

**SCHOOL DISTRICT OF REEDSBURG**  
Reedsburg, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

June 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

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

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 Reedsburg, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District of Reedsburg's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Reedsburg, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Budgetary Comparison Information, Schedule of Proportionate Share of Net Pension Liability (Asset)—Wisconsin Retirement System, schedule of Contributions—Wisconsin Retirement System, Schedule of Net Supplemental Pension Liability, Schedule of Changes in Net Supplemental Pension Liability, Schedule of Proportionate Share of the Net OPEB Liability—Local Retiree Life Insurance Fund, Schedule of Employer OPEB Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios, and notes to 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Reedsburg's basic financial statements. The combining general fund, combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

The combining general fund financial statements, combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining general fund financial statements, combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities, and the schedule of expenditures of federal and state awards are 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 15, 2019 on our consideration of the School District of Reedsburg'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District of Reedsburg 's 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 Reedsburg's internal control over financial reporting and compliance.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 15, 2019

**SCHOOL DISTRICT OF REEDSBURG**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

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The discussion and analysis of the financial performance of the School District of Reedsburg (District) provides an overview of financial activities for the fiscal year ended June 30, 2019. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

The District's government-wide financial statements reflect the following:

- Total net position of the District decreased to \$22,946,237 at June 30, 2019 from \$25,885,195 in 2018.
- Total revenues increased to \$38,542,471 in fiscal year 2019, up from \$36,509,511 in year 2018, an increase of 5.57%.
- Total expenses increased to \$41,481,429 in fiscal year 2019, up from \$37,170,480 in the fiscal year 2018, an increase of 11.60%.

The District's governmental fund financial statements reflect the following:

- Total fund balances of the District's governmental funds decreased \$23,777,295 in fiscal year 2019. This decrease included an \$88,672 increase in the general fund, a \$23,957,945 decrease in the capital projects fund, and a \$94,978 increase in the nonmajor governmental funds.
- The increase in the District's general fund balance was due to the lower than anticipated facility improvement expenditures as the District completes the construction of a new elementary school and other district-wide facility improvements.
- The fund balance for all governmental funds at June 30, 2019 was \$14,075,558. Of this amount, \$38,310 was nonspendable, \$4,767,395 was restricted for capital projects, \$879,295 was restricted for debt service, \$13,201 was restricted for food service, \$180,817 was restricted for community service, \$1,000,000 was committed for facility improvements, and \$7,131,446 remains unassigned.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. Those basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information supplementary to the basic financial statements.

**SCHOOL DISTRICT OF REEDSBURG**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-Wide Financial Statements**

District-wide financial statements report information about the District as a whole, using accounting methods similar to those used by private sector companies.

The statement of net position includes all of the District's assets, deferred inflows/outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position.

The statement of activities includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's net position and to provide an explanation of material changes that occurred since the prior year.

**Fund Financial Statements**

The fund financial statements provide detailed information about the District's significant funds rather than the District as a whole. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary. Table 1 summarizes the various features of each of these funds.

- **Governmental Funds**—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information is provided that explains the relationship between them.
- **Fiduciary Funds**—The District serves as a fiduciary for the employee benefit trust and student organizations. The District is also responsible for other assets that can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**SCHOOL DISTRICT OF REEDSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2019

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

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

	<b>District-wide</b>	<b>Governmental</b>	<b>Fiduciary</b>
	<b><u>Statements</u></b>	<b><u>Governmental</u></b>	<b><u>Fiduciary</u></b>
<b>Scope</b>	Entire district (except fiduciary funds).	The activities of the District that is not fiduciary, such as instruction, support services, debt service, capital projects, nutrition service and community services.	The district acts as trustee or agent for another; e.g. other post employment trusts
<b>Required Financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
<b>Type of asset deferred inflows/outflows of resources and liability information</b>	All assets deferred inflows/outflows of resources and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets held in a trustee or agency capacity for others and all liabilities
<b>Type of inflow and outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues when cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when the cash is received or paid.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19-50 of this report.

**Other Information**

Required supplementary information (RSI) includes a budget-to-actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenues and expenditures. In addition, the RSI includes information concerning the District's other postemployment benefits (OPEB) liability and the District's net pension liability (asset).

**SCHOOL DISTRICT OF REEDSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019

**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

**Statement of Net Position**

The District ended its fiscal year with net position of \$22,946,237, of which \$17,832,928 was net investment in capital assets, \$4,756,886 was restricted for capital projects, \$879,295 was restricted for debt service, \$180,817 was restricted for community service, and (\$703,689) was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general District operations.

For governmental activities, current and other assets decreased as a result of the District's proportionate share of the value of assets held by the state-wide Wisconsin Retirement System (WRS) decreasing. In the prior year the District's proportionate share WRS was an asset totaling \$3,443,085, however in the current year the District's proportionate share WRS was a liability totaling \$4,161,009. In addition, our operating budget had a planned deficit contributing toward a reduction in the net position.

**Table 2**  
**Condensed Statement of Net Position**  
*(in thousands of dollars)*

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>% Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 21,409	\$ 45,774	-53.23%
Capital assets	39,905	19,391	105.79%
<b>Total assets</b>	61,314	65,165	-5.91%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	10,856	9,475	
<b>LIABILITIES</b>			
Long-term liabilities	35,481	33,513	5.87%
Other liabilities	7,579	4,700	61.26%
<b>Total liabilities</b>	43,060	38,213	12.68%
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pension	6,165	10,541	
<b>NET POSITION</b>			
Net investment in capital assets	17,833	17,750	0.47%
Restricted	5,582	32,009	-82.56%
Unrestricted	(469)	(23,873)	-98.04%
<b>Total net position</b>	<b>\$ 22,946</b>	<b>\$ 25,886</b>	<b>-11.36%</b>

**SCHOOL DISTRICT OF REEDSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019

**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

**Changes in Net Position**

Table 3 demonstrates that on a District-wide basis the District ended fiscal year 2019 with an increase in net position of \$2,938,958, compared to an increase of \$660,969 in fiscal year 2018. The primary factors for the increase were increased expenditures in operations, facility improvements, and capital purchases.

The District received \$38,542,471 in revenue for the fiscal year 2019. The District relies primarily on property taxes (32.8% of total governmental revenues), and state equalization aid (42.2%) to fund governmental activities. The District received approximately 12.6% in the form of specific use state grants and federal aid.

Individuals who directly participated or benefited from a program paid 5.1% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services.

Federal and state governments subsidized certain programs with grants and awards of \$6,997,635. Operating grants include Title I, IDEA, and National School Lunch Programs.

**Table 3**  
**Changes in Net Position from Operating Results**  
*(in thousands of dollars)*

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>% Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 1,963	\$ 1,880	4.41%
Operating grants	4,865	4,863	0.04%
General revenues			
Property taxes	12,633	12,866	-1.81%
General Aid	16,271	15,335	6.10%
Other	2,810	1,566	79.44%
<b>Total revenues</b>	<b>38,542</b>	<b>36,510</b>	<b>5.57%</b>
<b>EXPENSES</b>			
Instruction	20,704	19,904	4.02%
Pupil and instructional services	3,344	3,084	8.43%
Administration and business	12,052	10,269	17.36%
Interest on debt	874	710	23.10%
Other	4,507	3,203	40.71%
<b>Total expenses</b>	<b>41,481</b>	<b>37,170</b>	<b>11.60%</b>
<b>Change in net position</b>	<b>\$ (2,939)</b>	<b>\$ (660)</b>	<b>345.30%</b>

**SCHOOL DISTRICT OF REEDSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2019

**DISTRICT-WIDE FINANCIAL STATEMENTS (continued)**

Table 4 presents the cost of governmental activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$41,481,429. Individuals who directly participated or benefited from a program offering paid for \$1,963,413 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$4,864,875. The net cost of governmental activities, \$34,653,141, was financed by \$12,633,218 of property taxes and \$18,403,688 of federal and state unrestricted aid.

**Table 4**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Total Cost of Services	Net Cost of Services
<b>EXPENSES</b>		
Instruction	\$ 20,704	\$ (15,486)
Pupil and instructional services	3,344	(3,236)
Administration and business	12,052	(10,566)
Interest on debt	874	(874)
Other	4,507	(4,491)
<b>Total expenses</b>	<b>\$ 41,481</b>	<b>\$ (34,653)</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$14,075,558 down from last year's ending fund balance of \$37,852,853. The District's unassigned fund balance, available for spending at the District's discretion was \$7,119,148.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance increase of \$88,672. The District planned a deficit for the current year with the primary focus on maintaining educational opportunities for students but due to the lower than anticipated facility improvement expenditures as the District completes the construction of a new elementary school and other district-wide facility improvements we completed the year with a slight surplus.

**SCHOOL DISTRICT OF REEDSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the June 30, 2019, the District had \$64,825,327 in capital assets, including land, construction in progress, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$24,920,388. Asset acquisitions for governmental activities totaled \$21,542,717. The District recognized depreciation expense of \$1,312,027. The District recognized a loss on assets disposed of totaled \$8,247. Detailed information about capital assets can be found in Note 4 to the financial statements.

**Table 5**  
**Capital Assets**  
*(in thousands of dollars)*

	2019	2018
Land	\$ 1,755	\$ 1,755
Construction in progress	22,569	1,027
Buildings	32,501	32,667
Furniture and equipment	5,167	5,167
Vehicles	2,833	2,708
Accumulated depreciation	(24,920)	(23,932)
Net capital assets	\$ 39,905	\$ 19,392

**Long-Term Obligations**

At June 30, 2019, the District had \$28,785,000 in general obligation debt outstanding—a decrease of \$1,380,000 from fiscal year 2018. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. The District Detailed information about the District's long-term obligations is presented in Note 6 to the financial statements.

**Table 6**  
**Outstanding Long-term Obligations**  
*(in thousands of dollars)*

	2019	2018
General obligation debt	\$ 28,785	\$ 30,165
Unamortized bond premium (discount)	1,053	1,109
Capital leases	40	80
Compensated absences	57	54
Net pension liability	4,161	-
Net other postemployment benefits - life insurance	725	786
Net other postemployment benefits - health insurance	484	1,046
Net supplemental pension liability	176	274
Net long-term obligations	\$ 35,481	\$ 33,514

**SCHOOL DISTRICT OF REEDSBURG**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

While the District's original budget for the general fund anticipated that revenue would exceed expenditures and other financing uses and other financing sources by \$176,193, the actual results for the year ended June 30, 2019 had expenditures and other financing uses in excess of revenue and other financing sources in of \$88,672. The significant changes to our expenditures budget included a new professional staff compensation model with planned decreases in benefits, facility improvements, and capital purchases.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Our primary focus is meeting the needs of students within sound fiscal management. The District opened a new elementary school serving grades 3-4-5 along with other facility improvements across the District.

Overall enrollment growth is forecasted to continue over the next five years providing increased revenue funding under the Wisconsin Revenue Limit and additional State Aid. The District continues the transition on postemployment benefits to reduce future obligations.

The School District of Reedsburg has a long tradition of success and demonstrated an ability to make decisions to meet changes to meet the needs of our students. The District will continue to be fiscally responsible to meet the challenges of the future for all of our stakeholders.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Patrick A. Ruddy, Assistant District Administrator – Director of Business Services & Human Resources. School District of Reedsburg, 501 K Street, Reedsburg, WI 53959-1825. Telephone: (608) 524-2016 ext. 2004.

Additional information about the District and its services can also be found on the District's website at [www.rsd.k12.wi.us](http://www.rsd.k12.wi.us).

**SCHOOL DISTRICT OF REEDSBURG**  
**STATEMENT OF NET POSITION**  
June 30, 2019

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 16,528,519
Accounts receivable	3,926,719
Due from other governments	915,917
Inventories	38,310
Capital assets not being depreciated	24,324,424
Capital assets being depreciated, net	15,580,515
Total assets	61,314,404
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension	10,654,822
Related to other postemployment benefits - health insurance	65,944
Related to other postemployment benefits - life insurance	135,706
Total deferred inflows of resources	10,856,472
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	7,251,616
Accrued interest	245,480
Unearned revenue	82,291
Noncurrent liabilities	
Due within one year	1,125,065
Due in more than one year	34,355,672
Total liabilities	43,060,124
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension	5,762,398
Related to other postemployment benefits - health insurance	205,465
Related to other postemployment benefits - life insurance	196,652
Total deferred inflows of resources	6,164,515
<b>NET POSITION</b>	
Net investment in capital assets	17,832,928
Restricted	5,582,027
Unrestricted	(468,718)
<b>Total net position</b>	<b>\$ 22,946,237</b>

See accompanying notes.

**SCHOOL DISTRICT OF REEDSBURG**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction				
Regular instruction	\$ 12,326,239	\$ 1,238,852	\$ 1,715,531	\$ (9,371,856)
Vocational instruction	1,490,941	14,616	24,205	(1,452,120)
Physical instruction	1,087,719	27,137	-	(1,060,582)
Special education instruction	5,002,217	86,893	2,049,655	(2,865,669)
Other instruction	796,559	60,574	-	(735,985)
Total instruction	<u>20,703,675</u>	<u>1,428,072</u>	<u>3,789,391</u>	<u>(15,486,212)</u>
Support services				
Pupil services	1,603,477	-	-	(1,603,477)
Instructional staff services	1,740,218	-	107,529	(1,632,689)
General administrative services	424,489	-	-	(424,489)
Building administrative services	1,840,036	-	-	(1,840,036)
Business administrative services	9,787,991	518,708	967,955	(8,301,328)
Central services	553,304	-	-	(553,304)
Insurance and judgments	448,370	-	-	(448,370)
Other support services	3,506,014	16,633	-	(3,489,381)
Interest on debt	873,855	-	-	(873,855)
Total support services	<u>20,777,754</u>	<u>535,341</u>	<u>1,075,484</u>	<u>(19,166,929)</u>
<b>Total school district</b>	<u><u>\$ 41,481,429</u></u>	<u><u>\$ 1,963,413</u></u>	<u><u>\$ 4,864,875</u></u>	<u><u>\$ (34,653,141)</u></u>
<b>GENERAL REVENUES</b>				
TAXES				
Property taxes, levied for general purposes				10,157,376
Property taxes, levied for debt service				2,338,842
Property taxes, levied for capital projects				137,000
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				16,270,928
Other				2,132,760
Interest and investment earnings				410,769
Gain on disposal of assets				1,416
Miscellaneous				265,092
Change in net position				<u>(2,938,958)</u>
Net position at beginning of year				<u>25,885,195</u>
<b>Net position at end of year</b>				<u><u>\$ 22,946,237</u></u>

See accompanying notes.

**SCHOOL DISTRICT OF REEDSBURG**  
**BALANCE SHEET—GOVERNMENTAL FUNDS**  
June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 7,517,319	\$ 7,806,316	\$ 1,204,884	\$ 16,528,519
Accounts receivable	3,926,719	-	-	3,926,719
Due from other governments	889,946	-	25,971	915,917
Inventory	38,310	-	-	38,310
<b>Total assets</b>	<u>\$ 12,372,294</u>	<u>\$ 7,806,316</u>	<u>\$ 1,230,855</u>	<u>\$ 21,409,465</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 106,774	\$ 3,038,921	\$ 30,989	\$ 3,176,684
Due to other governments	12,240	-	-	12,240
Accrued salaries and wages	2,626,118	-	44,262	2,670,380
Payroll taxes and withholdings	1,307,869	-	-	1,307,869
Medical claims payable	31,105	-	-	31,105
Self-funded premium deposits	53,338	-	-	53,338
Unearned revenues	-	-	82,291	82,291
<b>Total liabilities</b>	4,137,444	3,038,921	157,542	7,333,907
<b>FUND BALANCES</b>				
Nonspendable	38,310	-	-	38,310
Restricted	65,094	4,767,395	1,073,313	5,905,802
Committed	1,000,000	-	-	1,000,000
Unassigned	7,131,446	-	-	7,131,446
<b>Total fund balances</b>	<u>8,234,850</u>	<u>4,767,395</u>	<u>1,073,313</u>	<u>14,075,558</u>
<b>Total liabilities and fund balances</b>	<u>\$ 12,372,294</u>	<u>\$ 7,806,316</u>	<u>\$ 1,230,855</u>	<u>\$ 21,409,465</u>

See accompanying notes.

**SCHOOL DISTRICT OF REEDSBURG**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE DISTRICT-WIDE STATEMENT OF NET POSITION**  
June 30, 2019

Total fund balances—governmental funds		\$ 14,075,558
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
Cost of capital assets	\$ 64,825,327	
Accumulated depreciation	<u>(24,920,388)</u>	
Net capital assets		39,904,939
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as assets and liabilities.		
Bonds and notes payable	(28,785,000)	
Capital leases payable	(40,065)	
Accrued interest payable	(245,480)	
Compensated absences	(56,950)	
Net pension liability	(4,161,009)	
Net supplemental pension liability	(175,771)	
Deferred outflows related to pension	10,654,822	
Deferred inflows related to pension	(5,762,398)	
Other postemployment benefit liability - health insurance	(483,734)	
Other postemployment benefit liability - life insurance	(724,946)	
Deferred outflows related to other postemployment benefits - life insurance	65,944	
Deferred inflows related to other postemployment benefits - health insurance	(205,465)	
Deferred outflows related to other postemployment benefits - life insurance	135,706	
Deferred inflows related to other postemployment benefits - health insurance	(196,652)	
Unamortized debt discount	<u>(1,053,262)</u>	
Total long-term obligations		<u>(31,034,260)</u>
Total net position—governmental activities		<u><u>\$ 22,946,237</u></u>

See accompanying notes.

**SCHOOL DISTRICT OF REEDSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**  
Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 10,216,502	\$ -	\$ 2,475,842	\$ 12,692,344
Local	303,179	380,715	441,041	1,124,935
Interdistrict payments	1,159,193	-	-	1,159,193
Intermediate sources	91,693	-	-	91,693
State	20,869,962	-	24,293	20,894,255
Federal	1,509,616	-	805,566	2,315,182
Other sources	261,768	980	705	263,453
Total revenues	34,411,913	381,695	3,747,447	38,541,055
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	12,318,627	-	-	12,318,627
Vocational instruction	1,483,686	-	-	1,483,686
Physical instruction	1,087,719	-	-	1,087,719
Special education instruction	5,002,217	-	-	5,002,217
Other instruction	719,306	-	-	719,306
Total instruction	20,611,555	-	-	20,611,555
Support services				
Pupil services	1,603,477	-	-	1,603,477
Instructional staff services	1,739,445	-	-	1,739,445
General administrative services	420,391	-	-	420,391
Building administrative services	1,840,036	-	-	1,840,036
Business administrative services	4,861,539	2,625,634	1,235,387	8,722,560
Central services	417,134	-	160	417,294
Insurance and judgments	448,370	-	-	448,370
Other support services	2,233,239	-	130,097	2,363,336
Total support services	13,563,631	2,625,634	1,365,644	17,554,909
Capital outlay	125,318	21,717,006	-	21,842,324
Debt service				
Principal	39,493	-	1,380,000	1,419,493
Interest and fees	1,154	-	906,825	907,979
Total expenditures	34,341,151	24,342,640	3,652,469	62,336,260
Excess (deficiency) of revenues over (under) expenditures	70,762	(23,960,945)	94,978	(23,795,205)
Other financing sources (uses)				
Proceeds from sale of capital assets	17,910	-	-	17,910
<b>Net change in fund balances</b>	88,672	(23,960,945)	94,978	(23,777,295)
Fund balances at beginning of year	8,146,178	28,728,340	978,335	37,852,853
<b>Fund balances at end of year</b>	<b>\$ 8,234,850</b>	<b>\$ 4,767,395</b>	<b>\$ 1,073,313</b>	<b>\$ 14,075,558</b>

See accompanying notes.

**SCHOOL DISTRICT OF REEDSBURG**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2019

Net change in fund balances—total governmental funds \$ (23,777,295)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay reported in governmental fund statements	\$ 21,842,324	
Depreciation expense reported in the statement of activities	(1,312,027)	
Net book value of assets disposed of	<u>(16,494)</u>	
		20,513,803

Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Bonds and notes	1,380,000
Capital lease	39,493

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 the governmental funds.

Increase in accrued interest payable	(22,039)	
Amortization of debt issuance costs	56,163	
Net decrease in other postemployment benefits - life insurance	425,012	
Net increase in other postemployment benefits - health insurance	(73,593)	
Increase in WRS pension	(1,575,560)	
Decrease in net supplemental pension	98,296	
Net increase in compensated absences	<u>(3,238)</u>	
		<u>(1,094,959)</u>

Change in net position of governmental activities \$ (2,938,958)

See accompanying notes.

**SCHOOL DISTRICT OF REEDSBURG**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2019

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and investments	<u>\$ 298,006</u>
<b>LIABILITIES</b>	
Due to student organizations	<u>\$ 298,006</u>

See accompanying notes.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District of Reedsburg (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

**Reporting Entity**

The District operates as a common school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected school board, provides elementary, secondary, vocational, and special education services for early childhood through grade 12, and is comprised of all or parts of twenty taxing districts.

As discussed in the detail below, the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) 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 or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

**Basis of Presentation**

*District-Wide Financial Statements*

The statement of net position and statement of activities present financial information about the District's governmental activities. They include all funds of the District, except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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.

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 properly included among program revenues are reported instead as general revenues.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*Fund Financial Statements*

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

**General Fund**

The general fund is the general operating fund and the special education fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund**

The capital projects fund is used to account for the activities of the District's various construction projects.

The District reports the following nonmajor governmental funds:

**Debt Service Fund**

The debt service fund is used to account for financial resources to be used for the payment of general long-term debt principal, interest, and related costs.

**Special Revenue Funds**

Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the School Nutrition Services and the Community Service Fund as special revenue funds.

Additionally, the District reports the following fund types:

**Agency Funds**

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Measurement Focus and Basis of Accounting**

The District-wide and fiduciary fund statements (excluding the agency funds) are presented 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 at the time liabilities are incurred regardless of the timing of the related cash flows.

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally, are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

**Cash and Investments**

The District's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
  - a. Bonds or securities issued under the authority of the municipality;
  - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP).
  - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
  - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
  - e. Repurchase agreements with public depositories, with certain conditions.

**Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The non-current portion of outstanding balances between funds is reported as advances to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes are recognized as revenues in the year for which they are budgeted. Under Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. The statutory guarantee assures the District full collection of all property taxes within sixty days of its year-end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in November on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

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

**Inventories and Prepaid Items**

Inventories are recorded at cost based on the first-in, first-out method using the consumption method of accounting. Inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in the school nutrition services at the fair value when originally donated by the USDA. When used by the schools, the commodities are expensed and the related assets are reduced.

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

**Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. The District capitalizes all assets with an initial individual cost of \$5,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Furniture, equipment, and vehicles	5-15

**Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2019 related to pension and other postemployment benefit activity.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows as of June 30, 2019 related to pension and other postemployment benefit activity.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Compensated Absences**

The District's policy allows twelve month employees to earn varying amounts of vacation pay each year, depending on the total number of years employed. Upon retirement or termination of employment, the employee receives the pro-rated amount of pay. The District's Support Staff Agreement allows employees covered by the contract to earn personal sick leave. Employees earn twelve days of personal leave per year, with a maximum accumulation of 100 days. Employees covered by the District's Master Agreement with the Reedsburg Education Association earn ten days of personal sick leave per year, with a maximum accumulation of 90 days. Compensated absences are reported on the government-wide financial statements. The District accrued the vacation which it deems probable of payout. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

**Pensions**

*WRS*

For purposes of measuring the net pension liability (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.

*Supplemental*

The District will provide eligible teachers and administrators with 403(b) contributions upon retirement. The Plan is accounted for under GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement No. 68*.

**Other Employee Benefit Amounts**

*403(b) Tax Shelter Annuity.* Teachers who are at least age 50 on December 31<sup>st</sup> of the school year when the benefit is to be received and have been a teacher in the District for at least the most immediate 15 consecutive school years as a teacher are eligible to receive a \$6,000 403(b) Tax Shelter Annuity (TSA) contribution each March, while employed, with a maximum of eight annual contributions.

Teachers who are at least age 55 by June 30 of the year they retire, have at least 20 years of service as a teacher in the District, and retiring prior to the 2018-2019 school year are also eligible to receive one additional contribution of \$24,000 in the month of September. Further, eight administrators are eligible to continue to receive their actively funded 403(b) contributions in retirement should they leave prior to receiving the full years of payments.

Upon retirement, teachers are also eligible to receive \$60 per day of unused sick leave, to a maximum of \$6,000, paid into a 403(b) TSA.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Other Postemployment Benefits Other than Pensions (OPEB)**

*Local Retiree Life Insurance Fund*

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 postemployment 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.

*Health Insurance*

Administrators retiring prior to July 1, 2015, who are at least age 55 by June 30, 2015, with a minimum of 20 year of service or 10 years of administrative service in the District are eligible to receive monthly health insurance premium costs for up to 10 years or Medicare eligibility, whichever occurs first.

Teachers who have reached age 55 by June 30, 2015, with a minimum of 20 years of service in the District and who retire prior July 1, 2015, will receive District contributions toward the monthly health insurance premium cost in effect at the time of retirement for up to seven years or Medicare eligibility, whichever occurs first.

Teachers and Administrators retiring on or after July 1, 2015 will not receive a District-provided OPEB benefit.

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

**Long-Term Obligations**

In the District-wide financial statements, bond premiums and discounts, as well as issuance costs and losses on refunding, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the District-wide statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

**Net Position**

In the District-wide financial statements, equity is classified as net position and displayed in three components:

*Net Investment in Capital Assets*—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

*Restricted Net Position*—Consists of net position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

*Unrestricted Net Position*—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

*Nonspendable*—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long-term receivables.

*Restricted*—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed*—Resources that may only be used for specific purposes as the result of a formal action of the District’s highest level of decision-making authority. Any changes in the constraints imposed require the same formal action of the District that originally created the commitment. The Board of Education is the highest level of decision-making authority.

*Assigned*—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education.

*Unassigned*—Resources that are available for any purpose. Unassigned amounts are only reported in the general fund.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Use of Restricted Resources**

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal constraints that prohibit doing this. Additionally, the District considers amounts to be spent first out of committed amounts, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

**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 1.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by Board of Education resolution. Appropriations lapse at year-end unless specifically carried over.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2019, cash and investments consist of the following:

	<u>Value</u>	<u>Value</u>	<u>Risk</u>
Cash on hand	\$ 1,219	\$ 1,219	
Deposits with financial institutions	9,407,893	9,018,990	Custodial credit
Investments with WISC	<u>7,806,316</u>	<u>7,806,316</u>	Credit and interest rate
	<u>\$ 17,215,428</u>	<u>\$ 16,826,525</u>	

The District's cash and investments are reported in the financial statements as follows:

Statement of Net Position		
Governmental Activities	\$	16,528,519
Statement of Fiduciary Net Position		
Agency Fund		<u>298,006</u>
	\$	<u>16,826,525</u>

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2019

**NOTE 2—CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk*

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts and investments with WISC are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2019, \$9,142,066 of the District's deposits with financial institutions were uninsured and uncollateralized. The District's investment policy states that investments will be limited to \$100,000 in any one financial institution unless the institution shows proof of collateral to protect the District's investments.

*Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation. The District has not adopted an investment policy, but does follow procedures set forth by state statute.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. As of June 30, 2019, exchange traded funds have a maturity of 12 months or less.

**NOTE 3—INTERFUND ADVANCES AND TRANSFERS**

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from/to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts the general fund as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The following balances as of June 30, 2019 represent transfers in/out between funds:

Transferred To	Transferred From	Amount
Special Education Fund	General Fund	\$ 5,280,174

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

**NOTE 4—CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,754,957	\$ -	\$ -	\$ 1,754,957
Construction in progress	<u>1,026,750</u>	<u>21,542,717</u>	<u>-</u>	<u>22,569,467</u>
Total capital assets not being depreciated	2,781,707	21,542,717	-	24,324,424
Capital assets being depreciated				
Building	32,667,420	174,289	340,550	32,501,159
Furniture and equipment	5,166,502	-	-	5,166,502
Vehicles	<u>2,707,924</u>	<u>125,318</u>	<u>-</u>	<u>2,833,242</u>
Total capital assets being depreciated	40,541,846	299,607	340,550	40,500,903
Less accumulated depreciation	<u>23,932,417</u>	<u>1,312,027</u>	<u>324,056</u>	<u>24,920,388</u>
Total capital assets being depreciated - net	<u>16,609,429</u>	<u>(1,012,420)</u>	<u>16,494</u>	<u>15,580,515</u>
Governmental activities capital assets - net	<u>\$ 19,391,136</u>	<u>\$ 20,530,297</u>	<u>\$ 16,494</u>	<u>\$ 39,904,939</u>

Depreciation expense for governmental activities for the year ended June 30, 2019 was charged to functions as follows:

Regular instruction	\$ 4,374
Vocational instruction	7,255
Other instruction	77,253
Instructional staff services	773
General administration services	4,098
Business administrative services	1,065,431
Central services	136,010
Other support services	8,641
Unallocated	<u>8,192</u>
Total depreciation of governmental activities	<u>\$ 1,312,027</u>

**NOTE 5—UNEARNED REVENUE**

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, \$82,291 of student meal deposits were reported as unearned revenue in the governmental funds.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

**NOTE 6—LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended June 30, 2019 was as follows:

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
General Obligation Debt:					
General obligation debt	\$ 30,165,000	\$ -	\$ 1,380,000	\$ 28,785,000	\$ 1,085,000
Unamortized bond premium (discount)	<u>1,109,425</u>	<u>-</u>	<u>56,163</u>	<u>1,053,262</u>	<u>-</u>
Total general obligation debt	31,274,425	-	1,436,163	29,838,262	1,085,000
Other Liabilities:					
Capital leases	79,558	-	39,493	40,065	40,065
Accrued compensated absences	53,712	3,238	-	56,950	-
Net pension liability	-	4,161,009	-	4,161,009	-
Net other postemployment liability benefits - life insurance	785,582	-	60,636	724,946	-
Net other postemployment liability benefits - health insurance	1,045,653	-	561,919	483,734	-
Net supplemental pension liability	<u>274,067</u>	<u>-</u>	<u>98,296</u>	<u>175,771</u>	<u>-</u>
Total other liabilities	<u>2,238,572</u>	<u>4,164,247</u>	<u>760,344</u>	<u>5,642,475</u>	<u>40,065</u>
Total long-term liabilities	<u>\$ 33,512,997</u>	<u>\$ 4,164,247</u>	<u>\$ 2,196,507</u>	<u>\$ 35,480,737</u>	<u>\$ 1,125,065</u>

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2019 was \$906,826 and \$929,413, respectively.

All general obligation debt is secured by the full faith and credit and taxing powers of the District. Long-term debt will be retired by future property tax levies and resources accumulated in the debt service fund.

The 2018 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,449,907,588. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction. The legal debt limit, as of June 30, 2019 was as follows:

Debt limit (10% of equalized value)	\$ 144,990,759
Less: long-term debt applicable to debt margin:	<u>28,785,000</u>
Margin of indebtedness:	<u>\$ 116,205,759</u>

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 6—LONG-TERM OBLIGATIONS (continued)

General obligation debt at June 30, 2019 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2019
G.O. school building and improvement bonds	12/20/2017	2.0%-3.0%	4/1/2037	9,655,000	7,455,000
G.O. school building and improvement bonds	5/30/2018	3.0%-5.0%	4/1/2038	22,345,000	<u>21,330,000</u>
Total G.O. debt					<u>\$ 28,785,000</u>

Debt service requirements to maturity on general obligation debt are as follows:

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Total
2020	\$ 1,085,000	\$ 996,019	\$ 2,081,019
2021	1,115,000	963,469	2,078,469
2022	1,155,000	930,019	2,085,019
2023	1,200,000	887,269	2,087,269
2024-2028	6,690,000	3,770,644	10,460,644
2029-2033	8,050,000	2,399,944	10,449,944
2034-2038	9,490,000	987,286	10,477,286
	<u>\$ 28,785,000</u>	<u>\$ 10,934,650</u>	<u>\$ 39,719,650</u>

**Capital Leases**

The District has acquired capital assets under a capital lease. The gross amount of assets held under the lease is \$120,205, which are included in capital assets. The future minimum principal and interest payments on the capital lease are:

Year Ended June 30	Principal	Interest	Total
2020	<u>\$ 40,065</u>	<u>\$ 581</u>	<u>\$ 40,646</u>

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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**NOTE 7—EMPLOYEE’S 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, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

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

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

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 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 years' earnings. 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 REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2019

NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

The core and variable annuity adjustments granted during recent years are as follows:

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
2018	2.4	17.0

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, 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 \$1,216,721 contributions from the employer which equaled required contributions. Contribution rates as of December 31, 2018, the measurement date, are as follows:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

At June 30, 2019, the District reported a liability of \$4,161,009 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District’s proportion was 0.11695830% which was an increase of 0.00099507% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$2,782,713.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,240,795	\$ 5,728,561
Changes in assumptions	701,393	-
Net differences between projected and actual earnings on pension plan investments	6,076,869	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	33,837
Employer contributions subsequent to the measurement date	<u>635,765</u>	<u>-</u>
Total	<u>\$ 10,654,822</u>	<u>\$ 5,762,398</u>

\$635,765 reported as deferred outflows related to pension resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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:

2020	\$ 1,533,104
2021	382,594
2022	676,040
2023	<u>1,664,921</u>
	<u>\$ 4,256,659</u>

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

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

*\*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

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

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	49.0%	8.1%	5.5%
Fixed income	24.5	4.0	1.5
Inflation sensitive assets	15.5	3.8	1.3
Real estate	9.0	6.5	3.9
Private equity/debt	8.0	9.4	6.7
Multi-asset	4.0	6.7	4.1
Total core fund	110.0%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. equities	70.0%	7.6%	5.0%
International equities	30.0	8.5	5.9
Total variable fund	100%	8.0%	5.4%

**Single discount rate.** A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.90% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal 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 REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2019

NOTE 7—EMPLOYEE’S RETIREMENT SYSTEM (continued)

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.** The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
The District's proportionate share of net pension liability	\$ 16,536,288	\$ 4,161,009	\$ (5,040,969)

**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://eft.wi.gov/publications/cafr.htm>.

NOTE 8—SUPPLEMENTAL PENSION

**Plan description.** Qualifying Administrators and Teachers are provided with a stipend/supplemental pension. The stipend is a single employer defined benefit pension plan administered by the District. There are no assets accumulated in a trust.

*Plan Membership:* At June 30, 2018, the date of the last actuarial valuation, there were 6 active plan members and 5 inactive plan members currently receiving benefits.

*Benefits Provided.* For Teachers who have reached age 50 by December 31<sup>st</sup> of the school year when the benefit is to be received and have been a teacher in the District for at least the most immediate 15 consecutive school years, the District shall contribute \$6,000 for each year of service into a 403(b) Tax Shelter Annuity (TSA) each March with a maximum of eight annual 403(b) TSA contributions. Teachers retiring by the end of the 2018-2019 school year will receive one additional 403(b) TSA contribution of \$24,000 in the month of September. Further, eight administrators are eligible to continue to receive their actively funded 403(b) contributions in retirement should they leave prior to receiving the full years of payments.

*Contributions.* The District does not have invested plan assets accumulated for payment of future benefits. The District's policy is to fund the supplemental pension benefits on a pay-as-you-go basis.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 8—SUPPLEMENTAL PENSION (continued)

**Changes in Net Supplemental Pension Liability**

	Net Supplemental Pension Liability
<b>Balances at 6/30/2018</b>	\$ 274,067
<b>Changes for the year:</b>	
Service Cost	14,903
Interest	10,304
Differences between expected and actual experience	(109,971)
Changes of assumptions or other input	(32)
Benefit payments	(13,500)
<b>Net changes</b>	(98,296)
<b>Balances at 6/30/2019</b>	\$ 175,771

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

At June 30, 2019, the District reported a net pension liability of \$175,771. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.50%) in order to be compliance with GASB 73. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2018.

For the year ended June 30, 2019, the District recognized supplemental pension expense of \$84,796. At June 30, 2019, the District reported no deferred inflows or outflows of resources related to the supplemental pension.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2019

NOTE 8—SUPPLEMENTAL PENSION (continued)

**Actuarial assumptions.** The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012 – 2014. The projection of cash flows used to determine the single discount rate assumed that the plan would continue to be funded on a pay-as-you-go basis. Based on these assumptions, the 20-year AA municipal bond rate was applied to all periods of projected benefit payments to determine the total pension liability. The assumptions are detailed as follows:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Reporting Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal (level percent of salary)
Discount Rate*	3.50% (based upon all years of projected payments discounted at a municipal bond rate of 3.50%)
Municipal Bond Rate Source	Bond Buyer 20-Bond GO Index
Actuarial Assumptions	Based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

\* Implicit in this rate is an assumed rate of inflation of 2.50%.

**Discount rate.** A discount rate of 3.50% was used to measure the supplemental pension liability. This discount rate was based on the Bond Buyer Go 20-year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement period.

**Sensitivity of the District's net pension liability to changes in the discount rate.** The following presents the District's net pension liability calculated using the discount rate of 3.50%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Net supplemental pension liability	<u>\$ 175,546</u>	<u>\$ 175,771</u>	<u>\$ 175,840</u>

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS

*Local Retiree Life Insurance Fund*

**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.

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

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2019

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

**Contributions**

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

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

Contribution rates as of June 30, 2019 are:

<b>Coverage Type</b>	<b>Employer Contribution</b>
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, 2018 are as listed below:

<b>Life Insurance</b>		
<b>Employee Contribution Rates*</b>		
<b>For the year ended December 31, 2018</b>		
<b>Attained Age</b>	<b>Basic</b>	<b>Supplemental</b>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

\*Disabled members under age 70 receive a waiver of premium benefit.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

During the reporting period, the LRLIF recognized \$5,412 in contributions from the District.

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

At June 30, 2019, the District reported a liability of \$724,946 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.28095000%, which was an increase of 0.01983600% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$73,593.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ 36,776
Net differences between projected and investment earnings on plan investments	17,325	-
Changes in actuarial assumptions	69,171	157,140
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,504	2,736
Employer contributions subsequent to the measurement date	<u>2,706</u>	<u>-</u>
Total	<u>\$ 135,706</u>	<u>\$ 196,652</u>

\$2,706 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Year ended June 30:

2020	\$	(7,200)
2021		(7,200)
2022		(7,200)
2023		(9,633)
2024		(12,140)
Thereafter		(20,279)
	\$	(63,652)

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

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability:	December 31, 2018
Actuarial Cost Method:	Entry age normal
20 Year Tax-Exempt Municipal Bond Yield:	4.10%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	4.22%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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

**Long-term expected return on plan assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

**Local OPEB Life Insurance**  
**Asset Allocation Targets and Expected Returns**  
**As of December 31, 2018**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government Bonds	Barclays Government	1.00%	1.44%
US Credit Bonds	Barclays Credit	40.00%	2.69%
US Long Credit Bonds	Barclays Long Credit	4.00%	3.01%
US Mortgages	Barclays MBS	54.00%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1.00%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

**Single discount rate.** A single discount rate of 4.22% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2019

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
The District's proportionate share of net OPEB liability	\$ 1,031,283	\$ 724,946	\$ 488,676

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

*Health Insurance*

**Plan Description**

*Plan administration.* The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree plan that provides postemployment health insurance benefits to eligible employees and their spouses. Benefits and eligibility are established and amended by the Board of Education.

*Plan Membership.* At June 30, 2018, the date of the latest actuarial valuation, there were 300 active plan members and 33 inactive eligible plan members currently receiving benefits. Employees retiring after December 31, 2016 are not be eligible for District-provided post-employment benefits.

*Contributions.* There is no requirement for any employee or employer contributions for funding of the plan. The employer makes all premium payments, and for the year ended June 30, 2019, the measurement date, the District made no contributions to the trust.

**Net OPEB Liability**

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

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

*Actuarial Assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation		2.50%
Healthcare cost trend rates	2.90% in the first year, then 7.00% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter.	

The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that the plan would continue to be funded on a pay-as-you-go basis. Based on these assumptions, the 20-year AA municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

*The long-term expected rate of return on OPEB plan investments.* Since the District currently holds assets in fixed income funds or as cash equivalents, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefit payments to determine the total OPEB liability.

*Discount rate.* The discount rate of 3.50% was used in calculating the District's OPEB liabilities (based upon all projected payments discounted at a municipal bond rate of return of 3.50%). This rate is equivalent to the Bond Buyer GO 20-year AA Bond Index published by the Federal Reserve as of the week of the measurement date. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

**Changes in the Net OPEB Liability**

	Increases (Decreases) in Net OPEB Liability
<b>Balances at 6/30/2018</b>	\$ 1,068,283
<b>Changes for the year:</b>	
Interest	31,486
Changes of benefit terms	(5,888)
Differences between expected and actual experience	(226,117)
Changes of assumptions or other input	73,271
Benefit payments	(457,301)
<b>Net changes</b>	(584,549)
<b>Balances at 6/30/2019</b>	\$ 483,734

*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 (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Net OPEB Liability	\$ 494,309	\$ 483,734	\$ 473,432

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

*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 (1.9% in the first year, then 6.0% decreasing to 4.0%) or 1-percentage-point higher (3.9% in the first year, then 8.0% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (1.9% in the first year, then 6.0% decreasing decreasing to 4.0%)	Healthcare Cost Trend Rates (2.9% in the first year, then 7.0% decreasing to 5.0%)	1% Increase (3.9% in the first year, then (8.0% decreasing to 6.0%)
Total OPEB Liability	\$ 471,501	\$ 483,734	\$ 497,623
Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 471,501</u>	<u>\$ 483,734</u>	<u>\$ 497,623</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$9,659. At June 30, 2019, the District reported deferred outflows of resources or deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 203,505
Changes in assumptions or other inputs	65,944	-
Net differences between projected and actual earnings on OPEB plan investments	-	1,960
Total	<u>\$ 65,944</u>	<u>\$ 205,465</u>

There were no reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date.

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

NOTE 9—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Year ended June 30:

2020	(15,939)
2021	(15,939)
2022	(15,937)
2023	(15,285)
2024	(15,285)
Thereafter	<u>(61,136)</u>
	<u>\$ (139,521)</u>

NOTE 10—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2019 consist of the following:

Net investment in capital assets	\$ 17,832,928
Restricted	
Community service	180,817
Debt service	633,815
Capital projects	<u>4,767,395</u>
Total restricted	5,582,027
Unrestricted	<u>(468,718)</u>
Total governmental activities net position	<u>\$ 22,946,237</u>

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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**NOTE 11—GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the financial statements at June 30, 2019 include the following:

Nonspendable		
General fund		
Inventories	\$	38,310
Restricted		
General fund		65,094
Capital projects		4,767,395
Debt service		879,295
Food service		13,201
Community service		<u>180,817</u>
Total restricted		5,905,802
Committed for facility improvements		1,000,000
Unassigned		<u>7,131,446</u>
Total governmental fund balance	\$	<u><u>14,075,558</u></u>

**NOTE 12—RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; worker 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 insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

**NOTE 13—LIMITATION OF SCHOOL DISTRICT REVENUES**

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

**SCHOOL DISTRICT OF REEDSBURG**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019

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**NOTE 14—COMMITMENTS AND CONTINGENCIES**

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's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF REEDSBURG**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND**  
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 10,219,075	\$ 10,219,075	\$ 10,216,502	\$ (2,573)
Local	314,847	314,847	303,179	(11,668)
Interdistrict payments	1,132,623	1,132,623	1,159,193	26,570
Intermediate sources	3,200	3,200	4,800	1,600
State	19,261,363	19,261,363	19,528,869	267,506
Federal	914,596	914,596	801,054	(113,542)
Other sources	140,451	140,451	261,768	121,317
<b>Total revenues</b>	<b>31,986,155</b>	<b>31,986,155</b>	<b>32,275,365</b>	<b>289,210</b>
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	12,606,891	12,606,891	12,284,731	322,160
Vocational instruction	1,209,182	1,209,182	1,483,686	(274,504)
Physical instruction	1,053,951	1,053,951	1,087,719	(33,768)
Other instruction	719,555	719,555	719,306	249
<b>Total instruction</b>	<b>15,589,579</b>	<b>15,589,579</b>	<b>15,575,442</b>	<b>14,137</b>
Support services				
Pupil services	200,165	200,165	191,145	9,020
Instructional staff services	1,404,606	1,404,606	1,481,046	(76,440)
General administrative services	444,833	444,833	420,391	24,442
Building administrative services	1,838,677	1,838,677	1,840,036	(1,359)
Business administrative services	5,400,646	5,400,646	4,786,555	614,091
Central services	428,580	428,580	412,134	16,446
Insurance and judgments	300,326	300,326	448,370	(148,044)
Other support services	1,740,203	1,740,203	1,728,663	11,540
<b>Total support services</b>	<b>11,758,036</b>	<b>11,758,036</b>	<b>11,308,340</b>	<b>449,696</b>
Debt service				
Principal	40,647	40,647	39,493	1,154
Interest and fees	-	-	1,154	(1,154)
<b>Total expenditures</b>	<b>27,388,262</b>	<b>27,388,262</b>	<b>26,924,429</b>	<b>463,833</b>
Excess of revenues over expenditures	4,597,893	4,597,893	5,350,936	753,043
Other financing sources (uses)				
Long term debt issued	-	-	(79,558)	(79,558)
Capital lease proceeds	-	-	79,558	79,558
Proceeds from sale of capital assets	-	-	17,910	17,910
Transfers in (out)	(4,774,086)	(4,774,086)	(5,280,174)	(506,088)
<b>Total other financing sources (uses)</b>	<b>(4,774,086)</b>	<b>(4,774,086)</b>	<b>(5,262,264)</b>	<b>(488,178)</b>
<b>Net change in fund balances</b>	<b>(176,193)</b>	<b>(176,193)</b>	<b>88,672</b>	<b>264,865</b>
Fund balances at beginning of year	8,146,178	8,146,178	8,146,178	-
<b>Fund balances at end of year</b>	<b>\$ 7,969,985</b>	<b>\$ 7,969,985</b>	<b>\$ 8,234,850</b>	<b>\$ 264,865</b>

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF REEDSBURG**  
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS  
AND U.S. GAAP REVENUES AND EXPENDITURES  
Year Ended June 30, 2019

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**SOURCES/ INFLOWS OF RESOURCES:**

Actual general fund operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 32,275,365
Reclassification: Special Education Fund revenues are included in the General Fund, required for U.S. GAAP reporting	<u>2,136,548</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u>\$ 34,411,913</u>

**USES/ OUTFLOWS OF RESOURCES:**

Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 26,924,429
Reclassification: Special Education Fund expenditures are included in the General Fund, required for U.S. GAAP reporting	<u>7,416,722</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u>\$ 34,341,151</u>

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

Plan Fiscal Year Ending	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
12/31/2014	0.112570%	\$ (2,765,021)	\$ 15,737,228	17.57%	102.74%
12/31/2015	0.113588%	\$ 1,845,788	\$ 16,317,624	11.31%	98.20%
12/31/2016	0.114606%	\$ 944,629	\$ 16,804,931	5.62%	99.12%
12/31/2017	0.115932%	\$ (3,443,085)	\$ 17,289,414	19.91%	102.93%
12/31/2018	0.116958%	\$ 4,161,009	\$ 18,160,215	22.91%	96.45%

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

**SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS\***

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage a of Covered Payroll
6/30/2015	\$ 1,101,606	\$ 1,101,606	\$ -	\$ 14,999,372	7.34%
6/30/2016	\$ 1,112,750	\$ 1,112,750	\$ -	\$ 15,805,251	7.04%
6/30/2017	\$ 1,109,112	\$ 1,109,112	\$ -	\$ 16,405,964	6.76%
6/30/2018	\$ 1,175,849	\$ 1,175,849	\$ -	\$ 18,043,016	6.52%
6/30/2019	\$ 1,216,721	\$ 1,216,721	\$ -	\$ 18,197,638	6.69%

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

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF NET SUPPLEMENTAL PENSION LIABILITY**  
Last 10 Fiscal Years\*

Fiscal Year End	Net Supplemental Pension Liability	Covered Payroll	Net Supplemental Pension Liability as a Percentage of Covered Payroll
6/30/2017	\$ 291,089	\$ 1,287,051	22.62%
6/30/2018	\$ 274,067	\$ 1,287,051	21.29%
6/30/2019	\$ 175,771	\$ 668,840	26.28%

\*The amounts presented were determined as of a measurement date 12 months prior to year-end.

**SCHEDULE OF CHANGES IN NET SUPPLEMENTAL PENSION LIABILITY**  
Last 10 Fiscal Years\*

	2019	2018	2017
<b>Beginning balance</b>	\$ 274,067	\$ 291,089	\$ 289,729
<b>Changes for the year:</b>			
Service Cost	14,903	15,371	15,371
Interest	10,304	9,722	9,989
Differences between expected and actual experience	(109,971)	-	-
Changes of assumptions or other input	(32)	(115)	-
Benefit payments	(13,500)	(42,000)	(24,000)
<b>Net changes</b>	(98,296)	(17,022)	1,360
<b>Ending balance</b>	\$ 175,771	\$ 274,067	\$ 291,089

\*The amounts presented were determined as of a measurement date 12 months prior to year-end.

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY**  
**LOCAL RETIREE LIFE INSURANCE FUND**  
**LAST 10 FISCAL YEARS\***

Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/2017	0.261114%	\$ 785,582	\$ 10,980,591	7.15%	44.81%
12/31/2018	0.280950%	\$ 724,946	\$ 13,109,000	5.53%	48.69%

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

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**HEALTH INSURANCE**  
**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability:</b>			
Interest	31,486	45,103	62,442
Changes of benefit terms	(5,888)	-	-
Differences between expected and actual experience	(226,117)	-	-
Changes in assumptions or other input	73,271	(2,245)	-
Benefit payments	<u>(457,301)</u>	<u>(526,455)</u>	<u>(589,218)</u>
Net Change in OPEB Liability	(584,549)	(483,597)	(526,776)
Total OPEB liability - beginning	<u>1,068,283</u>	<u>1,551,880</u>	<u>2,078,656</u>
Total OPEB liability - ending	<u>\$ 483,734</u>	<u>\$ 1,068,283</u>	<u>\$ 1,551,880</u>
<b>Total Fiduciary Net Position:</b>			
Contributions - Employer	N/A	\$ -	\$ -
Net investment income	N/A	42,616	44,930
Benefit payments	N/A	(62,133)	(589,218)
Administrative expense	N/A	-	-
Net change in fiduciary net position	N/A	(19,517)	(544,288)
Fiduciary net position - beginning	<u>N/A</u>	<u>19,517</u>	<u>563,805</u>
Fiduciary net position - ending	<u>N/A</u>	<u>\$ -</u>	<u>\$ 19,517</u>
Net OPEB liability - ending	<u>\$ 483,734</u>	<u>\$ 1,068,283</u>	<u>\$ 1,532,363</u>
Fiduciary net position as a percentage of the total OPEB liability	N/A	0.00%	1.26%
Covered payroll	\$ 14,459,187	\$ -	\$ -
Net OPEB liability as a percentage of covered payroll	3.35%	N/A	N/A

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**  
**HEALTH INSURANCE**  
**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution (ADC)	N/A	\$ 412,420	\$ 540,702
Contributions in relation to ADC	N/A	\$ -	\$ -
Contribution deficiency (excess)	N/A	\$ 412,420	\$ 540,702
The District's covered-employee payroll	\$ 14,459,187	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See accompanying notes to required supplementary information.

**SCHOOL DISTRICT OF REEDSBURG**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018

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NOTE 1—BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 of the financial statements. Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

**Excess Expenditures Over Appropriations**

The following general fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2019:

Fund	Excess Expenditures
Special education	125,473
Capital projects	342,640

NOTE 2—EMPLOYER'S RETIREMENT CONTRIBUTIONS

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

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

NOTE 3—SCHEDULE OF CHANGES IN TOTAL SUPPLEMENTAL PENSION LIABILITY

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

*Changes of assumptions.* The discount rate was changed.

NOTE 4—OPEB SCHEDULE OF CONTRIBUTIONS—LIFE INSURANCE

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

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

**SCHOOL DISTRICT OF REEDSBURG**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018

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NOTE 5—SCHEDULE OF CONTRIBUTIONS—HEALTH INSURANCE

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

*Changes of assumptions.* Changes in assumptions or other inputs resulted in an increase in the total OPEB liability. These changes include an updated assumed discount rate, updated age-graded factors used to determine the implicit rate subsidy, and an additional retiree self-pay assumption.

NOTE 6—NET OPEB LIABILITY AND RELATED RATIOS ASSUMPTIONS—HEALTH INSURANCE

Methods and assumptions used to determine OPEB contribution rates are as follows:

Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry age normal (level of percent)
Asset Valuation Method:	Fair Market Value
Discount Rate:	3.50%
Inflation:	2.50%
Wisconsin 2012 Mortality Table	

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL DISTRICT OF REEDSBURG**  
**COMBINING BALANCE SHEET—GENERAL FUND**  
June 30, 2019

	General Operating Fund	Special Education Fund	Total General Fund
<b>ASSETS</b>			
Cash and investments	\$ 6,719,654	\$ 797,665	\$ 7,517,319
Accounts receivable	3,926,719	-	3,926,719
Due from other governments	708,230	181,716	889,946
Inventory	38,310	-	38,310
<b>Total assets</b>	<b>\$ 11,392,913</b>	<b>\$ 979,381</b>	<b>\$ 12,372,294</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 89,772	\$ 17,002	\$ 106,774
Due to other governments	12,240	-	12,240
Accrued salaries and wages	1,983,965	642,153	2,626,118
Payroll taxes and withholdings	987,643	320,226	1,307,869
Medical claims payable	31,105	-	31,105
Self-funded premium deposits	53,338	-	53,338
<b>Total liabilities</b>	<b>3,158,063</b>	<b>979,381</b>	<b>4,137,444</b>
<b>FUND BALANCES</b>			
Nonspendable	38,310	-	38,310
Restricted	65,094	-	65,094
Committed	1,000,000	-	1,000,000
Unassigned	7,131,446	-	7,131,446
<b>Total fund balances</b>	<b>8,234,850</b>	<b>-</b>	<b>8,234,850</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,392,913</b>	<b>\$ 979,381</b>	<b>\$ 12,372,294</b>

**SCHOOL DISTRICT OF REEDSBURG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GENERAL FUND**  
Year Ended June 30, 2019

	General Operating Fund	Special Education Fund	Total General Fund
<b>REVENUES</b>			
Taxes	\$ 10,216,502	\$ -	\$ 10,216,502
Local	303,179	-	303,179
Interdistrict payments	1,159,193	-	1,159,193
Intermediate sources	4,800	86,893	91,693
State	19,528,869	1,341,093	20,869,962
Federal	801,054	708,562	1,509,616
Other sources	261,768	-	261,768
Total revenues	32,275,365	2,136,548	34,411,913
<b>EXPENDITURES</b>			
Instruction			
Regular instruction	12,284,731	33,896	12,318,627
Vocational instruction	1,483,686	-	1,483,686
Physical instruction	1,087,719	-	1,087,719
Special education instruction	-	5,002,217	5,002,217
Other instruction	719,306	-	719,306
Total instruction	15,575,442	5,036,113	20,611,555
Support services			
Pupil services	191,145	1,412,332	1,603,477
Instructional staff services	1,481,046	258,399	1,739,445
General administrative services	420,391	-	420,391
Building administrative services	1,840,036	-	1,840,036
Business administrative services	4,756,696	104,843	4,861,539
Central services	412,134	5,000	417,134
Insurance and judgments	448,370	-	448,370
Other support services	1,728,663	504,576	2,233,239
Total support services	11,278,481	2,285,150	13,563,631
Capital outlay	29,859	95,459	125,318
Debt service			
Principal	39,493	-	39,493
Interest and fees	1,154	-	1,154
Total expenditures	26,924,429	7,416,722	34,341,151
Excess (deficiency) of revenues over (under) expenditures	5,350,936	(5,280,174)	70,762
Other financing sources (uses)			
Proceeds from sale of capital assets	17,910	-	17,910
Transfers in (out)	(5,280,174)	5,280,174	-
Total other financing sources (uses)	(5,262,264)	5,280,174	17,910
<b>Net change in fund balances</b>	88,672	-	88,672
Fund balances at beginning of year	8,146,178	-	8,146,178
<b>Fund balances at end of year</b>	<b>\$ 8,234,850</b>	<b>\$ -</b>	<b>\$ 8,234,850</b>

**SCHOOL DISTRICT OF REEDSBURG**  
**COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2019

	Debt Service Fund	Special Revenue Funds		Total Nonmajor Governmental Funds
		Nutrition Services	Community Service	
<b>ASSETS</b>				
Cash and investments	\$ 879,295	\$ 138,399	\$ 187,190	\$ 1,204,884
Due from other governments	-	25,971	-	25,971
<b>Total assets</b>	<b>\$ 879,295</b>	<b>\$ 164,370</b>	<b>\$ 187,190</b>	<b>\$ 1,230,855</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 30,302	\$ 687	\$ 30,989
Accrued salaries and wages	-	38,576	5,686	44,262
Unearned revenues	-	82,291	-	82,291
Total liabilities	-	151,169	6,373	157,542
<b>FUND BALANCES</b>				
Restricted	879,295	13,201	180,817	1,073,313
<b>Total liabilities and fund balances</b>	<b>\$ 879,295</b>	<b>\$ 164,370</b>	<b>\$ 187,190</b>	<b>\$ 1,230,855</b>

**SCHOOL DISTRICT OF REEDSBURG**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2019

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Debt Service Fund	Nutrition Services	Community Service	
<b>REVENUES</b>				
Taxes	\$ 2,338,842	\$ -	\$ 137,000	\$ 2,475,842
Local	10,959	413,449	16,633	441,041
State	-	24,293	-	24,293
Federal	-	805,566	-	805,566
Other sources	-	465	240	705
Total revenues	2,349,801	1,243,773	153,873	3,747,447
<b>EXPENDITURES</b>				
Support services				
Business administrative services	-	1,235,387	-	1,235,387
Central services	-	160	-	160
Other support services	-	-	130,097	130,097
Total support services	-	1,235,547	130,097	1,365,644
Debt service				
Principal	1,380,000	-	-	1,380,000
Interest and fees	906,825	-	-	906,825
Total expenditures	2,286,825	1,235,547	130,097	3,652,469
<b>Net change in fund balances</b>	62,976	8,226	23,776	94,978
Fund balances at beginning of year	816,319	4,975	157,041	978,335
<b>Fund balances at end of year</b>	<u>\$ 879,295</u>	<u>\$ 13,201</u>	<u>\$ 180,817</u>	<u>\$ 1,073,313</u>

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES—AGENCY FUNDS**  
 Year Ended June 30, 2019

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2019</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 348,835</u>	<u>\$ 551,255</u>	<u>\$ 602,084</u>	<u>\$ 298,006</u>
<b>LIABILITIES</b>				
Due to student organizations	<u>\$ 348,835</u>	<u>\$ 551,255</u>	<u>\$ 602,084</u>	<u>\$ 298,006</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
AND OTHER AUDITORS' REPORTS**

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant ID	Passed Through to Subrecipients	Accrued Revenue at 6/30/2018	Receipts	Expenditures	Accrued Revenue at 6/30/2019
<b>U.S. Department of Agriculture</b>							
Pass-through Wisconsin Department of Public Instruction							
Child Nutrition Cluster							
School Breakfast Program	10.553	2019-564753-Severe-546	\$ -	\$ 5,458	\$ 223,812	\$ 227,270	\$ 8,916
National School Lunch Program - Donated Commodities	10.555	2019-564753-NSL-547	-	-	70,356	70,356	-
National School Lunch Program	10.555	2019-564753-NSL-547	-	9,778	481,613	487,062	15,227
National School Lunch Program	10.555	2019-564753-NSLAE-566	-	-	6,239	6,239	-
Summer Food Service Program for Children	10.559	2019-564753-SFSP-586	-	4,257	17,068	14,639	1,828
<b>Total U.S. Department of Agriculture</b>			-	19,493	799,088	805,566	25,971
<b>U.S. Department of Education</b>							
Pass-through Wisconsin Department of Public Instruction							
Special Education Cluster							
Special Education Grants to States - IDEA Flow Through	84.027	2019-564753-IDEA-FT-341	-	267,404	474,984	356,613	149,033
Special Education Grants to States - High Cost Special Education Aid	84.027	2019-564753-IDEA-FT-341	-	-	12,309	12,309	-
Special Education Grants to States	84.027	2019-564753-IDEA-FT-341	-	-	-	94,030	94,030
Special Education Preschool Grants	84.173	2019-564753-IDEA-PS-347	-	15,631	35,533	20,418	516
<b>Total Special Education Cluster</b>			-	283,035	522,826	483,370	243,579
Title I Grants to Local Educational Agencies	84.010	2019-564753-TIA-141	-	131,384	460,687	505,151	175,848
Career and Technical Education - Basic Grants to States	84.048	2019-564753-CTE-400	-	-	19,753	24,205	4,452
Twenty-First Century Community Learning Centers	84.287	2019-564753-21st Century CLC-367	-	-	50,000	50,000	-
Student Support and Academic Enrichment Program	84.424	2019-564753-TIVA-381	-	5,333	23,785	24,959	6,507
English Language Acquisition State Grants	84.365	2019-564753-TIIIA-391	-	149	14,613	17,000	2,536
Supporting Effective Instruction State Grants	84.367	2019-564753-TIIA-365	-	8,801	81,395	85,709	13,115
Disaster Recovery Assistance for Education	84.938	2019-564753-Emergency Impact Aid-374	-	44,550	44,550	-	-
Disaster Recovery Assistance for Education	84.938	2019-564753-Emergency Impact Aid-375	-	9,900	9,900	-	-
<b>Total U.S Department of Education</b>			-	483,152	1,227,509	1,190,394	446,037
<b>U.S. Department of Health and Human Services</b>							
Pass-through Wisconsin Medicaid and Badgercare Programs							
Medical Assistance Program	93.778	44212300	-	76,830	363,782	319,119	32,167
<b>Total Federal Programs</b>			<b>\$ -</b>	<b>\$ 579,475</b>	<b>\$ 2,390,379</b>	<b>\$ 2,315,079</b>	<b>\$ 504,175</b>

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

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2019

State Grantor/ Program Title	State Identifying Number	Grant ID	Passed Through to Subrecipients	Accrued or (Deferred) Revenue at 6/30/2018	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/2019
<b>Wisconsin Department of Public Instruction</b>							
Special Education and School Age Parents	255.101	564753-100	\$ -	\$ -	\$ 1,283,049	\$ 1,283,049	\$ -
State School Lunch Aid	255.102	564753-107	-	-	11,684	11,684	-
Common School Fund Library Aid	255.103	564753-104	-	-	107,529	107,529	-
Bilingual / Bicultural Aid (LEA)	255.106	564753-111	-	-	7,085	7,085	-
General Trans Aid for Public School Pupils & NP Sch Pupils	255.107	564753-102	-	-	138,096	138,096	-
Equalization Aids	255.201	564753-116	-	262,180	16,258,709	16,270,298	273,769
High Cost Special Education Aid	255.210	564753-119	-	-	46,044	46,044	-
Aid for School Mental Health Programs	255.227	564753-176	-	-	3,090	3,090	-
Personal Electronic Computing Device	255.296	564753-175	-	-	25,282	25,282	-
Peer Review and Mentoring	255.301	564753-141	12,240	-	-	21,875	21,875
State School Breakfast Aid	255.344	564753-108	-	-	12,609	12,609	-
Student Achievement Guarantee in Education (SAGE)	255.504	564753-160	-	-	825,640	825,640	-
Educator Effective Evaluation System Grants Public	255.940	564753-154	-	-	16,720	16,720	-
Per Pupil Aid	255.945	564753-113	-	-	1,784,766	1,784,766	-
Career and Technical Education Incentive Grants	255.950	564753-152	-	-	11,000	11,000	-
Assessments of Reading Readiness	255.956	564753-166	-	-	4,542	4,542	-
Special Education Transition Readiness Grants	255.960	564753-168	-	-	12,000	12,000	-
<b>Total Wisconsin Department of Public Instruction</b>			12,240	262,180	20,547,845	20,581,309	295,644
<b>Wisconsin Department of Revenue</b>							
Exempt Computer Aid	835.109	N/A	-	16,910	16,910	17,319	17,319
Personal Property Tax	835.103	N/A	-	-	93,664	93,664	-
<b>Total Wisconsin Department of Revenue</b>			-	16,910	110,574	110,983	17,319
<b>Wisconsin Department of Justice</b>							
School Safety Initiative	455.201	13178	-	-	-	95,041	95,041
<b>Total State Programs</b>			<u>\$ 12,240</u>	<u>\$ 279,090</u>	<u>\$ 20,658,419</u>	<u>\$ 20,787,333</u>	<u>\$ 408,004</u>

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

**SCHOOL DISTRICT OF REEDSBURG**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2019

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NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of the District under programs of the federal government and state agencies for the year ended June 30, 2019. The information in this Schedule is 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 *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, there were no commodities in inventory at the District.

NOTE 5—OVERSIGHT AGENCIES

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

NOTE 6—ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$5,808,277 for the year ended June 30, 2019.

**SCHOOL DISTRICT OF REEDSBURG**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2019

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2018-001 Student Activity Fund

Condition and Context: The District did not issue receipts for student activity funds when the funds were received.

Current Status: The District implemented procedures to issue receipts for all student activity funds during the 2018/2019 school year. Although many transactions had a supporting receipt, the procedures were not applied consistently throughout the year and some receipts were still missing. The District will be enforcing these procedures to ensure that all student activity fund receipts are provided going forward.

2018-002 General Transportation Aid for Public and Nonpublic School Pupils

Condition and Context: A student was reported in the incorrect mileage category.

Current Status: this finding has been resolved.

2018-003 General Transportation Aid for Public and Nonpublic School Pupils

Condition and Context: Two students who should be considered in a hazardous zone did not receive bus services while one student who received bus services should not have based on the District's UHT.

Current Status: this finding has been resolved.

2018-004 CFDA's 10.553, 10.555, 10.559: Child Nutrition Cluster

Condition and Context: Two students of the six students selected for verification were coded to the incorrect rate classification after the District verified with families.

Current Status: this finding has been resolved.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Reedsburg, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District of Reedsburg's basic financial statements, and have issued our report thereon dated November 15, 2019.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District of Reedsburg'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 is 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.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 15, 2019

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

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

**Report on Compliance for Each Major Federal Program and Each Major State Program**

We have audited the School District of Reedsburg's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of the School District of Reedsburg's major federal programs and each of its major state programs for the year ended June 30, 2019. The School District of Reedsburg's major federal programs and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District of Reedsburg's major federal programs and each of its 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 *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 major state program occurred. An audit includes examining, on a test basis, evidence about the School District of Reedsburg'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 program and each major state program. However, our audit does not provide a legal determination of the School District of Reedsburg's compliance.

***Opinion on Each Major Federal Program and Each Major State Program***

In our opinion, the School District of Reedsburg 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 programs and each of its major state programs for the year ended June 30, 2019.

## Report on Internal Control over Compliance

Management of the School District of Reedsburg 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 Reedsburg's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and each 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 program and each 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 Reedsburg's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

### School District of Reedsburg's Response to Findings

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

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 *Guidelines*. Accordingly, this report is not suitable for any other purpose.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 15, 2019

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2019

**Section I—Summary of Auditor's Results**

*Financial Statements*

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

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	Child Nutrition Cluster
10.555, 10.559	
93.778	Medical Assistance Program

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

Auditee qualified as low-risk auditee? Yes

*State Awards*

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

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

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year Ended June 30, 2019

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Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*? Yes

Identification of major state programs:

State Identifying Number	Name of State Program
255.201	Equalization Aid
255.945	Per Pupil Aid

**Section II—Financial Statement Findings**

None noted.

**Section III—Federal and State Award Findings and Questioned Costs**

*Significant Deficiency*

Finding 2019-001 – Student Activity Fund

Criteria: Management is responsible for the design and implementation for internal controls such that management and other district employees, in the normal course of performing their assigned functions, are able to prevent or detect and correct misstatements on a timely basis.

Condition: Receipts were not consistently provided when student activity funds were collected. Noted 6 of 25 transactions tested that did not have receipts.

Effect: The above behavior exposes the District to fraud, loss of public trust, and employee conflict. Student Activity funds may be expended to benefit the employee as opposed to the students, which is inconsistent with the mission of the District.

Cause: Although the District implemented procedures to issue receipts for all student activity funds, the procedures in place were not applied consistently throughout the year.

Recommendation: We recommend that a receipt is provided when student activity funds are received and that a copy of the receipt is retained by the District as supporting documentation for the deposit.

Views of Responsible Officials and Planned Corrective Actions: The District has purchased carbon copy receipt booklets for each school and will be enforcing procedures to make sure that receipts are provided going forward.

**SCHOOL DISTRICT OF REEDSBURG**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2019

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**Section IV—Other Issues**

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? No

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

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner

  
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Scott R. Haumersen, CPA

Date of report

November 15, 2019