

SCHOOL DISTRICT OF PEWAUKEE
Pewaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2018

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SCHOOL DISTRICT OF PEWAUKEE

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SCHOOL DISTRICT OF PEWAUKEE

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Pewaukee, Wisconsin, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee'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 auditors' 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 over financial reporting relevant to the School District of Pewaukee'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 School District of Pewaukee'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.

To the Board of Education
School District of Pewaukee

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Pewaukee, Wisconsin, as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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. These reporting standards limit the disclosure of condensed financial statements and other information in the management's discussion and analysis. Management has elected to include more information in the management's discussion and analysis than is required by these standards. 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.

Management has omitted the schedule of investment returns - OPEB 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 opinions on the basic financial statements are not affected by this missing information.

To the Board of Education
School District of Pewaukee

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Pewaukee's basic financial statements. The supplementary information as listed in the table of contents, which includes the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Guidelines*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary 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 28, 2018 on our consideration of the School District of Pewaukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Pewaukee's internal control over financial reporting and compliance.

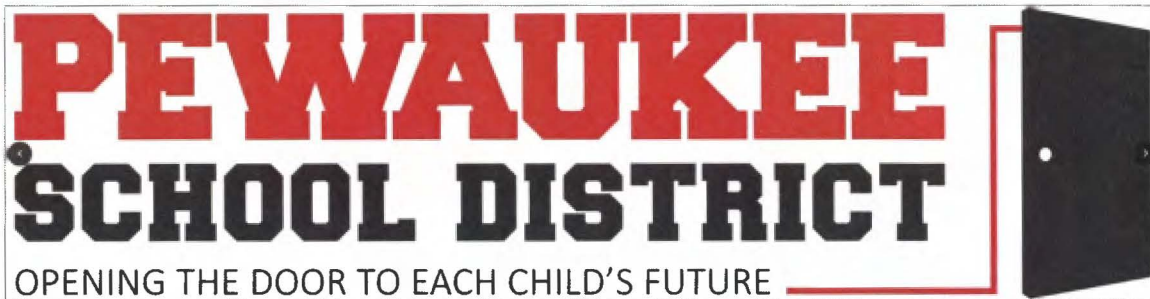
Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 28, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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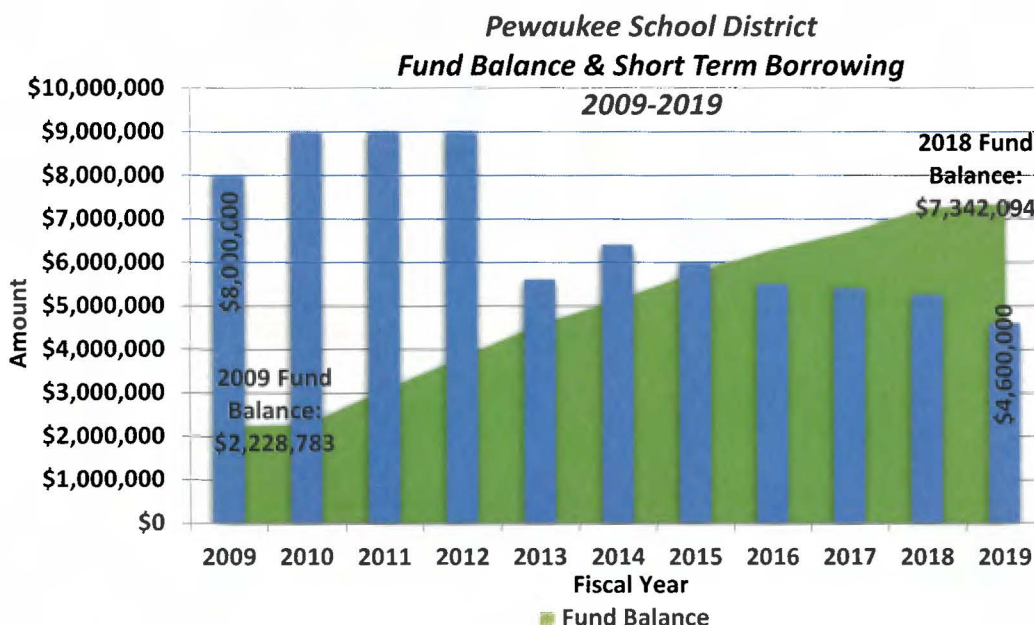
**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018**

The following discussion and analysis of the Pewaukee School District's financial performance provides an overall review of financial activities for the fiscal year and focuses on School District financial performance as a whole.

FINANCIAL HIGHLIGHTS

Review of Funds:

The General Fund (Fund 10) balance increased by \$549.29K from \$6.693M to \$7.242M. The fund balance is approximately 25.17% of General Fund expenditures. The original budget for 2017-18 was adopted with an expected surplus of approximately \$100,000. The budget surplus beyond this plan was primarily driven as a result of reducing the cost of personnel in the district and reductions in the cost of providing special education programming. Personnel costs account for nearly seventy-five percent of the overall operating budget. The District has taken a deliberate approach to increasing their reserves over the past several years. This approach has resulted in a significant reduction in the reliance of the district on short term borrowing for cash flow purposes as the following chart indicates:



Pewaukee School District served as the fiscal agent in the operations of the Waukesha Area Health Insurance Purchasing Cooperative. This group formed to create buying power for the smaller groups within individual districts generating premium savings for all members of the cooperative. Seven (7) districts participated in the initial offering. The members of the cooperative began their insurance coverage through United Health Care in September 2007 with their first renewal date on July 1, 2008. As of September 1, 2014 the membership in the Cooperative had grown to ten school districts. The cooperative has implemented a robust wellness operating plan for all member districts. Improving the health of the group through the participation in the wellness activities offered will be monitored to measure the effectiveness of the plan in lowering the overall cost of health insurance.

Financial activity resulted in a decrease in fund balance in the Food Service Fund (Fund 50) of \$13,800. This reduction is the result of a planned investment in additional equipment for use in the program. Revenues of \$1,006,140 and expenditures of \$1,019,940, resulting in a total fund balance of \$233,460 as of June 30, 2018. Reinvestment in additional resources to be used in the program to enhance participation will be the target for these reserves.

Capital assets have been reported at \$67,266,072 and accumulated depreciation of \$26,328,176 for a net capital asset book value of \$40,937,896. The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$5,000. Independent physical inventories are conducted in Spring on a biannual cycle with the most recent completed in the Spring of 2018. Capital assets were assigned to an expense function and annual and accumulated depreciation for each expense function has been incorporated into the financial statements.

The District has planned for the future costs associated with the upkeep and maintenance of the facilities. Preventative maintenance and life cycle replacement of equipment are addressed in the Long Range Capital Improvement Plan. This plan is revisited annually and presented to the Board of Education. Major improvements to the facilities in the District are assessed in ten year increments through the Facility Master Planning process. During the 2017-18 school year our Board of Education facilitated several community engagement sessions to develop a comprehensive facility improvement plan for the district. The Board of Education approved a referendum to be presented to the voters on November 6, 2018.

The resident student full-time equivalent (FTE) count, which is a major variable in the district's revenue limit calculation, decreased by 3 students or 0.11% from September 2016 to September 2017. Pewaukee has experienced growth in our resident population through new developments in the community and residential turnover. The count increased from 2,742 full-time equivalent resident students to 2,739, full-time equivalent resident students. We anticipate the rate of growth will slow in the near future as many of the developments are reaching the full build out stage and the next phase of development begins in Summer 2019.

Total revenues from Governmental Funds were \$37,840,046. This amount includes \$27,449,852 of local revenues, \$7,362,821 of state revenues, and \$3,027,373 from other sources. Local revenues represent 72.54% of all revenue. State revenues represent 19.46% of all revenue. Due to the position of the Pewaukee School District in the state aid distribution formula we experienced an increase in Equalization Aid in the 2017-18 fiscal year of 14.80% or \$645,553.

The District's overall financial status, as reflected in total net position of \$29,498,476, reflecting the decrease in long-term liabilities as construction debt payments were made, offset by increases to the total asset base.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four parts:

1. Management's Discussion and Analysis.
2. Basic Financial Statements (District-wide and Fund Statements.)
3. Notes to the Financial Statements.
4. Required and Additional Supplementary Information.

The basic financial statements consist of district-wide Financial Statements and Fund Financial Statements that present different views of the district's financial activities.

District-wide Financial Statements

The *Statement of Net Position* and *Statement of Activities* provide information on a District-wide basis. These statements present an aggregate view of the District's finances. These statements contain useful long-term information as well as information for the 2017-18 fiscal year.

The *Statement of Net Position* compares assets and deferred outflows of resources to liabilities and deferred inflows of resources to give an overall view of the financial health of the District.

The *Statement of Activities* defines the District's expenses by function and illustrates the total that offset by corresponding revenues (charges for services and/or operating grants and contributions). General revenue and any extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue and recognizing the change in net assets for the District from the previous year.

Fund Financial Statements

The remaining statements: *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements and support the *Statement of Net Position*.

The *Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* is required supplementary information, which further explains and supports the financial statements by including a comparison of the District's budget data for the year.

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

Supplementary Information provides information specific to non-major governmental funds.

The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in Table 1.

Table 1 – Major Features of District-wide and Fund Financial Statements

| | District-wide Statements | Governmental Fund Statements | Proprietary Fund Statements | Fiduciary Fund Statements |
|--|---|---|---|---|
| Scope | Entire District (except fiduciary funds) | The activity of the District that is not proprietary or fiduciary, such as instructional, support services and community services. | An activity the District operates similar to private businesses. <u>The District does not report any program for this designation.</u> | Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here. |
| Required Financial Statements | Statement of Net Position Statement of Activities | Balance Sheet Statement of Revenues, Expenditures and changes in Fund Balance | Statement of Net Position Statement of Revenues, Expenses and changes in Net Position Statement of Cash Flows | Statement of Fiduciary Net Position Changes in Fiduciary Net Position |
| Basis of Accounting and Measurement Focus | Accrual accounting Economic resources focus | Modified accrual accounting Current financial resources focus | Accrual accounting Economic resources focus | Accrual accounting Economic resources focus |
| Type of Asset and Liability Information | All assets and liabilities, both financial and capital, short-term and long-term. | Generally, assets expected to be used and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are included. | All assets and liabilities, both financial and capital, short-term and long-term. | All assets and liabilities, both financial and capital, short-term and long-term. <u>The District's fiduciary funds do not currently contain capital assets.</u> |
| Type of Inflow and Outflow Information | All revenues and expenses during the year, regardless of when cash is received or paid. | Revenues for which cash is received during or soon after the end of the year. Expenditures when goods or services have been received and the related liabilities are due and payable. | All revenues and expenses during the year, regardless of when cash is received or paid. | All additions or deductions during the year, regardless of when cash is received and paid. |

Table 2 – Condensed Statement of Net Assets

| | <u>6/30/2014</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> | <u>6/30/2018</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Assets</u> | | | | | |
| Current Assets | \$13,747,860 | \$16,038,463 | \$14,040,194 | \$14,702,959 | \$15,402,112 |
| Non Current Assets | 44,283,717 | 46,528,216 | 44,149,786 | 42,692,846 | 44,241,112 |
| Total Assets | \$58,031,577 | \$62,566,679 | \$58,189,980 | \$57,395,805 | \$59,643,224 |
| <u>Deferred Outflows of Resources</u> | | | | | |
| | \$0 | \$2,622,345 | \$9,639,668 | \$6,653,237 | \$5,800,266 |
| <u>Liabilities</u> | | | | | |
| Current Liabilities | \$9,382,473 | \$9,624,483 | \$8,917,529 | \$8,716,585 | \$8,078,733 |
| Non-Current Liabilities | 27,732,537 | 27,359,221 | 26,122,574 | 23,956,893 | 21,209,448 |
| Total Liabilities | \$37,115,010 | \$36,983,704 | \$35,040,103 | \$32,673,478 | \$29,288,181 |
| <u>Deferred Inflows of Resources</u> | | | | | |
| | \$0 | \$49,107 | \$3,745,158 | \$2,913,041 | \$6,656,833 |
| <u>Net Position</u> | | | | | |
| Net Investment in Capital Assets | \$17,215,768 | \$18,394,094 | \$19,885,525 | \$20,867,921 | \$21,954,296 |
| Restricted for Debt Service | 482,767 | 461,049 | 462,492 | 420,446 | 414,628 |
| Restricted for pensions | 0 | 2,619,014 | 0 | 0 | 3,303,216 |
| Unrestricted | 3,642,457 | 6,682,056 | 8,696,370 | 7,174,156 | 3,826,336 |
| Total Net Position | \$21,340,992 | \$28,156,213 | \$29,044,387 | \$28,462,523 | \$29,498,476 |

Statement of Net Position: (Table 2)

As of June 30, 2018, the District reported total assets of \$59.64M, total deferred outflows of resources of \$5.80M, total liabilities of \$29.29M and total deferred inflows of resources of \$6.66M. Net position amounts to \$29.50M. Fiscal Year 2017-18 is the sixteenth year the District has reported capital assets on the balance sheet. Capital asset reporting includes historical cost of sites, site improvements, buildings, building improvements, furniture and equipment (all net of accumulated depreciation).

Table 3
Statement of Activities

| <u>Revenues:</u> | | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> |
|-------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Program: | Charges for Services | 2,679,556 | 2,662,525 | 2,755,347 | 3,016,675 |
| | Operating Grants & Cont. | 2,032,148 | 2,156,907 | 2,128,288 | 2,107,815 |
| General: | Property & Other Taxes | 25,941,868 | 26,504,690 | 26,444,250 | 26,212,347 |
| | General State Aid | 3,829,875 | 4,150,971 | 5,119,159 | 6,325,881 |
| | Other | 78,205 | 107,701 | 106,145 | 186,631 |
| Total Revenue | | \$34,561,652 | \$35,582,794 | \$36,553,189 | \$37,849,349 |
| <u>Expenses:</u> | | | | | |
| Instruction: | Regular | 12,652,672 | 13,826,790 | 14,334,601 | 14,526,511 |
| | Vocational | 948,639 | 1,083,161 | 1,344,717 | 1,450,447 |
| | Special Education | 2,816,273 | 3,100,895 | 3,263,711 | 3,227,170 |
| | Other Instruction | 1,215,106 | 1,373,863 | 1,407,419 | 1,436,413 |
| Support: | Pupil Services | 1,089,816 | 1,131,898 | 1,232,675 | 1,303,626 |
| | Instructional Support | 1,937,087 | 2,058,112 | 2,037,277 | 2,113,545 |
| | Administration | 2,669,331 | 2,992,479 | 3,057,801 | 2,878,141 |
| | Buildings & Grounds | 2,851,418 | 2,969,093 | 3,213,578 | 2,963,889 |
| | Pupil Transportation | 1,282,030 | 1,235,990 | 1,306,295 | 1,280,503 |
| | Other Support Services | 2,256,745 | 2,071,205 | 2,087,536 | 3,218,733 |
| | Interest and Fees | 1,043,638 | 1,022,044 | 956,291 | 462,193 |
| | Food Service | 926,374 | 968,260 | 941,777 | 1,000,095 |
| | Depreciation Unallocated | 812,618 | 860,830 | 666,208 | 952,130 |
| Total Expense | | \$32,501,747 | \$34,694,620 | \$35,849,886 | \$36,813,396 |
| Change in Net Position | | \$2,059,905 | \$888,174 | \$703,303 | \$1,035,953 |

Revenues

- The District received \$37.85M in revenue for the 2017-18 fiscal year. Approximately sixty-nine percent (69.25%) of the District's total revenue came from local school property tax and prior year tax charge backs. Over sixteen percent (16.71%) of the total came from general state aid. The District receives fourteen point zero four percent (14.04%) in the form of specific use State Grants, Federal Aid, and direct fees for services and other revenues. The overall make-up of the sources of revenue did not vary significantly from the previous fiscal year.
- Individuals who directly participated or benefited from a program contributed \$3.02M of the cost. Book and activity fees, admissions to athletic events, lunch fees, open enrollment tuition, and building rental fees are included as charges for services.
- Federal and State governments subsidized certain programs with grants and contributions of \$2.11M. Special Education Aid and Transportation Aid are examples of operating grants and contributions.
- General Revenues in the form of property taxes accounted for \$26.21M and general state aid for \$6.33M. Charges for services and operating grants and contributions total \$5.12M.

Expenses

- The District's total expenditures were \$36.81M for fiscal year 2017-18. Sixty five percent (65.35%) of expenses were for direct instruction and instructional support services. Costs for teacher salaries/benefits, textbooks, and instructional supplies are examples of direct instruction and instructional services expenditures. Support services account for \$12.76M or thirty-four percent (34.65%) of total expenditures. These costs include administration, facility maintenance, pupil transportation, food service, central administration and risk management.
- The total cost of all governmental activities was \$36.81M.
- The net cost of governmental activities was \$31.69M. The net cost is the total cost less the program revenues. Refer to the Statement of Activities for the detailed adjustments made for the net cost.

Table #4 – Net Cost of Governmental Activities

| | 2015-16 | | 2016-17 | | 2017-18 | |
|--------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
| Regular Instruction | \$13,826,790 | \$12,040,667 | \$14,334,601 | \$12,450,827 | \$14,526,511 | \$12,362,613 |
| Vocational Instruction | 1,083,161 | 1,079,783 | 1,344,717 | 1,318,110 | 1,450,447 | 1,436,753 |
| Special Education | 3,100,895 | 1,720,966 | 3,263,711 | 1,946,520 | 3,227,170 | 1,893,294 |
| Other Instruction | 1,373,863 | 1,196,941 | 1,407,419 | 1,254,487 | 1,436,413 | 1,300,836 |
| Pupil Services | 1,131,898 | 1,119,645 | 1,232,675 | 1,227,427 | 1,303,626 | 1,289,473 |
| Instructional Support | 2,058,112 | 1,764,318 | 2,037,277 | 1,765,828 | 2,113,545 | 1,885,997 |
| Administration | 2,992,479 | 2,981,855 | 3,057,801 | 3,053,945 | 2,878,141 | 2,852,449 |
| Buildings and Grounds | 2,969,093 | 2,892,965 | 3,213,578 | 3,154,882 | 2,963,889 | 2,907,359 |
| Pupil Transportation | 1,235,990 | 1,129,963 | 1,306,295 | 1,201,407 | 1,280,503 | 1,180,885 |
| Other Support Services | 2,071,205 | 2,067,100 | 2,087,536 | 2,030,707 | 3,218,733 | 3,169,012 |
| Interest and Fees | 1,022,044 | 1,022,044 | 956,291 | 956,291 | 462,193 | 462,193 |
| Food Service | 968,260 | -1,889 | 941,777 | -60,388 | 1,000,095 | -4,088 |
| Depreciation Unallocated | 860,830 | 860,830 | 666,208 | 666,208 | 952,130 | 952,130.00 |
| Total | \$34,694,620 | \$29,875,188 | \$35,849,886 | \$30,966,251 | \$36,813,396 | \$31,688,906 |

General Fund Budgetary Comparison:

The District adopts a preliminary budget in May for the subsequent fiscal year. Consistent with current state statutes and regulations, the preliminary budget is amended in October to reflect the actual revenue cap and state aid certification. Thereinafter the budget is referred to as the Original Budget.

- General Fund (Fund 10) was originally approved with an expected surplus of \$100,000. The final fiscal year operations resulted in a General Fund surplus of \$549,286. This surplus was the result of reduced expenditures in both the General Fund and the Special Education Fund related primarily to personnel costs in the amount of \$321,707 and revenues that came in over budget in the General Fund budget by \$127,579 in addition to the planned \$100,000 surplus.

Fund Balances:

- The District shows a total for all fund balances of \$9,584,438 as of June 30, 2018. (See Note III-I. in the financial statements for the detail of total governmental fund balances.)
- \$7.24M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations. The interest earned on investment of these funds provides additional spending capacity. The Fund 10 balance is approximately 25.17% of General Fund operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating, and allows the District to respond to non-recurring economic needs.
- \$621K is in the Debt Service Fund (Fund 30), which is reserved to make the September 2018 interest payment on long-term debt.
- \$233K is in the Food Service Fund (Fund 50), which is used to fund capital equipment needs.
- \$123K is in the Gift Fund (Fund 21), which represents donations to the District to be spent for a specific purpose.
- \$1.36M is in the Capital Projects Fund and will be used to complete projects which have been identified in the Long Range Capital Improvement Plan.

Governmental Activities:

The District's current financial position can be credited to effective and conservative fiscal management.

- It has been the goal of the Board of Education to implement ongoing capital improvement projects in all the buildings of the District. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to ensure that the physical plants in the District are kept in excellent condition and that costly major repairs may be averted through timely facility preventative maintenance. In the 2013-14 school year the Board of Education acted to combine their Five Year Capital Improvement plan and the Ten Year Campus Improvement Plan into a single Long Range Capital Improvement Plan. The Board also took action to create a long-term Capital Improvement Fund (Fund 46) to address future funding needs.
- Each year, detailed attention is paid to staffing levels. Class size levels are monitored closely to ensure high quality instruction despite the constraints of the state-imposed revenue limit.

Staffing Table

| | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>Change</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| Teachers | 164.25 | 170.46 | 177.05 | 182.90 | 186.42 | 193.64 | 7.22 |
| Administrators | 12.00 | 12.00 | 12.00 | 13.00 | 13.50 | 14.00 | 0.50 |
| Aides | 23.43 | 27.41 | 28.63 | 29.64 | 31.76 | 35.90 | 4.14 |
| Custodians | 18.94 | 18.13 | 18.84 | 18.60 | 18.85 | 18.85 | 0.00 |
| Secretaries | 12.08 | 11.56 | 11.69 | 12.38 | 14.26 | 14.26 | 0.00 |
| Technology Staff | 5.00 | 5.00 | 5.00 | 5.38 | 5.38 | 5.69 | 0.31 |
| Psych/Social Emotional Support/Career planning | 2.00 | 2.00 | 2.00 | 2.00 | 3.50 | 4.00 | 0.50 |
| District Assistants/Support | 10.60 | 15.44 | 15.44 | 17.18 | 16.68 | 17.58 | 0.90 |

- The District keeps a close watch on enrollment projections and plans personnel decisions accordingly. Projections are outsourced every four years using the Applied Population Laboratory from the University of Wisconsin – Madison. The district has experienced growth in the resident student population since the mid 1980's in all but two years. Resident enrollment is anticipated to exceed 2,800 by the Fall of 2017. December 2016 projections call for the resident population to exceed 3,000 by the 2021-22 school year. Turnover (sales) of existing homes within the District continues to be strong and is a source of continuing growth in the resident student population.

Open Enrollment is utilized by the district to provide additional revenue for investment into the educational programs of the district while offsetting the fixed cost of operations. The Pewaukee School District experienced a net revenue (difference between incoming and outgoing students) of \$948K in the General Fund.

Chart 6.1- Enrollment History 1995 - 2017

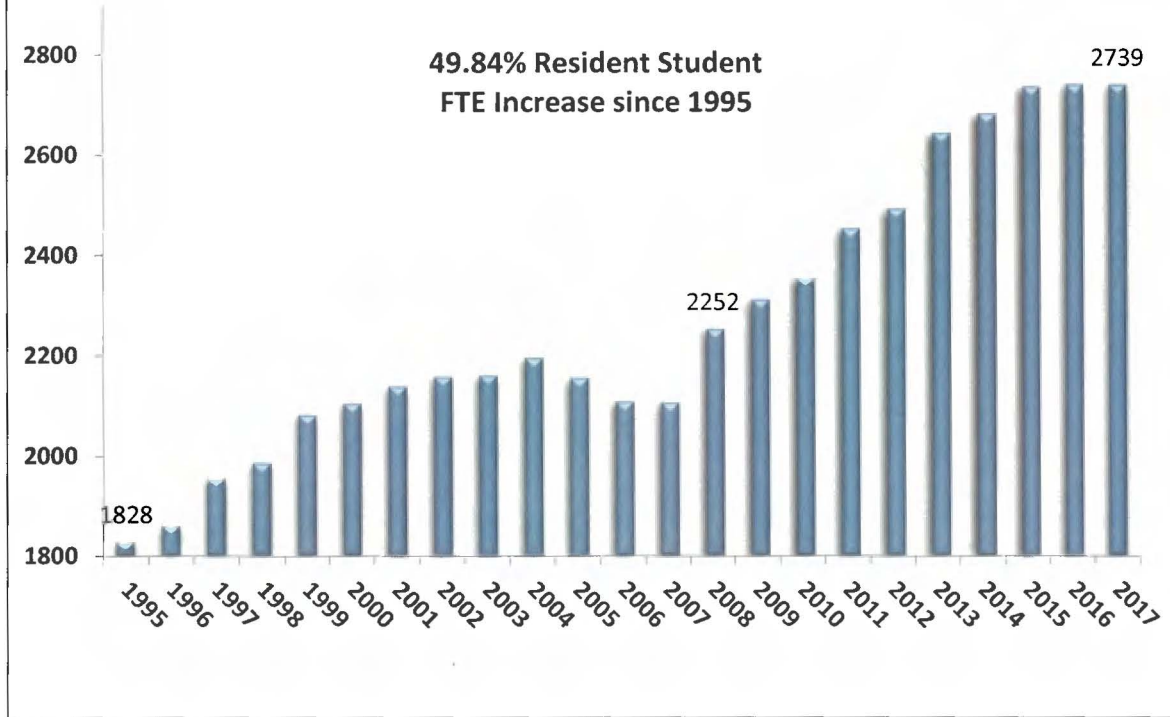
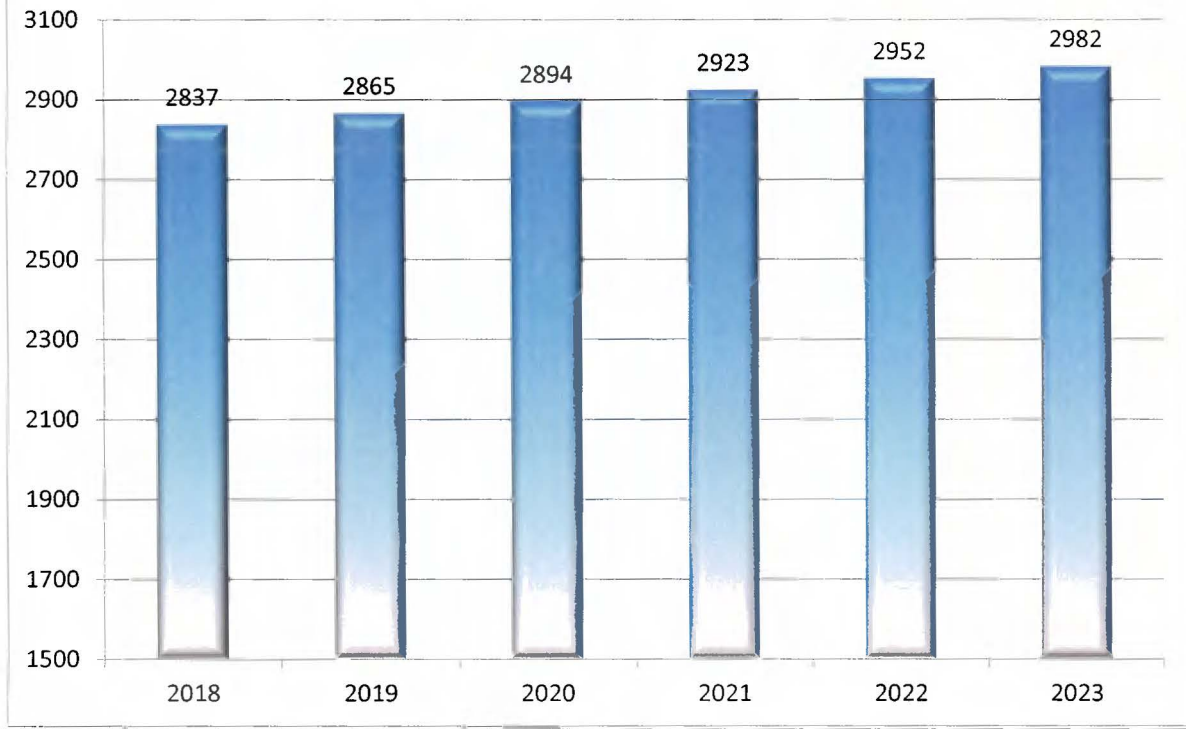


Chart 6.2 - Enrollment Projection: Years 2018 to 2023



Capital Asset and Debt Administration

Capital Assets

- In order to comply with GASB 34, the District retains an independent appraisal firm to perform a comprehensive physical inventory every other year (and a book review in each off-year) of all capital assets over \$5,000 and calculates both annual and accumulated depreciation on all applicable capital assets. (Note III-D in the Financial Statements details the capital assets).

Long Term Debt

- As of June 30, 2018 the District had \$18.84M in long-term obligations, which includes promissory notes, general obligation bonds, and accrued compensated absences (Note III-G in the Financial Statements details the long-term obligations).

General Obligation Debt of the District is secured by an irrevocable tax levy adopted by the Board of Education at the time of issuance. Wisconsin State Statutes require that the first property tax receipts be segregated for use for annual debt service payment. The Pewaukee School District complies with all these statutory requirements.

Decisions that Will Impact the Future of the District

- One of the most important variables in the District's financial future is controlling the cost of health insurance for its employees. If these rates increase, the cost of health benefits will have a detrimental impact on the instructional services of the District. District administration has been implementing various employee cost-sharing and cost-saving measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge. Through the continuous improvement efforts of the District, there has been a robust wellness program developed and implemented within the District. Working in collaboration with the members of the Waukesha County Area Schools Cooperative (WCASC) we are able to implement long term solutions to control the cost of health insurance for our District.
- It is important the District continues to be able to complete capital improvement projects. The unique campus setting of the Pewaukee School District is an important asset which helps attract and retain students and staff. It is one of the Board of Education's strategic goals and an annual budget priority to continue to upgrade and maintain the physical plants of the District. Space for the growing resident population will be monitored closely. Planning for meeting the facility needs of the future is reviewed in ten year increments to ensure that the educational environment is appropriate to meet the needs of the next generation of learners. Conducting a thorough review of the Facility Master Plan with a focus on the viability of maintaining a single campus to meet the needs of a diverse resident student population is currently underway in the District.
- The District enjoys a positive impact from the Public School Open Enrollment Program, with approximately 90 students leaving the District and 240 students entering the District. This produces a revenue gain of approximately \$1.12M per year. Leveraging this source of revenue to augment the sources of funds available to provide an enhanced learning experience for all students.
- Pewaukee School District continues to benefit from very strong growth in the local tax base and increases in residential construction. These trends should have a beneficial effect upon District finances for the next 2-3 years. The commercial tax base will also increase due to the addition of retail developments in the Village of Pewaukee.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, please contact:

John Gahan, Assistant Superintendent
Pewaukee School District
404 Lake Street
Pewaukee, WI 53072
Phone: (262) 695-5038
gahajoh@pewaukeeschools.org

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BASIC FINANCIAL STATEMENTS

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF NET POSITION

As of June 30, 2018

ASSETS

CURRENT ASSETS

| | | |
|----------------------------|----|-------------------|
| Cash and investments | \$ | 8,208,577 |
| Taxes receivable | | 6,530,147 |
| Due from other governments | | 289,036 |
| Accounts receivable | | 40,837 |
| Prepaid items | | 333,515 |
| Total Current Assets | | <u>15,402,112</u> |

NONCURRENT ASSETS

| | | |
|--------------------------------|--|---------------------|
| Restricted Assets | | |
| Net Pension Asset | | <u>3,303,216</u> |
| Capital Assets | | |
| Land | | 1,449,282 |
| Other capital assets | | 65,816,790 |
| Less: Accumulated depreciation | | <u>(26,328,176)</u> |
| Net Capital Assets | | <u>40,937,896</u> |
| Total Noncurrent Assets | | <u>44,241,112</u> |
| Total Assets | | <u>59,643,224</u> |

DEFERRED OUTFLOW OF RESOURCES

| | | |
|---------------------------------------|--|------------------|
| Unamortized loss on refunding | | 152,793 |
| Deferred outflows related to pensions | | 5,529,109 |
| Deferred outflows related to OPEB | | <u>118,364</u> |
| Total Deferred Outflows of Resources | | <u>5,800,266</u> |

LIABILITIES

CURRENT LIABILITIES

| | | |
|--|--|------------------|
| Short-term debt | | 5,250,000 |
| Accounts payable and accrued expenses | | 773,761 |
| Current portion of long-term obligations | | <u>2,054,972</u> |
| Total Current Liabilities | | 8,078,733 |

NONCURRENT LIABILITIES

| | | |
|---|--|-------------------|
| Noncurrent portion of long-term obligations | | <u>21,209,448</u> |
| Total Liabilities | | <u>29,288,181</u> |

DEFERRED INFLOW OF RESOURCES

| | | |
|--------------------------------------|--|------------------|
| Deferred inflows related to pensions | | 6,575,644 |
| Deferred inflows related to OPEB | | <u>81,189</u> |
| Total Deferred Inflows of Resources | | <u>6,656,833</u> |

NET POSITION

| | | |
|----------------------------------|----|-------------------|
| Net investment in capital assets | | 21,954,296 |
| Restricted for debt service | | 414,628 |
| Restricted for pensions | | 3,303,216 |
| Unrestricted | | <u>3,826,336</u> |
| Total Net Position | \$ | <u>29,498,476</u> |

SCHOOL DISTRICT OF PEWAUKEE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes In Net Position |
|--|----------------------|-------------------------|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Instruction | | | | |
| Regular | \$ 14,526,511 | \$ 2,047,454 | \$ 116,444 | \$ (12,362,613) |
| Special education | 3,227,170 | - | 1,333,876 | (1,893,294) |
| Vocational | 1,450,447 | 1,000 | 12,694 | (1,436,753) |
| Other | 1,436,413 | 132,858 | 2,719 | (1,300,836) |
| Total Instruction | <u>20,640,541</u> | <u>2,181,312</u> | <u>1,465,733</u> | <u>(16,993,496)</u> |
| Support Services | | | | |
| Pupil services | 1,303,626 | - | 14,153 | (1,289,473) |
| Instructional support services | 2,113,545 | - | 227,548 | (1,885,997) |
| Administration | 2,878,141 | 24,102 | 1,590 | (2,852,449) |
| Buildings and grounds | 2,963,889 | 52,180 | 4,350 | (2,907,359) |
| Pupil transportation | 1,280,503 | - | 99,618 | (1,180,885) |
| Other support services | 3,218,733 | 1,854 | 47,867 | (3,169,012) |
| Interest and fees | 462,193 | - | - | (462,193) |
| Food service | 1,000,095 | 757,227 | 246,956 | 4,088 |
| Total Support Services | <u>15,220,725</u> | <u>835,363</u> | <u>642,082</u> | <u>(13,743,280)</u> |
| Depreciation - unallocated * | 952,130 | - | - | (952,130) |
| Total Activities | <u>\$ 36,813,396</u> | <u>\$ 3,016,675</u> | <u>\$ 2,107,815</u> | <u>(31,688,906)</u> |
| General Revenues | | | | |
| Taxes | | | | |
| Property taxes: | | | | |
| General purposes | | | | 23,269,308 |
| Debt service | | | | 2,943,039 |
| State and federal aids not restricted to specific functions | | | | |
| General | | | | 6,241,721 |
| Other | | | | 84,160 |
| Investment income | | | | 89,938 |
| Miscellaneous | | | | 96,693 |
| Total General Revenues | | | | <u>32,724,859</u> |
| Change in Net Position | | | | 1,035,953 |
| NET POSITION - BEGINNING OF YEAR | | | | <u>28,462,523</u> |
| NET POSITION - END OF YEAR | | | | <u>\$ 29,498,476</u> |

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

SCHOOL DISTRICT OF PEWAUKEE

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2018

| | General Fund | Special Education Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Funds | Totals |
|--|----------------------|------------------------------|-------------------------|-----------------------------|-----------------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 5,862,150 | \$ - | \$ 620,715 | \$ 1,364,922 | \$ 360,790 | \$ 8,208,577 |
| Taxes receivable | 6,530,147 | - | - | - | - | 6,530,147 |
| Due from other funds | 7,491 | - | - | - | - | 7,491 |
| Due from other governments | 196,431 | 88,618 | - | - | 3,987 | 289,036 |
| Accounts receivable | 40,837 | - | - | - | - | 40,837 |
| Prepaid items | 333,252 | - | - | - | 263 | 333,515 |
| TOTAL ASSETS | \$ 12,970,308 | \$ 88,618 | \$ 620,715 | \$ 1,364,922 | \$ 365,040 | \$ 15,409,603 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Short-term notes payable | \$ 5,250,000 | \$ - | \$ - | \$ - | \$ - | \$ 5,250,000 |
| Accounts payable | 27,806 | 28,376 | - | - | 6,385 | 62,567 |
| Accrued payroll and related liabilities | 366,272 | 52,751 | - | - | 1,950 | 420,973 |
| Accrued interest payable | 84,134 | - | - | - | - | 84,134 |
| Due to other funds | - | 7,491 | - | - | - | 7,491 |
| Total Liabilities | 5,728,212 | 88,618 | - | - | 8,335 | 5,825,165 |
| Fund Balances | | | | | | |
| Nonspendable | 333,252 | - | - | - | 263 | 333,515 |
| Restricted | - | - | 620,715 | - | - | 620,715 |
| Committed | - | - | - | 1,364,922 | 356,442 | 1,721,364 |
| Unassigned | 6,908,844 | - | - | - | - | 6,908,844 |
| Total Fund Balances | 7,242,096 | - | 620,715 | 1,364,922 | 356,705 | 9,584,438 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 12,970,308 | \$ 88,618 | \$ 620,715 | \$ 1,364,922 | \$ 365,040 | |

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|--|----------------------|
| The net pension asset does not relate to current financial resources and is not reported in the governmental funds. | 3,303,216 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. See Note III.D. | 40,937,896 |
| Unamortized losses on refundings are deferred outflows of resources and therefore are not reported in the funds. | 152,793 |
| Deferred outflows of resources related to pensions and OPEB do not relate to current financial resources and are not reported in the governmental funds. | 5,647,473 |
| Deferred inflows of resources related to pensions and OPEB do not relate to current financial resources and are not reported in the governmental funds. | (6,656,833) |
| Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds. | (206,087) |
| Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds. See Note III.G. | (23,264,420) |
| NET POSITION | \$ 29,498,476 |

SCHOOL DISTRICT OF PEWAUKEE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

| | General Fund | Special Education Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------------|-------------------------|-----------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Local | \$ 23,449,390 | \$ - | \$ 2,908,714 | \$ 334,302 | \$ 757,446 | \$ 27,449,852 |
| Interdistrict | 1,824,942 | 13,683 | - | - | 1,854 | 1,840,479 |
| Intermediate | 6,300 | - | - | - | - | 6,300 |
| State | 6,542,421 | 810,720 | - | - | 9,680 | 7,362,821 |
| Federal | 174,615 | 608,851 | - | - | 237,276 | 1,020,742 |
| Other | 156,911 | - | - | - | 2,941 | 159,852 |
| Total Revenues | <u>32,154,579</u> | <u>1,433,254</u> | <u>2,908,714</u> | <u>334,302</u> | <u>1,009,197</u> | <u>37,840,046</u> |
| EXPENDITURES | | | | | | |
| Instruction | | | | | | |
| Regular | 12,766,658 | - | - | - | 1,152 | 12,767,810 |
| Special education | 193,324 | 2,684,801 | - | - | - | 2,878,125 |
| Vocational | 1,422,239 | 750 | - | - | - | 1,422,989 |
| Other | 1,339,089 | - | - | - | - | 1,339,089 |
| Total instruction | <u>15,721,310</u> | <u>2,685,551</u> | <u>-</u> | <u>-</u> | <u>1,152</u> | <u>18,408,013</u> |
| Support Services | | | | | | |
| Pupil services | 886,005 | 401,834 | - | - | - | 1,287,839 |
| Instructional support services | 1,751,096 | 350,137 | - | - | - | 2,101,233 |
| Administration | 2,842,023 | 4,118 | - | - | - | 2,846,141 |
| Buildings and grounds | 2,982,629 | 4,350 | - | 25,572 | 23,748 | 3,036,299 |
| Pupil transportation | 1,060,218 | 220,285 | - | - | - | 1,280,503 |
| Other support services | 2,346,848 | 357 | - | - | 2,060 | 2,349,265 |
| Debt service | | | | | | |
| Principal retirement | 265,435 | - | 2,556,000 | - | - | 2,821,435 |
| Interest and fiscal charges | 88,985 | - | 684,427 | - | - | 773,412 |
| Food service | - | - | - | - | 996,192 | 996,192 |
| Total support services | <u>12,223,239</u> | <u>981,081</u> | <u>3,240,427</u> | <u>25,572</u> | <u>1,022,000</u> | <u>17,492,319</u> |
| Non Program | 832,171 | 304,292 | - | - | - | 1,136,463 |
| Total Expenditures | <u>28,776,720</u> | <u>3,970,924</u> | <u>3,240,427</u> | <u>25,572</u> | <u>1,023,152</u> | <u>37,036,795</u> |
| Excess (deficiency) of revenues over expenditures | 3,377,859 | (2,537,670) | (331,713) | 308,730 | (13,955) | 803,251 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Sale of property | 9,303 | - | - | - | - | 9,303 |
| Transfers in | - | 2,537,670 | 300,000 | - | 206 | 2,837,876 |
| Transfers out | (2,837,876) | - | - | - | - | (2,837,876) |
| Net Change in Fund Balances | 549,286 | - | (31,713) | 308,730 | (13,749) | 812,554 |
| FUND BALANCES - BEGINNING OF YEAR | 6,692,810 | - | 652,428 | 1,056,192 | 370,454 | 8,771,884 |
| FUND BALANCES - END OF YEAR | <u>\$ 7,242,096</u> | <u>\$ -</u> | <u>\$ 620,715</u> | <u>\$ 1,364,922</u> | <u>\$ 356,705</u> | <u>\$ 9,584,438</u> |

SCHOOL DISTRICT OF PEWAUKEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

| | | |
|--|-------------|-------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 812,554 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p> | | |
| Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the district-wide financial statements | 161,780 | |
| Depreciation expense reported in the statement of activities | (1,910,630) | |
| Net book value of assets retired | (6,100) | (1,754,950) |
| <p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> | | |
| Debt paid | | 2,821,435 |
| <p>Governmental funds report debt premiums and discounts as other financing sources (uses). However, in the statement of net position, these are deferred and reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.</p> | | |
| Amortization of debt premium | | 353,232 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| Compensated absences | | 19,405 |
| Accrued interest on debt | | 25,895 |
| Amortization of loss on refunding | | (67,908) |
| Change in Net OPEB liability | | (837,892) |
| Change in net pension liability - stipend plan | | 23,168 |
| Change in net pension liability - WRS | | 4,205,886 |
| Deferred outflows of resources related to pensions and OPEB | | (903,427) |
| Deferred inflows of resources related to pensions and OPEB | | (3,661,445) |
| CHANGE IN NET POSITION | \$ | 1,035,953 |

SCHOOL DISTRICT OF PEWAUKEE

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of June 30, 2018**

| | Employee Benefit Trust Fund | Agency Fund |
|---|--|------------------------|
| | <u>Post-Retirement Health Benefits</u> | <u>Agency Fund</u> |
| ASSETS | | |
| Cash and investments | <u>\$ 463,223</u> | <u>\$ 307,504</u> |
| LIABILITIES | | |
| Due to student groups | <u>-</u> | <u>307,504</u> |
| Total liabilities | <u>-</u> | <u>\$ 307,504</u> |
| NET POSITION - Held in trust for employee benefits | <u>\$ 463,223</u> | |

SCHOOL DISTRICT OF PEWAUKEE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2018**

| | <u>Employee Benefit Trust Fund</u> <u>Post-Retirement Health Benefits</u> |
|---|--|
| ADDITIONS | |
| District contributions | \$ 306,292 |
| Member contributions | 11,051 |
| Interest | <u>6,100</u> |
| Total additions | 323,443 |
| DEDUCTIONS | |
| Benefits paid | <u>312,494</u> |
| Change in Net Position | 10,949 |
| NET POSITION - BEGINNING OF YEAR | <u>452,274</u> |
| NET POSITION - END OF YEAR | <u>\$ 463,223</u> |

SCHOOL DISTRICT OF PEWAUKEE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

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SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

District-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

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

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

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.

The District reports the following major governmental funds:

- General Fund - accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Special Education Fund - Special Revenue Fund - used to account for and report grants and local revenues that are restricted or committed to providing special education services to district students.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District reports the following nonmajor governmental funds:

- Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

- Food Service Fund
- Trust Fund
- Package Cooperative Program Fund

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

In addition, the District reports the following fund types:

Pension (and Other Employee Benefit) Trust Funds - used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Post Retirement Health Benefits Fund

Agency Funds - used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Pupil Activity Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

Property taxes are recorded in the year levied as receivables and revenue.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as student fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special education services are not reduced by anticipated state special education aid entitlement.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. 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, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The District has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

- Credit risk
- Custodial credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of district accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

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, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

General accounts receivable have been adjusted for all known uncollectable accounts. No allowance is necessary at year end.

Property taxes are levied in December on the assessed value as of the prior January 1.

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

Property tax calendar - 2017 tax roll:

| | |
|-------------------------|------------------|
| Lien date and levy date | December, 2017 |
| Tax bills mailed | December, 2017 |
| Payment in full, or | January 31, 2018 |
| First installment due | January 31, 2018 |
| Second installment due | July 31, 2018 |

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

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

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets

District-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the district as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

| | |
|-----------------------------------|-------------|
| Buildings | 20-50 Years |
| Land Improvements | 5-50 Years |
| Furniture, Equipment and Vehicles | 5-20 Years |

Fund Financial Statements

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

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the district-wide financial statements.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Compensated Absences

The District's policy allows certain non-teacher employees to earn varying amounts of vacation pay each year depending on the total number of years employed. Employees normally use their entire vacation during the fiscal year. In some instances, employees are not able to use their entire vacation during the fiscal year and the District allows them to accumulate vacation time which is vested and payable upon retirement or termination.

The District does allow certain non-teacher employees hired before July 1, 2011, upon retirement, 33-1/3% of sick leave will be credited to the account of the retiring employee will be paid to the employee with a minimum of ten years of service.

The payout of compensated absences for sick and vacation is recorded as an expenditure in the fiscal year that the payment is made for the governmental funds statements. Vested accumulated benefits for sick and vacation are recorded as an expense and liability when earned in the district-wide statements.

The District also allows early retirement elections. Under this program health and dental insurance benefits are paid in future fiscal years. These benefits, though related to services currently received, are recorded as expenditures of the governmental funds in the period in which they are paid rather than the period in which the early retirement occurs.

8. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, net pension liabilities and net OPEB liabilities.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. 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 (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions 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 Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District's Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District's Board of Education that originally created the commitment.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Assistant Superintendent to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. I. for further information.

Fiduciary fund equity is classified as held in trust for employee benefits on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the district believes it is in compliance with all significant restrictions.

11. Pension

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

12. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District OPEB Plan and additions to/deductions from District OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by District OPEB Plan. For this purpose, District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LIMITATIONS ON THE DISTRICT REVENUES

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

The 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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District's deposits and investments at year-end were comprised of the following:

| | Carrying Value | Statement Balances | Associated Risks |
|---|-------------------|-----------------------|-----------------------|
| Deposits | \$ 2,321,702 | \$ 2,817,046 | Custodial credit risk |
| LGIP | 6,655,682 | 6,655,682 | Credit risk |
| Athletic cash box funds | 1,400 | - | N/A |
| Petty cash | 520 | - | N/A |
| Total Deposits and Investments | \$ 8,979,304 | \$ 9,472,728 | |
| Reconciliation to financial statements | | | |
| Per statement of net position | | | |
| Unrestricted cash and investments | \$ 8,208,577 | | |
| Per statement of net position - fiduciary funds | | | |
| Employee Benefit Trust Fund | 463,223 | | |
| Agency Fund | 307,504 | | |
| Total Deposits and Investments | \$ 8,979,304 | | |

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The District maintains collateral agreements with its banks. At June 30, 2018, the banks had pledged various government securities in the amount of \$2,378,811 to secure the District's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of June 30, 2018, \$188,235 of the District's total bank balances were exposed to custodial credit risk as follows:

| | |
|--------------------------------|--------------------------|
| Uninsured and uncollateralized | \$ <u>188,235</u> |
| Total | \$ <u><u>188,235</u></u> |

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District had investments in the external Wisconsin Local Government Investment Pool which is not rated.

See Note I.D.1 for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Restricted assets have been reported in connection with the net pension asset balances since these balances must be used to fund employee benefits.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|---------------|-----------|-------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,449,282 | \$ - | \$ - | \$ 1,449,282 |
| Total Capital Assets Not Being Depreciated | 1,449,282 | - | - | 1,449,282 |
| Capital assets being depreciated | | | | |
| Buildings | 59,904,202 | - | - | 59,904,202 |
| Land improvements | 4,398,306 | - | - | 4,398,306 |
| Furniture, equipment and vehicles | 1,382,742 | 161,780 | 30,240 | 1,514,282 |
| Total Capital Assets Being Depreciated | 65,685,250 | 161,780 | 30,240 | 65,816,790 |
| Total Capital Assets | 67,134,532 | 161,780 | 30,240 | 67,266,072 |
| Less: Accumulated depreciation for | | | | |
| Buildings | (21,186,379) | (1,636,795) | - | (22,823,174) |
| Land improvements | (2,348,456) | (180,419) | - | (2,528,875) |
| Furniture, equipment and vehicles | (906,851) | (93,416) | 24,140 | (976,127) |
| Total Accumulated Depreciation | (24,441,686) | (1,910,630) | 24,140 | (26,328,176) |
| Net Capital Assets Being Depreciated | 41,243,564 | (1,748,850) | 6,100 | 39,488,614 |
| Total Governmental Activities Capital Assets, Net of Accumulated Depreciation | \$ 42,692,846 | \$(1,748,850) | \$ 6,100 | \$ 40,937,896 |

Depreciation expense was charged to functions as follows:

| | |
|--|--------------|
| Instruction | |
| Regular instruction | \$ 760,177 |
| Vocational | 3,694 |
| Other | 83,581 |
| Support Services | |
| Building and grounds | 89,419 |
| Food service | 2,704 |
| Other support services | 18,925 |
| Unallocated | 952,130 |
| Total Governmental Activities Depreciation Expense | \$ 1,910,630 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|------------------------|--------------------|
| General Fund | Special Education Fund | \$ 7,491 |
| Less: Fund eliminations | | <u>(7,491)</u> |
| Total Internal Balances - District-Wide Statement of Net Position | | <u><u>\$ -</u></u> |

All amounts are due within one year.

The principal purpose of these interfunds is to temporarily finance expenditures until all revenue sources are received. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

Transfers

The following is a schedule of interfund transfers:

| <u>Fund Transferred To</u> | <u>Fund Transferred From</u> | <u>Amount</u> | <u>Principal Purpose</u> |
|-----------------------------------|------------------------------|--------------------|---|
| Special Education Fund | General Fund | \$ 2,537,670 | Operating subsidy |
| Package Cooperative Program Fund | General Fund | 206 | Expenses for consulting/legal for health insurance consortium |
| Debt Service | General Fund | <u>300,000</u> | Fund debt service payments |
| Total - Fund Financial Statements | | 2,837,876 | |
| Less: Fund eliminations | | <u>(2,837,876)</u> | |
| Total - Fund Financial Statements | | <u><u>\$ -</u></u> | |

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Transfers (cont.)

The above transfer to the special education fund uses unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

F. SHORT-TERM DEBT ACTIVITY

The District issues short-term debt for cash flow purposes in advance of property tax collections. The fiscal year begins July 1, but tax collections from the municipalities are received beginning the following January.

Short-term debt activity for the year ended June 30, 2018, was as follows:

| | <u>Beginning Balance</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Ending Balance</u> |
|-----------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| Tax and Revenue Anticipation Note | <u>\$ 5,400,000</u> | <u>\$ 5,250,000</u> | <u>\$ 5,400,000</u> | <u>\$ 5,250,000</u> |

The current tax and revenue anticipation note is due September 28, 2018 and has an interest rate of 2.00%. Total short-term interest expended during the year was \$76,178.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2018, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| Bonds and Notes Payable | | | | | |
| General obligation debt | \$ 21,393,000 | \$ - | \$ 2,556,000 | \$ 18,837,000 | \$ 1,891,000 |
| (Discounts)/Premiums | <u>652,626</u> | <u>-</u> | <u>353,232</u> | <u>299,394</u> | <u>-</u> |
| Sub-totals | <u>22,045,626</u> | <u>-</u> | <u>2,909,232</u> | <u>19,136,394</u> | <u>1,891,000</u> |
| Other Liabilities | | | | | |
| Vested compensated absences | 104,687 | - | 19,405 | 85,282 | 24,243 |
| Capital leases | 465,519 | - | 265,435 | 200,084 | 139,729 |
| Net OPEB obligation - single employer | 2,805,142 | 316,487 | 353,098 | 2,768,531 | - |
| Net pension liability- single employer | 186,777 | 25,294 | 49,620 | 162,451 | - |
| Net pension liability - WRS | 902,670 | - | 902,670 | - | - |
| Net OPEB obligation - LRLIF | <u>-</u> | <u>911,678</u> | <u>-</u> | <u>911,678</u> | <u>-</u> |
| Total Other Liabilities | <u>4,464,795</u> | <u>1,253,459</u> | <u>1,590,228</u> | <u>4,128,026</u> | <u>163,972</u> |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 26,510,421</u> | <u>\$ 1,253,459</u> | <u>\$ 4,499,460</u> | <u>\$ 23,264,420</u> | <u>\$ 2,054,972</u> |

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2018, was \$262,355,568. Total general obligation debt outstanding at year end was \$18,837,000.

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the District. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Governmental Activities

| General Obligation Debt | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance June 30, 2018 |
|---|---------------|----------------|----------------|-----------------------|-----------------------|
| General Obligation QSCP Notes | 11/16/09 | 9/15/19 | 0% | \$ 500,000 | \$ 112,000 |
| General Obligation Promissory Notes | 4/8/10 | 3/1/19 | 2-3.75% | 1,515,000 | 160,000 |
| General Obligation Refunding Bonds | 7/6/11 | 3/1/31 | 4% | 10,000,000 | 10,000,000 |
| General Obligation Refunding Bonds | 11/14/11 | 3/1/24 | 3% | 2,425,000 | 2,425,000 |
| General Obligation Promissory Notes | 3/5/12 | 3/1/22 | 1.5-2% | 4,025,000 | 400,000 |
| General Obligation Promissory Notes | 4/15/15 | 3/1/24 | 2.1% | 2,200,000 | 950,000 |
| General Obligation Refunding Bonds | 2/27/17 | 3/1/21 | 2.0-3.0% | 6,305,000 | <u>4,790,000</u> |
| Total Governmental Activities - General Obligation Debt | | | | | <u>\$ 18,837,000</u> |

Debt service requirements to maturity are as follows:

| Years | Governmental Activities General Obligation Debt | |
|-----------|--|---------------------|
| | Principal | Interest |
| 2019 | \$ 1,891,000 | \$ 616,230 |
| 2020 | 1,991,000 | 562,985 |
| 2021 | 1,965,000 | 524,050 |
| 2022 | 1,200,000 | 484,515 |
| 2023 | 1,235,000 | 450,910 |
| 2024-2028 | 6,215,000 | 1,614,655 |
| 2029-2031 | <u>4,340,000</u> | <u>352,600</u> |
| Totals | <u>\$ 18,837,000</u> | <u>\$ 4,605,945</u> |

Capital Leases

Refer to Note III. H.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of other long-term liabilities are not included in the debt service requirement schedules. The other liabilities future payments are attributable to governmental activities and will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The District believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

H. LEASE DISCLOSURES

Lessee - Capital Leases

In August 2014, September 2015 and August 2016 the district acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$618,470, which are not included in capital assets in the governmental activities because the assets acquired were below the District's capitalization threshold. The future minimum lease obligations and the net present value on these minimum lease payments as of June 30, 2018, are as follows:

| <u>Years</u> | <u>Governmental Activities</u> | | |
|--------------|--------------------------------|-----------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
| 2019 | \$ 139,729 | \$ 5,712 | \$ 145,441 |
| 2020 | <u>60,355</u> | <u>1,839</u> | <u>62,194</u> |
| Totals | <u>\$ 200,084</u> | <u>\$ 7,551</u> | <u>\$ 207,635</u> |

I. NET POSITION/FUND BALANCES

Net position reported on the district-wide statement of net position at June 30, 2018, includes the following:

Governmental Activities

| | |
|---|----------------------|
| Net Investment in Capital Assets | |
| Land | \$ 1,449,282 |
| Other capital assets, net of accumulated depreciation | 39,488,614 |
| Less: Long-term debt outstanding | (19,136,393) |
| Plus: Unamortized loss on refunding | <u>152,793</u> |
| Total Net Investment in Capital Assets | <u>\$ 21,954,296</u> |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2018, include the following:

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Funds | Totals |
|------------------------------|--------------|----------------------|--------------------------|-------------------|--------------|
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 333,252 | \$ - | \$ - | \$ 263 | \$ 333,515 |
| Restricted for: | | | | | |
| Debt Service | - | 620,715 | - | - | 620,715 |
| Committed to: | | | | | |
| Capital Projects | - | - | 1,364,922 | - | 1,364,922 |
| Food Service | - | - | - | 233,197 | 233,197 |
| Track and field improvements | - | - | - | 123,245 | 123,245 |
| Unassigned: | 6,908,844 | - | - | - | 6,908,844 |
| Total Fund Balances | \$ 7,242,096 | \$ 620,715 | \$ 1,364,922 | \$ 356,705 | \$ 9,584,438 |

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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>

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2008 | 6.6% | 0.0% |
| 2009 | (2.1) | (42.0) |
| 2010 | (1.3) | 22.0 |
| 2011 | (1.2) | 11.0 |
| 2012 | (7.0) | (7.0) |
| 2013 | (9.6) | 9.0 |
| 2014 | 4.7 | 25.0 |
| 2015 | 2.9 | 2.0 |
| 2016 | 0.5 | (5.0) |
| 2017 | 2.0 | 4.0 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 \$1,133,271 in contributions from the District.

Contribution rates for the plan year as of June 30, 2018 are:

| <u>Employee Category</u> | <u>Employee</u> | <u>Employer</u> |
|---|-----------------|-----------------|
| General (including teachers, executives, and elected officials) | 6.8% | 6.8% |

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

At June 30, 2018, the District reported an asset of \$3,303,216 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.11125244%, which was an increase of 0.00173680% from its proportion measured as of December 31, 2016.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended June 30, 2018, the District recognized pension expense of \$1,491,862.

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

| | Deferred Outflow of Resources | Deferred Inflows of Resources |
|---|----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 4,196,819 | \$ 1,963,133 |
| Net differences between projected and actual earnings on pension plan investments | - | 4,539,965 |
| Changes in assumptions | 652,651 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 71,388 |
| Employer contributions subsequent to the measurement date | 679,639 | - |
| Total | \$ 5,529,109 | \$ 6,574,486 |

\$679,639 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended June 30: | | |
|---------------------|----|-------------|
| 2019 | \$ | 326,369 |
| 2020 | | (53,168) |
| 2021 | | (1,143,261) |
| 2022 | | (862,835) |
| 2023 | | 7,881 |
| Thereafter | | - |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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>Asset Allocation %</u> | <u>Long-Term Expected Nominal Rate of Return %</u> | <u>Long-Term Expected Real Rate of Return %</u> |
|--------------------------------------|---------------------------|--|---|
| Global Equities | 50% | 8.2% | 5.3% |
| Fixed Income | 24.5 | 4.2 | 1.4 |
| Inflation Sensitive Assets | 15.5 | 3.8 | 1.0 |
| Real Estate | 8 | 6.5 | 3.6 |
| Private Equity/Debt | 8 | 9.4 | 6.5 |
| Multi-Asset | 4 | 6.5 | 3.6 |
| Total Core fund | 110 | 7.3 | 4.4 |
| <u>Variable Fund Asset Class</u> | | | |
| U.S. Equities | 70 | 7.5 | 4.6 |
| International Equities | 30 | 7.8 | 4.9 |
| Total Variable Fund | 100 | 7.9 | 5.0 |

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

| | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase to Discount Rate (8.20%) |
|---|--|----------------------------------|--|
| District's proportionate share of the net pension liability (asset) | \$8,546,550 | \$(3,303,216) | \$(12,309,406) |

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://elf.wi.gov/publications/cafr.htm>.

At June 30, 2018, the district reported a payable to the pension plan of \$389,759, which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expenses when the related liabilities are incurred.

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS

EMPLOYEE BENEFIT TRUST FUND - POST-RETIREMENT HEALTH BENEFITS

PLAN DESCRIPTION

Plan administration. The District administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The Plan provides health care benefits to eligible retirees and their spouses. Management of the OPEB Plan is vested in the Board of Education.

Plan membership. At June 30, 2018, membership consisted of the following:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 12 |
| Inactive plan members entitled to but not yet receiving benefit plans | 52 |
| Active plan members | <u>149</u> |
| | 213 |

Benefits provided. Benefit provisions are established through employment policies approved by the Board of Education.

For Administrators at least age 55 with a minimum of 12 years of service that retire prior to July 1, 2018, the OPEB Plan will contribute to the full (100%) amount towards eligible retiree's medical premiums for a period of 5 years but not to exceed Medicare-eligibility. For Administrators at least age 55 with a minimum of 12 years of service that retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years but not to exceed Medicare-eligibility.

For Teachers at least age 55 with a minimum of 15 years of service or at least age 60 with a minimum of 20 years of service if hired after July 1, 2006 that retire prior to July 1, 2018, the OPEB Plan will make the same contribution towards eligible retiree's medical premiums as is made for active employees for a period of 5 years but not to exceed Medicare-eligibility. For Teachers at least age 55 with a minimum of 15 years of service or at least age 60 with a minimum of 20 years of service if hired after July 1, 2006 that retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years (3 years if retiring with less than a Master's degree) but not to exceed Medicare-eligibility.

For Confidential Support employees at least age 55 with a minimum of 15 years of service that retire prior to July 1, 2018, the OPEB Plan will contribute to the full (100%) amount towards eligible retiree's medical premiums for a period of 5 years but not to exceed Medicare-eligibility. For Confidential Support employees at least age 55 with a minimum of 15 years of service that retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years but not to exceed Medicare-eligibility.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

For Custodial employees that were hired prior to July 1, 2014 and retire prior to July 1, 2018, the OPEB Plan will make the same contribution towards eligible retiree's medical premiums as is made for active employees for a period of 3 years but not to exceed Medicare-eligibility. For Custodial employees that were hired prior to July 1, 2014 and retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 3 years but not to exceed Medicare-eligibility. Custodial employees hired after July 1, 2014 are not eligible for this benefit.

Contributions. Contribution requirements are established through employment policies approved by the Board of Education. The required contribution is based on a pay-as-you-go basis, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2017, the District contributed \$306,292.

INVESTMENTS

Investment policy. The Trustee of the Plan is authorized to invest funds of the Plan only in investments which the District is permitted to make under Section 66.06039lm) of the Wisconsin state statutes. See Note I.D.1. for further information.

Concentrations. All OPEB plan assets have been invested in the Wisconsin Local Government Investment Pool.

Rate of return. The annual money-weighted rate of return on investments, net of investment expense, has not been determined. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NET OPEB LIABILITY

The components of the net OPEB liability of the District at June 30, 2018, were as follows:

| | | |
|---|----|------------------|
| Total OPEB liability | \$ | 3,231,754 |
| Less plan fiduciary net position | | <u>463,223</u> |
| District's net OPEB liability | \$ | <u>2,768,531</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 16.73 % |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.5% |
| Investment rate of return | 3.5% |
| 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 rates were based on the Wisconsin 2012 Mortality Table, projected to 2017 with scale BB to allow for future improvements (margin) in mortality.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined by using the discount rate which is based upon the 20-year AA municipal bond rate. The District's assets are solely held in deposit accounts earning minimal interest.

Discount rate. The discount rate used to measure the total OPEB liability was 3.8 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position will not be available to make all projected future benefit payments of current plan members. Therefore, a blended rate was used based on the long-term expected rate of return on OPEB plan investments and/or Bond Buyer 20-Bond Go Index was used to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

| | 1% Decrease (2.75%) | Discount Rate (3.75%) | 1% Increase (4.75%) |
|--------------------|------------------------|--------------------------|------------------------|
| Net OPEB liability | \$2,943,405 | \$2,768,531 | \$2,599,159 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

| | 1% Decrease (6.5%) Decreasing to 4.0%) | Healthcare Cost Trend Rates (7.5%) Decreasing to 5.0%) | 1% Increase (8.5%) Decreasing to 6.0%) |
|----------------------------|---|--|---|
| Net OPEB liability (asset) | \$2,632,893 | \$2,768,531 | \$2,929,278 |

SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description. The District administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The Plan provides health care benefits to eligible retirees and their spouses. Management of the OPEB Plan is vested in the Board of Education.

Benefits provided. Benefit provisions are established through employment policies approved by the Board of Education.

For Administrators at least age 55 with a minimum of 12 years of service that retire prior to July, 1, 2018, the OPEB Plan will contribute to the full (100%) amount towards eligible retiree's medical premiums for a period of 5 years but not to exceed Medicare-eligibility. For Administrators at least age 55 with a minimum of 12 years of service that retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years but not to exceed Medicare-eligibility.

For Teachers at least age 55 with a minimum of 15 years of service or at least age 60 with a minimum of 20 years of service if hired after July 1, 2006 that retire prior to July, 1, 2018, the OPEB Plan will make the same contribution towards eligible retiree's medical premiums as is made for active employees for a period of 5 years but not to exceed Medicare-eligibility. For Teachers at least age 55 with a minimum of 15 years of service or at least age 60 with a minimum of 20 years of service if hired after July 1, 2006 that retire after July, 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years (3 years if retiring with less than a Master's degree) but not to exceed Medicare-eligibility.

For Confidential Support employees at least age 55 with a minimum of 15 years of service that retire prior to July, 1, 2018, the OPEB Plan will contribute to the full (100%) amount towards eligible retiree's medical premiums for a period of 5 years but not to exceed Medicare-eligibility. For Confidential Support employees at least age 55 with a minimum of 15 years of service that retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years but not to exceed Medicare-eligibility.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

For Custodial employees that were hired prior to July 1, 2014 and retire prior to July 1, 2018, the OPEB Plan will make the same contribution towards eligible retiree's medical premiums as is made for active employees for a period of 3 years but not to exceed Medicare-eligibility. For Custodial employees that were hired prior to July 1, 2014 and retire after July 1, 2018, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 3 years but not to exceed Medicare-eligibility. Custodial employees hired after July 1, 2014 are not eligible for this benefit.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 12 |
| Inactive plan members entitled to but not yet receiving benefit payments | 52 |
| Active plan members | <u>149</u> |
| | 213 |

Contributions. Contribution requirements are established through employment policies approved by the Board of Education. The required contribution is based on a pay-as-you-go basis, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2017, the District contributed \$306,292.

NET OPEB LIABILITY

The District's net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.5% |
| Salary increases | 3.2% to 8.8% including merit and seniority increase plus inflation |
| Investment rate of return | 3.5% |
| 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 rates were based on the Wisconsin 2012 Mortality Table, projected to 2017 with scale BB to allow for future improvements (margin) in mortality.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined by using the discount rate which is based upon the 20-year AA municipal bond rate. The plan's assets are solely held in deposit accounts earning minimal interest.

Discount rate. The discount rate used to measure the total OPEB liability was 3.75 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position will not be available to make all projected future benefit payments of current plan members. Therefore, a blended rate was used based on the long-term expected rate of return on OPEB plan investments and/or Bond Buyer 20-Bond Go Index was used to determine the total OPEB liability.

CHANGES IN THE NET OPEB LIABILITY

| | Total OPEB Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
|------------------------|-----------------------------|---|-------------------------------|
| Balances at 6/30/2017 | \$ 3,257,416 | \$ 452,274 | \$ 2,805,142 |
| Changes for the year: | | | |
| Service cost | 203,606 | - | 203,606 |
| Interest | 112,881 | - | 112,881 |
| Changes in assumptions | (74,039) | - | (74,039) |
| Contributions-employer | - | 306,292 | (306,292) |
| Net investment income | - | 6,100 | (6,100) |
| Benefit payments | (268,110) | (268,110) | - |
| Administrative expense | - | (33,333) | 33,333 |
| Net changes | <u>(25,662)</u> | <u>10,949</u> | <u>(36,611)</u> |
| Balances at 6/30/2018 | <u>\$ 3,231,754</u> | <u>\$ 463,223</u> | <u>\$ 2,768,531</u> |

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.8 percent) or 1-percentage-point higher (4.8 percent) than the current discount rate:

| | 1% Decrease (2.8%) | Discount Rate (3.8%) | 1% Increase (4.8%) |
|----------------------------|-----------------------|-------------------------|-----------------------|
| Net OPEB liability (asset) | \$ 2,943,405 | \$ 2,768,531 | \$ 2,599,159 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

| | 1% Decrease (6.5% Decreasing to 4.0%) | Healthcare Cost Trend Rates (7.5% Decreasing to 5.0%) | 1% Increase (8.5% Decreasing to 6.0%) |
|----------------------------|--|---|--|
| Net OPEB liability (asset) | \$ 2,632,893 | \$ 2,768,531 | \$ 2,929,278 |

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is included within the basic financial statements.

**OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES
RELATED TO OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$22,472. At June 30, 2018, 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 |
|--|--------------------------------------|-------------------------------------|
| Changes of assumptions or other inputs | \$ - | \$ 68,344 |
| Net difference between projected and actual earnings on OPEB plan investments | 9,261 | - |
| Total | \$ 9,261 | \$ 68,344 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

| | |
|------------|------------|
| 2019 | \$ (3,380) |
| 2020 | (3,380) |
| 2021 | (3,380) |
| 2022 | (3,379) |
| 2023 | (5,695) |
| Thereafter | (39,869) |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

PAYABLE TO THE OPEB PLAN

At June 30, 2018, the District does not reported a payable for any outstanding amount of contributions to the OPEB Plan required for the year ended June 30, 2018.

Multiple-Employer Defined Benefit OPEB PLAN

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

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.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

Contribution rates as of June 30, 2018 are:

| Coverage Type | Employer Contribution |
|------------------------------|------------------------------|
| 50% Post Retirement Coverage | 40% of employee contribution |
| 25% Post Retirement Coverage | 20% of employee contribution |

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

**Life Insurance Employee Contribution Rates For the Year
Ended December 31, 2017**

| Attained Age | Basic |
|---------------------|--------------|
| Under 30 | \$0.05 |
| 30-34 | 0.06 |
| 34-39 | 0.07 |
| 40-44 | 0.08 |
| 45-49 | 0.12 |
| 50-54 | 0.22 |
| 55-59 | 0.39 |
| 60-64 | 0.49 |
| 65-69 | 0.57 |

During the reporting period, the LRLIF recognized \$5,754 in contributions from the employer.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

At June 30, 2018, the District reported a liability of \$911,678 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.30302600%, which was an increase of 0.00499100% from its proportion measured as of January 1, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$23,168.

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

| | Deferred Outflow of Resources | Deferred Inflows of Resources |
|---|----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 12,845 |
| Net differences between projected and actual earnings on OPEB plan investments | 10,498 | - |
| Changes in assumptions | 88,097 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,508 | - |
| Total | \$ 109,103 | \$ 12,845 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | | |
|---------------------|----|--------|
| 2018 | \$ | 14,148 |
| 2019 | | 14,148 |
| 2020 | | 14,148 |
| 2021 | | 14,148 |
| 2022 | | 11,524 |
| Thereafter | | 17,632 |

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

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | January 1, 2017 |
| Measurement Date of Net OPEB Liability | December 31, 2017 |
| Actuarial Cost Method: | Entry Age Normal |
| 20 Year Tax-Exempt Municipal Bond Yield | 3.44% |
| Long-Term Expected Rate of Return: | 5.0% |
| Discount Rate: | 3.63% |
| Salary Increases: | |
| Inflation | 3.2% |
| Seniority/Merit | 0.2% - 5.6% |
| Mortality: | Wisconsin 2012 Mortality Table |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

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

| Asset Class | Index | Target Allocation | Long-Term Expected Geometric Real Rate of Return % |
|-----------------------------------|----------------------|-------------------|---|
| US Government Bonds | Barclays Government | 1% | 1.13% |
| US Credit Bonds | Barclays Credit | 65 | 2.61 |
| US Long Credit Bonds | Barclays Long Credit | 3 | 3.08 |
| US Mortgages | Barclays MBS | 31 | 2.19 |
| Inflation | | | 2.3 |
| Long-Term Expected Rate of Return | | | 5.0 |

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

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

| | 1% Decrease to Discount Rate (2.63%) | Current Discount Rate (3.63%) | 1% Increase to Discount Rate (4.63%) |
|--|--|----------------------------------|--|
| District's proportionate share of the net OPEB liability | \$1,288,547 | \$911,678 | \$622,470 |

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://elf.wi.gov/publications/cafr.htm>.

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > *Statement No. 83, Certain Asset Retirement Obligations*
- > *Statement No. 84, Fiduciary Activities*
- > *Statement No. 87, Leases*
- > *Statement No. 88, Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*
- > *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*
- > *Statement No. 90, Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*

When they become effective, application of these standards may restate portions of these financial statements.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

F. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description

The District reports a single-employer defined benefit pension plan ("the stipend plan"). Management of the Stipend Plan is vested in the Board of Education. No assets have been accumulated in a trust for the payment of these benefits. The plan is administered by the District and provides active employees eligible for an OPEB and retiring prior to July 1, 2018 with a cash benefit of \$4,000 per year in lieu of medical coverage upon retirement. Active employees (except those classified as Custodians) hired after July 1, 2014 will receive a TSA benefit in the amount of \$1,500 per year of service upon retirement paid out equally over 5 years. Benefit provisions are established through employment policies approved by the Board of Education.

At June 30, 2018, the District plan's membership consisted of:

| | |
|----------------------------|------------|
| Retirees and beneficiaries | 16 |
| Active members | <u>149</u> |
| Total | 165 |

The District paid \$48,333 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

Changes in total pension liability. The District's change in total pension liability for the fiscal year ended June 30, 2018 was as follows:

| | <u>Total Pension Liability</u> |
|--|--------------------------------|
| Beginning of Year Balance | \$ 186,777 |
| Service cost | 19,265 |
| Interest on total pension liability | 6,029 |
| Changes of assumptions or other inputs | (1,287) |
| Benefit payments | <u>(48,333)</u> |
| End of Year Balance | <u>\$ 162,451</u> |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

F. SINGLE-EMPLOYER SUPPLEMENTAL PENSION PLAN (cont.)

Actuarial assumptions. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------|---|
| Measurement Date: | June 30, 2018 |
| Actuarial Valuation Date: | June 30, 2016 |
| Inflation: | 2.50% |
| Discount Rate: | 3.75% |
| Source of Discount Rate: | Based upon all years of project payments discounted at a municipal bond rate of 3.75% |
| Source of Mortality Assumptions: | Wisconsin 2012 Mortality Table |
| Dates of Experience Studies | Experience study conducted in 2012 using WRS experience from 2009-2011 |

Sensitivity of the total pension liability to changes in the discount rate. The following is a sensitivity analysis of the total pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the current discount rate of 3.5% as well as what the total pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-------------------------|-------------|-----------------------|-------------|
| Total pension liability | \$ 167,822 | \$ 162,451 | \$ 157,648 |

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2018, the District recognized pension expense of \$23,168.

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

| | Deferred Outflow of Resources | Deferred Inflows of Resources |
|------------------------|-------------------------------|-------------------------------|
| Changes in assumptions | - | 1,158 |
| Total | \$ - | \$ 1,158 |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

F. SINGLE-EMPLOYER SUPPLEMENTAL PENSION PLAN (cont.)

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

| <u>Year ended June 30:</u> | | |
|----------------------------|----|-------|
| 2019 | \$ | (129) |
| 2020 | | (129) |
| 2021 | | (129) |
| 2022 | | (129) |
| 2023 | | (129) |
| Thereafter | | (513) |

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF PEWAUKEE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended June 30, 2018

| | Original Budget Amounts | Final Budget Amounts | Actual | Variance with Final Budget |
|---------------------------------------|----------------------------|-------------------------|---------------------|-------------------------------|
| REVENUES | | | | |
| Local | \$ 23,376,794 | \$ 23,422,794 | \$ 23,449,390 | \$ 26,596 |
| Interdistrict | 1,781,764 | 1,812,704 | 1,824,942 | 12,238 |
| Intermediate | 6,900 | 6,380 | 6,300 | (80) |
| State | 6,526,541 | 6,534,296 | 6,542,421 | 8,125 |
| Federal | 154,533 | 145,533 | 174,615 | 29,082 |
| Other | 99,468 | 105,293 | 156,911 | 51,618 |
| Total Revenues | <u>31,946,000</u> | <u>32,027,000</u> | <u>32,154,579</u> | <u>127,579</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular | 13,001,679 | 12,854,252 | 12,766,658 | 87,594 |
| Special education | 195,738 | 196,738 | 193,324 | 3,414 |
| Vocational | 1,431,121 | 1,433,148 | 1,422,239 | 10,909 |
| Other | 1,335,250 | 1,341,904 | 1,339,089 | 2,815 |
| Total Instruction | <u>15,963,788</u> | <u>15,826,042</u> | <u>15,721,310</u> | <u>104,732</u> |
| Support Services | | | | |
| Pupil services | 879,601 | 892,758 | 886,005 | 6,753 |
| Instructional support services | 1,733,462 | 1,775,530 | 1,751,096 | 24,434 |
| Administration | 2,986,250 | 2,938,797 | 2,842,023 | 96,774 |
| Buildings and grounds | 2,864,875 | 2,900,284 | 2,982,629 | (82,345) |
| Pupil transportation | 1,105,500 | 1,070,500 | 1,060,218 | 10,282 |
| Other support services | 2,122,019 | 2,424,480 | 2,346,848 | 77,632 |
| Debt service | | | | |
| Principal retirement | 265,435 | 265,435 | 265,435 | - |
| Interest and fiscal charges | 88,985 | 88,985 | 88,985 | - |
| Total Support Services | <u>12,046,127</u> | <u>12,356,769</u> | <u>12,223,239</u> | <u>133,530</u> |
| Non-Program | | | | |
| General tuition payments | 808,857 | 818,157 | 816,434 | 1,723 |
| Other non-program | 10,000 | 6,000 | 15,737 | (9,737) |
| Total Non-Program | <u>818,857</u> | <u>824,157</u> | <u>832,171</u> | <u>(8,014)</u> |
| Total Expenditures | <u>28,828,772</u> | <u>29,006,968</u> | <u>28,776,720</u> | <u>230,248</u> |
| Excess of revenues over expenditures | 3,117,228 | 3,020,032 | 3,377,859 | 357,827 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of property | - | - | 9,303 | (9,303) |
| Transfers out | (3,017,228) | (2,920,032) | (2,837,876) | 82,156 |
| Net Change in Fund Balances | <u>\$ 100,000</u> | <u>\$ 100,000</u> | 549,286 | <u>\$ 430,680</u> |
| FUND BALANCES - BEGINNING OF YEAR | | | <u>6,692,810</u> | |
| FUND BALANCES - END OF YEAR | | | <u>\$ 7,242,096</u> | |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL SPECIAL EDUCATION FUND

For the Year Ended June 30, 2018

| | Original Budget Amounts | Final Budget Amounts | Actual | Variance with Final Budget |
|---|----------------------------|-------------------------|-------------|-------------------------------|
| REVENUES | | | | |
| Interdistrict | \$ 30,000 | \$ 20,000 | \$ 13,683 | \$ (6,317) |
| State | 820,000 | 808,617 | 810,720 | 2,103 |
| Federal | 646,623 | 641,623 | 608,851 | (32,772) |
| Total Revenues | 1,496,623 | 1,470,240 | 1,433,254 | (36,986) |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Special education | 2,719,258 | 2,714,820 | 2,684,801 | 30,019 |
| Vocational | 3,000 | 3,000 | 750 | 2,250 |
| Total Instruction | 2,722,258 | 2,717,820 | 2,685,551 | 32,269 |
| Support Services | | | | |
| Pupil services | 450,461 | 437,291 | 401,834 | 35,457 |
| Instructional support services | 403,026 | 387,055 | 350,137 | 36,918 |
| Administration | 4,200 | 4,200 | 4,118 | 82 |
| Buildings and grounds | 3,500 | 3,500 | 4,350 | (850) |
| Pupil transportation | 256,900 | 226,900 | 220,285 | 6,615 |
| Other support services | 500 | 500 | 357 | 143 |
| Total Support Services | 1,118,587 | 1,059,446 | 981,081 | 78,365 |
| Non-Program | | | | |
| General tuition payments | 372,800 | 312,800 | 304,292 | 8,508 |
| Total Expenditures | 4,213,645 | 4,090,066 | 3,970,924 | 119,142 |
| Excess (deficiency) of revenues over expenditures | (2,717,022) | (2,619,826) | (2,537,670) | 82,156 |
| OTHER FINANCING SOURCES | | | | |
| Transfer from General Fund | 2,717,022 | 2,619,826 | 2,537,670 | (82,156) |
| Net Change in Fund Balances | \$ - | \$ - | - | \$ - |
| FUND BALANCES - BEGINNING OF YEAR | | | - | |
| FUND BALANCES - END OF YEAR | | | \$ - | |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
For the Year Ended June 30, 2018

| <u>Plan Fiscal Year Ending</u> | <u>Proportion of the Net Pension Liability (Asset)</u> | <u>Proportionate Share of the Net Pension Liability (Asset)</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u> |
|--------------------------------|--|---|------------------------|--|---|
| 12/31/14 | 0.10662550% | \$ (2,619,014) | \$ 14,983,365 | 17.48% | 102.74% |
| 12/31/15 | 0.10840687% | 1,761,591 | 15,658,307 | 11.25% | 98.20% |
| 12/31/16 | 0.10951564% | 902,670 | 16,077,797 | 5.61% | 99.12% |
| 12/31/17 | 0.11125244% | (3,303,216) | 16,665,759 | 19.82% | 102.93% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended June 30, 2018

| <u>District Fiscal Year Ending</u> | <u>Contractually Required Contributions</u> | <u>Contributions in Relation to the Contractually Required Contributions</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|------------------------------------|---|--|---|------------------------|---|
| 6/30/15 | \$ 1,049,432 | \$ 1,049,432 | \$ - | \$ 15,307,386 | 6.86% |
| 6/30/16 | 1,091,800 | 1,091,800 | - | 16,069,090 | 6.80% |
| 6/30/17 | 1,105,882 | 1,105,882 | - | 16,275,489 | 6.79% |
| 6/30/18 | 1,161,152 | 1,161,152 | - | 17,230,585 | 6.74% |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN For the Year Ended June 30, 2018

| | <u>2017</u> | <u>2018</u> |
|------------------------------------|-------------------|-------------------|
| Total Pension Liability | | |
| Service Cost | \$ 19,265 | \$ 19,265 |
| Interest | 7,044 | 6,029 |
| Changes in assumptions | - | (1,287) |
| Benefit payments | <u>(62,333)</u> | <u>(48,333)</u> |
| Net change in total OPEB liability | (36,024) | (24,326) |
| Total OPEB Liability - beginning | <u>222,801</u> | <u>186,777</u> |
| Total OPEB liability - ending | <u>\$ 186,777</u> | <u>\$ 162,451</u> |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS SINGLE EMPLOYER OPEB PLAN For the Year Ended June 30, 2018

| | 2017 | 2018 |
|--|-------------------------|-------------------------|
| Total OPEB Liability | | |
| Service Cost | \$ 203,606 | \$ 203,606 |
| Interest | 110,718 | 112,881 |
| Changes in assumptions | - | (74,039) |
| Benefit payments | <u>(236,978)</u> | <u>(268,110)</u> |
| Net change in total OPEB liability | 77,346 | (25,662) |
| Total OPEB Liability - beginning | <u>3,180,070</u> | <u>3,257,416</u> |
| Total OPEB liability - ending | <u>\$ 3,257,416</u> | <u>\$ 3,231,754</u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 327,119 | \$ 306,292 |
| Net investment income | 2,168 | 6,100 |
| Cash in lieu of adjustment | (46,333) | (33,333) |
| Benefit payments | <u>(236,978)</u> | <u>(268,110)</u> |
| Net change in total OPEB liability | 45,976 | 10,949 |
| Total OPEB Liability - beginning | <u>406,298</u> | <u>452,274</u> |
| Total OPEB liability - ending | <u>\$ 452,274</u> | <u>\$ 463,223</u> |
| Net OPEB liability - ending | <u>\$ 2,805,142</u> | <u>\$ 2,768,531</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 13.88% | 14.33% |

SCHOOL DISTRICT OF PEWAUKEE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
SINGLE EMPLOYER OPEB PLAN
For the Year Ended June 30, 2018**

| | <u>2017</u> | <u>2018</u> |
|--|------------------|------------------|
| Contractually determined contribution | \$ 361,546 | \$ 361,546 |
| Contributions in relation to the contractually determined contribution | <u>327,119</u> | <u>306,292</u> |
| Contribution deficiency (excess) | <u>\$ 34,427</u> | <u>\$ 55,254</u> |

SCHOOL DISTRICT OF PEWAUKEE

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LOCAL RETIREE LIFE INSURANCE FUND
For the Year Ended June 30, 2018**

| <u>Plan Fiscal Year Ending</u> | <u>Proportion of the Net OPEB Liability</u> | <u>Proportionate Share of the Net OPEB Liability</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u> |
|--|---|--|----------------------------|---|--|
| 12/31/17 | 0.30302600% | \$ 911,678 | \$ 12,743,110 | 7.15% | 44.81% |

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
LOCAL RETIREE LIFE INSURANCE FUND
For the Year Ended June 30, 2018**

| <u>District Fiscal Year Ending</u> | <u>Contractually Required Contributions</u> | <u>Contributions in Relation to the Contractually Required Contributions</u> | <u>Contribution Deficiency (Excess)</u> | <u>Covered Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|--|---|--|---|----------------------------|---|
| 6/30/18 | \$ 5,754 | \$ 5,754 | \$ - | \$ 12,743,110 | 0.05% |

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended June 30, 2018

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.C. A budget has been adopted for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes.

Reported budget amounts are as amended by Board of Education resolution. Budgets are adopted at the two digit sub function level in the general fund and at the function level for all other funds. Appropriations lapse at year end unless specifically carried over.

SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN

The District is required to present the last ten fiscal years data; however the standards allow the District to present as many years as are available until ten fiscal years are presented.

Accumulation of assets. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

Changes of benefit terms. There were no changes of benefit terms.

Changes in size or composition of the population covered by the benefit terms. There were no changes to the size or composition of the population covered by the benefit terms.

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

WISCONSIN RETIREMENT SYSTEM AND LOCAL RETIREE LIFE INSURANCE FUND

The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The District is required to present the last ten fiscal years data; however the standards allow the District to present as many years as are available until ten fiscal years are presented.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in Wisconsin Retirement System or Local Retiree Life Insurance Fund.

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

OPEB PLAN

The District is required to present the last ten fiscal years data; however the standards allow the District to present as many years as are available until ten fiscal years are presented.

Significant methods and assumptions used in calculating the actuarially determined contribution:

| | |
|------------------------|------------------|
| Actuarial cost method | Entry age normal |
| Asset valuation method | Market value |
| Amortization method | 30 year level % |
| Discount rate | 3.75% |
| Inflation | 2.50% |

See independent auditors' report.

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SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF PEWAUKEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of June 30, 2018

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-------------------------|-------------------|--|--|
| | Food Service Fund | Trust Fund | Package Cooperative Program Fund | |
| ASSETS | | | | |
| Cash and investments | \$ 237,545 | \$ 123,245 | \$ - | \$ 360,790 |
| Due from other governments | 3,987 | - | - | 3,987 |
| Prepaid items | 263 | - | - | 263 |
| TOTAL ASSETS | <u>\$ 241,795</u> | <u>\$ 123,245</u> | <u>\$ -</u> | <u>\$ 365,040</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 6,385 | \$ - | \$ - | \$ 6,385 |
| Accrued payroll and related liabilities | 1,950 | - | - | 1,950 |
| Total Liabilities | <u>8,335</u> | <u>-</u> | <u>-</u> | <u>8,335</u> |
| Fund Balances | | | | |
| Nonspendable | 263 | - | - | 263 |
| Committed | 233,197 | 123,245 | - | 356,442 |
| Total Fund Balances | <u>233,460</u> | <u>123,245</u> | <u>-</u> | <u>356,705</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 241,795</u> | <u>\$ 123,245</u> | <u>\$ -</u> | <u>\$ 365,040</u> |

SCHOOL DISTRICT OF PEWAUKEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2018

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-------------------------|---------------|--|--|
| | Food Service Fund | Trust Fund | Package Cooperative Program Fund | |
| REVENUES | | | | |
| Local | \$ 756,446 | \$ 1,000 | \$ - | \$ 757,446 |
| Interdistrict | - | - | 1,854 | 1,854 |
| State | 9,680 | - | - | 9,680 |
| Federal | 237,276 | - | - | 237,276 |
| Other | 2,738 | 203 | - | 2,941 |
| Total Revenues | 1,006,140 | 1,203 | 1,854 | 1,009,197 |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular | - | 1,152 | - | 1,152 |
| Total instruction | - | 1,152 | - | 1,152 |
| Support Services | | | | |
| Other support services | - | - | 2,060 | 2,060 |
| Buildings and grounds | 23,748 | - | - | 23,748 |
| Food service | 996,192 | - | - | 996,192 |
| Total support services | 1,019,940 | - | 2,060 | 1,022,000 |
| Total Expenditures | 1,019,940 | 1,152 | 2,060 | 1,023,152 |
| Excess (deficiency) of Revenues Over Expenditures | (13,800) | 51 | (206) | (13,955) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | - | - | 206 | 206 |
| Total Other Financing Sources | - | - | 206 | 206 |
| Net Change in Fund Balances | (13,800) | 51 | - | (13,749) |
| FUND BALANCES - BEGINNING OF YEAR | 247,260 | 123,194 | - | 370,454 |
| FUND BALANCES - END OF YEAR | \$ 233,460 | \$ 123,245 | \$ - | \$ 356,705 |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY AGENCY FUND For the Year Ended June 30, 2018

| | <u>Balance 6/30/2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 6/30/2018</u> |
|------------------------------|------------------------------|---------------------|---------------------|------------------------------|
| ASSETS | | | | |
| Cash and investments | <u>\$ 286,191</u> | <u>\$ 1,153,884</u> | <u>\$ 1,132,571</u> | <u>\$ 307,504</u> |
| LIABILITIES | | | | |
| Due to student organizations | | | | |
| High School | \$ 223,747 | 793,857 | 770,771 | \$ 246,833 |
| Middle School | 30,827 | 101,863 | 112,061 | 20,629 |
| Horizon Elementary School | 21,506 | 86,128 | 76,855 | 30,779 |
| Lake Elementary School | <u>10,111</u> | <u>172,036</u> | <u>172,884</u> | <u>9,263</u> |
| TOTAL LIABILITIES | <u>\$ 286,191</u> | <u>\$ 1,153,884</u> | <u>\$ 1,132,571</u> | <u>\$ 307,504</u> |

SINGLE AUDIT

SCHOOL DISTRICT OF PEWAUKEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

| Awarding Agency/Pass-Through Agency/Award Description | Federal Catalog Number | Pass Through Agency | Pass Through Agency ID | Accrued Receivable 7/1/2017 | Expenditures | | Receipts | | Accrued Receivable 6/30/2018 |
|--|------------------------|---------------------|----------------------------|-----------------------------|----------------|----------|------------------------|-------------|------------------------------|
| | | | | | Grantor | Local | Grantor Reimbursements | Local Share | |
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | |
| <u>Title I Grants to Local Educational Agencies</u> | | | | | | | | | |
| July 1, 2016 - June 30, 2017 | 84.010 | WI DPI | 2018-674312-Title I-141 | \$ 21,219 | \$ - | \$ - | \$ 21,219 | \$ - | \$ - |
| July 1, 2017 - June 30, 2018 | | WI DPI | | - | 75,121 | - | 57,890 | - | 17,231 |
| | | | | <u>21,219</u> | <u>75,121</u> | <u>-</u> | <u>79,109</u> | <u>-</u> | <u>17,231</u> |
| <u>Special Education Cluster (IDEA)</u> | | | | | | | | | |
| <u>Special Education Grants to States</u> | | | | | | | | | |
| July 1, 2016 - June 30, 2017 | 84.027 | WI DPI | 2018-674312-IDEA-341 | 61,716 | - | - | 61,716 | - | - |
| July 1, 2017 - June 30, 2018 | | WI DPI | | - | 514,530 | - | 441,217 | - | 73,313 |
| | | | | <u>61,716</u> | <u>514,530</u> | <u>-</u> | <u>502,933</u> | <u>-</u> | <u>73,313</u> |
| <u>Special Education Preschool Grants</u> | | | | | | | | | |
| July 1, 2016 - June 30, 2017 | 84.173 | WI DPI | 2018-674312-Pre-S-347 | 4,413 | - | - | 4,413 | - | - |
| July 1, 2017 - June 30, 2018 | | WI DPI | | - | 18,278 | - | 14,794 | - | 3,484 |
| | | | | <u>4,413</u> | <u>18,278</u> | <u>-</u> | <u>19,207</u> | <u>-</u> | <u>3,484</u> |
| Total Special Education Cluster | | | | <u>66,129</u> | <u>532,808</u> | <u>-</u> | <u>522,140</u> | <u>-</u> | <u>76,797</u> |
| <u>Improving Teacher Quality State Grants</u> | | | | | | | | | |
| July 1, 2016 - June 30, 2017 | 84.367 | WI DPI | 2018-674312-Title II-365 | 7,268 | - | - | 7,268 | - | - |
| July 1, 2017 - June 30, 2018 | | WI DPI | | - | 38,834 | - | 30,780 | - | 8,054 |
| | | | | <u>7,268</u> | <u>38,834</u> | <u>-</u> | <u>38,048</u> | <u>-</u> | <u>8,054</u> |
| <u>English Language Acquisition State Grants</u> | | | | | | | | | |
| July 1, 2017 - June 30, 2018 | 84.365 | CESA 1 | Unknown | - | 5,125 | - | 5,125 | - | - |
| <u>Student Support and Academic Enrichment Program</u> | | | | | | | | | |
| July 1, 2017 - June 30, 2018 | 84.424 | WI DPI | 2018-674312-Title-IV A-381 | - | 10,000 | - | 10,000 | - | - |
| Total U.S. Department of Education | | | | <u>94,616</u> | <u>661,888</u> | <u>-</u> | <u>654,422</u> | <u>-</u> | <u>102,082</u> |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
For the Year Ended June 30, 2018

| Awarding Agency/Pass-Through Agency/Award Description | Federal Catalog Number | Pass Through Agency | Pass Through Agency ID | Accrued Receivable 7/1/2017 | Expenditures | | Receipts | | Accrued Receivable 6/30/2018 |
|---|------------------------|---------------------|------------------------|-----------------------------|--------------|------------|------------------------|-------------|------------------------------|
| | | | | | Grantor | Local | Grantor Reimbursements | Local Share | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | | | |
| Medicaid Cluster | | | | | | | | | |
| <u>Medical Assistance Program</u> | 93.778 | | 44239300 | | | | | | |
| July 1, 2017 - June 30, 2018 | | WI DHS | | \$ 8,706 | \$ 125,112 | \$ - | \$ 121,998 | \$ - | \$ 11,820 |
| Total Medicaid Cluster | | | | 8,706 | 125,112 | - | 121,998 | - | 11,820 |
| Total U.S. Department of Health and Human Services | | | | 8,706 | 125,112 | - | 121,998 | - | 11,820 |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | |
| Child Nutrition Cluster | | | | | | | | | |
| <u>National School Lunch Program</u> | 10.555 | | 2018-674312-NSL-547 | | | | | | |
| July 1, 2016 - June 30, 2017 | | WI DPI | | 5,929 | - | - | 5,929 | - | - |
| July 1, 2017 - June 30, 2018 | | WI DPI | | - | 237,276 | 782,664 | 233,289 | 782,664 | 3,987 |
| Total Child Nutrition Cluster | | | | 5,929 | 237,276 | 782,664 | 239,218 | 782,664 | 3,987 |
| Total U.S. Department of Agriculture | | | | 5,929 | 237,276 | 782,664 | 239,218 | 782,664 | 3,987 |
| U.S. DEPARTMENT OF COMMERCE | | | | | | | | | |
| <u>Education Quality Award Ambassadorship</u> | 11.013 | | N/A | | | | | | |
| July 1, 2017 - June 30, 2018 | | N/A | | - | 1,590 | - | 1,590 | - | - |
| Total U.S. Department of Commerce | | | | - | 1,590 | - | 1,590 | - | - |
| Total Federal Awards | | | | \$ 109,251 | \$ 1,025,866 | \$ 782,664 | \$ 1,017,228 | \$ 782,664 | \$ 117,889 |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS For the Year Ended June 30, 2018

| <u>Awarding Agency/Pass-Through Agency/Award Description</u> | <u>State ID Number</u> | <u>Expenditures</u> |
|--|--------------------------------|-------------------------|
| WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION | | |
| <u>Entitlement Programs</u> | | |
| Special Education & School Age Parents | 255.101 | \$ 810,720 |
| State School Lunch Aid | 255.102 | 9,680 |
| Common School Fund Library Aid | 255.103 | 107,115 |
| Pupil Transportation Aid | 255.107 | 77,811 |
| Equalization Aid (receivable of \$85,214) | 255.201 | 5,006,021 |
| Educator Effective Evaluation Systems | 255.940 | 17,360 |
| Per Pupil Aid | 255.945 | 1,235,700 |
| Career and Technical Education Incentive | 255.950 | 10,769 |
| Assessments of Reading Readiness | 255.956 | <u>3,484</u> |
| Total State Awards | | <u>\$ 7,278,660</u> |

See accompanying notes to schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS As of and for the year ended June 30, 2018

NOTE 1 – REPORTING ENTITY

This Report on Federal and State Awards includes the federal and state awards of the School District of Pewaukee. The reporting entity for the District is based upon criteria established by the Governmental Accounting Standards Board.

The schedules include only those programs required to be included in accordance with the *State Single Audit Guidelines*.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedules”) include the federal and state award activity of the School District of Pewaukee under programs of the federal and state government for the year ended June 30, 2018. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the School District of Pewaukee, it is not intended to and does not present the financial position or changes in net position of the School District of Pewaukee.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the modified 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. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

NOTE 4 – ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$3,260,381 for the year ended June 30, 2018.

NOTE 5 – STATUS OF PRIOR YEAR FINDINGS

The District was required to have an audit conducted in accordance with the Uniform Guidance in the prior year and there were no findings.

SCHOOL DISTRICT OF PEWAUKEE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS As of and for the year ended June 30, 2018

NOTE 6 – PASS-THROUGH AGENCIES

The District received federal awards from the following pass-through agencies:

| | |
|--------|--|
| WI DPI | Wisconsin Department of Public Instruction |
| WI DHS | Wisconsin Department of Health Services |
| CESA 1 | Cooperative Educational Service Agency #1 |

NOTE 7 – INDIRECT COST RATE

The School District of Pewaukee has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Pewaukee
Pewaukee, WI

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 Pewaukee, Wisconsin as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District of Pewaukee's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District of Pewaukee'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of Pewaukee's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of Pewaukee's internal control.

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

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

To the Board of Education
School District of Pewaukee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District of Pewaukee'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 matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 28, 2018

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Pewaukee
Pewaukee, WI

Report on Compliance for Each Major Federal and Major State Program

We have audited the School District of Pewaukee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the School District of Pewaukee's major federal and major state programs for the year ended June 30, 2018. The School District of Pewaukee's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District of Pewaukee's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or a major state program occurred. An audit includes examining, on a test basis, evidence about the School District of Pewaukee'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 major state program. However, our audit does not provide a legal determination of the School District of Pewaukee's compliance.

To the Board of Education
School District of Pewaukee

Opinion on Each Major Federal and Major State Program

In our opinion, the School District of Pewaukee 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 major state programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal and major state program is not modified with respect to this matter.

School District of Pewaukee's Response to Finding

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

Report on Internal Control Over Compliance

Management of the School District of Pewaukee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District of Pewaukee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of Pewaukee'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

To the Board of Education
School District of Pewaukee

School District of Pewaukee's Response to Finding

The School District of Pewaukee's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District of Pewaukee's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 28, 2018

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified?

| | | | | |
|---|---|-----------|----------------------------|--|
| | <u>Federal Programs</u> | | <u>State Programs</u> | |
| _____ yes | <u> X </u> no | _____ yes | <u> X </u> no | |
| Significant deficiencies identified that were not considered to be material weakness(es)? | _____ yes none reported | _____ yes | <u> X </u> none reported | |

_____ yes none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

_____ yes X no X yes _____ no

Auditee qualified as low-risk auditee?

 X yes _____ no X yes _____ no

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

\$250,000

Identification of major federal programs:

CFDA NUMBER (S)

Name of Federal Program or Cluster

84.027
84.173

Special Education Cluster
Special Education - Grants to States
Special Education - Preschool Grants

Identification of major state programs:

State Identification Number

Name of State Program or Cluster

255.201

Equalization Aid

Federal program audited in accordance with the State Single Audit Guidelines:

CFDA NUMBER

93.778

Medicaid Cluster

SCHOOL DISTRICT OF PEWAUKEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

Section II: Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

There are no findings that are required to be reported.

Section III: Federal and State Award Findings and Questioned Costs

Finding No. 2018-001 - Medicaid Compliance

| | |
|---------------------------|---|
| <i>CFDA #/Program</i> | 93.778 Medicaid |
| <i>Criteria -</i> | Amounts reported on the Quarterly Financial Submissions should trace to supporting documentation to ensure federal funds are appropriately identified. During our audit procedures, we were not able to trace the federal revenue reported in two of the four <i>Quarterly Financial Submissions</i> to supporting documentation. Federal revenues reported were less than the federal revenues per the payroll records. |
| <i>Condition -</i> | |
| <i>Questioned Costs -</i> | Unknown |
| <i>Context -</i> | Population: 4, Sample: 4; sample statistically valid based on DHS audit guide. |
| <i>Effect -</i> | The District may be eligible for more federal funding than was received. |
| <i>Recommendation -</i> | We recommend that the District has someone other than the original preparer review all amounts reported in the <i>Quarterly Financial Submissions</i> . |
| <i>District Response</i> | Procedures over entering and filing the Quarterly Medicaid Reports have been revised and reviewed with staff. New procedures now include having someone (other than the person entering the data) tie out all totals to payroll records including federal revenue totals. |

SCHOOL DISTRICT OF PEWAUKEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section IV: Other Issues

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes X no
2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
Department of Public Instruction yes X no
Department of Health Services X yes no
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes no

Name and signature of partner

John A. Knepel

John A. Knepel, CPA, Partner

Date of report

November 28, 2018