistance - See corrective action plan finding #2019-002.

#2018-003 - Material Account Adjustments - See the corrective action plan finding #2019-003 related to material account adjustments.



Respectful, Responsible, Safe & Prepared

Carl A. Hayek
Director of Business Services
E2325 King Rd.
Waupaca, WI 54981
Phone- 715/258-4121
FAX- 715/258-4125

Corrective Action Plan

Financial Statement Findings

#2019-001 - Financial Reporting - The District is aware that their staff does not have a process to prepare financial statements and related notes in accordance with GAAP. The District will rely on the assistance of the auditors for preparation of the financial statements and related notes.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

#2019-002 - Preparation of Schedules of Federal Expenditures and State Financial Assistance - The District agrees with this finding and will work to alleviate this issue.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.

#2019-003 - Material Account Adjustments - The District is aware of the reasons for the material account adjustments and has already taken action to implement procedures for the preparation of year-end adjustments.

Responsible Official - Carl Hayek, Business Manager

Anticipated Completion Date - This finding will not completely resolve itself given the cost/benefit basis the District continues to make.