

SCHOOL DISTRICT OF MENOMONEE FALLS

Menomonee Falls, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2018

SCHOOL DISTRICT OF MENOMONEE FALLS
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Menomonee Falls
Menomonee Falls, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Menomonee Falls, Wisconsin, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District of Menomonee Falls' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Education
School District of Menomonee Falls

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 Menomonee Falls, Wisconsin, as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Menomonee Falls' basic financial statements. The supplementary information as listed in the table of contents, which includes the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Guidelines*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the Board of Education
School District of Menomonee Falls

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the School District of Menomonee Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Menomonee Falls' internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 30, 2018

SCHOOL DISTRICT OF MENOMONEE FALLS

STATEMENT OF NET POSITION

As of June 30, 2018

ASSETS

Cash and investments	\$ 22,062,241
Receivables	
Taxes	10,060,401
Accounts	96,621
Due from other governments	1,500,983
Inventories and prepaid items	301,859
Other assets	5,000
Restricted assets	
Net pension asset	5,689,878
Capital Assets	
Land	556,920
Construction in progress	22,911,369
Other capital assets	68,158,463
Less: Accumulated depreciation	<u>(36,632,981)</u>
Total Assets	<u>94,710,754</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow related to pensions - WRS	9,580,347
Deferred outflow related to pensions - Single Employer	328,520
Deferred charges on refunding	<u>1,261,896</u>
Total Deferred Outflows of Resources	<u>11,170,763</u>

LIABILITIES

Accounts payable and accrued expenses	10,183,220
Accrued interest payable	348,189
Other liabilities	30,061
Noncurrent Liabilities	
Due within one year	3,190,000
Due in more than one year	<u>54,550,912</u>
Total Liabilities	<u>68,302,382</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow related to pensions - WRS	11,201,757
Deferred inflow related to pensions - Single Employer	295,041
Unearned revenues	<u>227,153</u>
Total Deferred Inflows of Resources	<u>11,723,951</u>

NET POSITION

Net investment in capital assets	16,442,916
Restricted for debt service	1,464,971
Restricted for pensions	5,689,878
Unrestricted	<u>2,257,419</u>

TOTAL NET POSITION \$ 25,855,184

SCHOOL DISTRICT OF MENOMONEE FALLS

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 20,600,283	\$ 3,072,605	\$ 134,698	\$ (17,392,980)
Vocational	1,371,969	-	-	(1,371,969)
Special education	6,243,979	-	2,556,432	(3,687,547)
Other	1,973,791	-	65,453	(1,908,338)
Total Instruction	30,190,022	3,072,605	2,756,583	(24,360,834)
Support Services				
Pupil services	2,557,661	-	185,591	(2,372,070)
Instructional support services	2,392,675	-	427,995	(1,964,680)
Administration	3,728,296	-	-	(3,728,296)
Buildings and grounds	4,785,650	127,067	-	(4,658,583)
Pupil transportation	1,918,088	165,752	85,245	(1,667,091)
Other support services	3,061,147	66,604	23,605	(2,970,938)
Interest and fees	1,674,830	-	-	(1,674,830)
Community service	2,007,089	1,469,601	-	(537,488)
Food service	1,324,187	899,047	478,145	53,005
Depreciation - unallocated	1,501,270	-	-	(1,501,270)
Total Support Services	24,950,893	2,728,071	1,200,581	(21,022,241)
Total	\$ 55,140,915	\$ 5,800,676	\$ 3,957,164	(45,383,075)
General Revenues				
Taxes				
Property taxes, levied for general purposes				35,279,688
Property taxes, levied for debt service				4,165,712
Property taxes, levied for community service				750,000
Intergovernmental revenues not restricted to specific programs				7,270,967
Investment income				277,288
Miscellaneous				865,266
Total General Revenues				48,608,921
Change in Net Position				3,225,846
NET POSITION - BEGINNING OF YEAR				22,629,338
NET POSITION - END OF YEAR				\$ 25,855,184

SCHOOL DISTRICT OF MENOMONEE FALLS

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2018

	General Fund	Special Revenue Special Education Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and investments	\$ 11,010,681	\$ 3,576	\$ 7,202,900	\$ 1,813,160	\$ 2,031,924	\$ 22,062,241
Receivables						
Taxes	10,060,401	-	-	-	-	10,060,401
Accounts	2,314	23,194	26,997	-	44,116	96,621
Due from other governments	648,378	799,602	-	-	53,003	1,500,983
Inventories	11,054	-	-	-	10,268	21,322
Prepaid items	280,537	-	-	-	-	280,537
Other assets	5,000	-	-	-	-	5,000
TOTAL ASSETS	\$ 22,018,365	\$ 826,372	\$ 7,229,897	\$ 1,813,160	\$ 2,139,311	\$ 34,027,105
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 368,719	\$ 92,755	\$ 582,475	\$ -	\$ 80,406	\$ 1,124,355
Accrued salaries and wages	1,798,355	416,069	-	-	39,729	2,254,153
Payroll taxes and benefits	6,463,291	317,548	-	-	23,873	6,804,712
Other current liabilities	11,466	-	-	-	18,595	30,061
Total Liabilities	8,641,831	826,372	582,475	-	162,603	10,213,281
Deferred Inflows of Resources						
Unearned revenues	20,094	-	-	-	207,059	227,153
Fund Balances						
Nonspendable	291,591	-	-	-	10,268	301,859
Restricted	-	-	6,647,422	1,813,160	-	8,460,582
Committed	-	-	-	-	1,759,381	1,759,381
Assigned	5,825,429	-	-	-	-	5,825,429
Unassigned	7,239,420	-	-	-	-	7,239,420
Total Fund Balances	13,356,440	-	6,647,422	1,813,160	1,769,649	23,586,671
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 22,018,365	\$ 826,372	\$ 7,229,897	\$ 1,813,160	\$ 2,139,311	\$ 34,027,105

SCHOOL DISTRICT OF MENOMONEE FALLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

As of June 30, 2018

Total Fund Balances - Governmental Funds		\$ 23,586,671
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.		
Total capital assets	\$ 91,626,752	
Accumulated depreciation	<u>(36,632,981)</u>	
		54,993,771
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		
		9,908,867
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		
		(11,496,798)
Net pension asset does not relate to current financial resources and is not reported in the governmental funds.		
		5,689,878
Some liabilities, including long-term debt, are not due in the current period and therefore are not reported in the funds.		
General obligation debt and related premiums	(50,086,889)	
Deferred charges on refunding	1,261,896	
Accrued interest on general obligation debt	(348,189)	
Total pension obligation - single employer	(7,023,408)	
Other post-employment benefit liability	<u>(630,614)</u>	
		<u>(56,827,205)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 25,855,184</u>

SCHOOL DISTRICT OF MENOMONEE FALLS

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

	General Fund	Special Revenue Education Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
REVENUES						
Property taxes	\$ 35,279,688	\$ -	\$ -	\$ 4,165,712	\$ 750,000	\$ 40,195,400
Local	1,461,364	-	93,284	25,926	3,058,615	4,639,189
Interdistrict	2,128,743	24,289	-	-	-	2,153,032
Intermediate	12,087	83	-	-	-	12,170
State	7,541,688	1,687,635	-	-	17,703	9,247,026
Federal	224,909	1,235,897	-	-	460,442	1,921,248
Other	163,172	-	-	11,908	218	175,298
Total Revenues	<u>46,811,651</u>	<u>2,947,904</u>	<u>93,284</u>	<u>4,203,546</u>	<u>4,286,978</u>	<u>58,343,363</u>
EXPENDITURES						
Instruction						
Regular	20,094,958	-	-	-	40,649	20,135,607
Special education	411,838	5,727,342	-	-	-	6,139,180
Vocational	1,335,993	-	-	-	10,526	1,346,519
Other	1,935,103	-	-	-	3,529	1,938,632
Total Instruction	<u>23,777,892</u>	<u>5,727,342</u>	<u>-</u>	<u>-</u>	<u>54,704</u>	<u>29,559,938</u>
Support Services						
Pupil services	1,419,120	1,091,850	-	-	743	2,511,713
Instructional support services	1,888,728	469,542	-	-	3,427	2,361,697
Administration	3,494,515	11,759	-	-	12,818	3,519,092
Buildings and grounds	5,144,015	1,426	11,810,612	-	77,103	17,033,156
Transportation	1,563,753	342,728	-	-	5,167	1,911,648
Other support services	2,938,382	1,463	86,034	-	-	3,025,879
Debt service						
Principal	58,092	-	-	6,125,000	-	6,183,092
Interest and fees	6,973	-	36,829	1,530,901	-	1,574,703
Food service	-	-	-	-	1,286,136	1,286,136
Community Service	-	-	-	-	1,993,899	1,993,899
Total Support Services	<u>16,513,578</u>	<u>1,918,768</u>	<u>11,933,475</u>	<u>7,655,901</u>	<u>3,379,293</u>	<u>41,401,015</u>
Total Expenditures	<u>40,291,470</u>	<u>7,646,110</u>	<u>11,933,475</u>	<u>7,655,901</u>	<u>3,433,997</u>	<u>70,960,953</u>
Excess (deficiency) of revenues over expenditures	<u>6,520,181</u>	<u>(4,698,206)</u>	<u>(11,840,191)</u>	<u>(3,452,355)</u>	<u>852,981</u>	<u>(12,617,590)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from the sale of capital assets	23,398	-	-	-	-	23,398
Long-term debt issued	-	-	2,000,000	3,720,000	-	5,720,000
Premium on debt issued	-	-	36,829	131,904	-	168,733
Transfers in	-	4,698,206	-	-	-	4,698,206
Transfers out	(4,698,206)	-	-	-	-	(4,698,206)
Total Other Financing Sources (Uses)	<u>(4,674,808)</u>	<u>4,698,206</u>	<u>2,036,829</u>	<u>3,851,904</u>	<u>-</u>	<u>5,912,131</u>
Net Change in Fund Balance	1,845,373	-	(9,803,362)	399,549	852,981	(6,705,459)
FUND BALANCES - Beginning of Year	<u>11,511,067</u>	<u>-</u>	<u>16,450,784</u>	<u>1,413,611</u>	<u>916,668</u>	<u>30,292,130</u>
FUND BALANCES - END OF YEAR	\$ 13,356,440	\$ -	\$ 6,647,422	\$ 1,813,160	\$ 1,769,649	\$ 23,586,671

SCHOOL DISTRICT OF MENOMONEE FALLS

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

Net change in fund balances - total governmental funds	\$ (6,705,459)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their useful lives and reported as depreciation expense in the statement of activities.</p>	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the district-wide financial statements	12,551,029
Depreciation is reported in the district-wide statements	(2,042,980)
Net book value of assets removed	(13,800)
<p>Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Debt issued	(5,720,000)
Principal repaid on long-term debt and capital lease	6,183,092
<p>Some expenses 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.</p>	
Accrued interest on general obligation debt	21,619
Change in net pension asset - WRS	7,294,398
Change in total pension obligation - single employer	(31,221)
Change in other post-employment benefit liability	409,676
Amortization of refunding loss	(240,621)
Deferred outflows of resources related to pensions	(3,561,323)
Deferred inflows of resources related to pensions	(4,868,706)
<p>Governmental funds report debt premiums and discounts as other financing sources (uses). However, in the statement of net position, these are deferred and reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.</p>	
Amortization of premiums	118,875
Premium on debt issued	(168,733)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,225,846</u>

SCHOOL DISTRICT OF MENOMONEE FALLS

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

	Employee Benefit Trust Fund	Agency Fund
	Post-Retirement Health Benefits	
ASSETS		
Cash and investments	<u>\$ 2,831,842</u>	<u>\$ 356,839</u>
LIABILITIES		
Accounts payable	-	\$ 16,216
Due to student groups	-	<u>340,623</u>
Total Liabilities	-	<u>\$ 356,839</u>
NET POSITION		
Restricted for post-retirement health benefits	<u>\$ 2,831,842</u>	

SCHOOL DISTRICT OF MENOMONEE FALLS

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

	<u>Employee Benefit Trust Fund</u> <u>Post-Retirement Health Benefits</u>
ADDITIONS	
Employer contributions	\$ 357,864
Employee contributions	1,751
Investment income	<u>112,041</u>
Total additions	<u>471,656</u>
DEDUCTIONS	
Benefits	<u>360,494</u>
Total deductions	<u>360,494</u>
Change in Net Position	111,162
NET POSITION - BEGINNING OF YEAR	<u>2,720,680</u>
NET POSITION - END OF YEAR	<u>\$ 2,831,842</u>

SCHOOL DISTRICT OF MENOMONEE FALLS

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SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

District-Wide Financial Statements

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

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

Fund Financial Statements

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

Fund Financial Statements (cont.)

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The District reports the following nonmajor governmental funds:

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

Gift Trust Fund
Community Service Fund

Food Service Fund

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

Fund Financial Statements (cont.)

In addition, the District reports the following fund types:

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

Post-Retirement Health Benefits Fund

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

Pupil Activity Fund

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

District-Wide Financial Statements

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

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

Fund Financial Statements

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

Fund Financial Statements (cont.)

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

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

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

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

All Financial Statements

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

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

1. Deposits and Investments

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

1. Deposits and Investments (cont.)

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

The District has adopted an investment policy. That policy follows the state statute for allowable investments and indicates that not only yield, but also the risk of any investment, shall be considered when making investments. The investment policy does not address custodial credit risk, credit risk or interest rate risk.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

2. Receivables

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

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

2. Receivables (cont.)

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

Property tax calendar - 2017 tax roll:

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

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

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

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the purchases method of accounting.

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

4. Restricted Assets

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

5. Capital Assets

District-Wide Statements

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

5. Capital Assets (cont.)

District-Wide Statements (cont.)

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

Buildings	20-50 Years
Land Improvements	10-20 Years
Furniture and equipment	5-15 Years

Fund Financial Statements

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

6. Deferred Outflows of Resources

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

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

7. Compensated Absences

The District's policy allows twelve month employees to earn varying amounts of vacation pay for each year employed up to an average of 20 days per year. The accumulated benefits remain vested only through one fiscal year following the year the benefits were earned and do not get paid out.

Upon contractual retirement options, the District is liable for health insurance payments at the same rate as during employment for teachers. In addition, the District may be liable for salary, social security, and life insurance payments, as well as other insurance payments, dependent upon terms of employment and separation.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

8. Long-Term Obligations

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

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

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

9. Deferred Inflows of Resources

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

10. Equity Classifications

District-Wide Statements

Equity is classified as net position and displayed in three components:

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

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

10. Equity Classifications (cont.)

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District Board of Education that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Director of Business Services to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

See Note III. H. for further information.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

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

10. Equity Classifications (cont.)

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

11. Pension

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

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Debt Service Fund	\$ 3,872,108	\$ 7,655,901	\$ 3,783,793
Special Revenue - Gift Trust Fund	75,000	82,279	7,279
Special Revenue - Food Service Fund	1,356,504	1,357,819	1,315

The District controls expenditures at the function level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. LIMITATIONS ON THE DISTRICT REVENUES

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

The limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ 8,475,341	\$ 8,812,261	Custodial Credit Risk Credit and Interest Rate Risk, Investments Highly Sensitive to Interest Rate Changes
Mutual funds - bonds	1,107,596	1,107,596	
Mutual funds - stocks and other	1,176,656	1,176,656	N/A
LGIP	14,489,111	14,489,111	Credit Risk
Petty cash	2,218	-	N/A
	<u>\$ 25,250,922</u>	<u>\$ 25,585,624</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 22,062,241		
Per statement of net position - fiduciary funds			
Employee Benefit Trust Fund	2,831,842		
Agency Fund	<u>356,839</u>		
Total Deposits and Investments	<u>\$ 25,250,922</u>		

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

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

Custodial Credit Risk

Deposits

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

As of June 30, 2018, \$1,376,304 of the District's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>1,376,304</u>
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Credit Risk

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

As of June 30, 2018, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>
Mutual funds - bonds	AAA - D

The District also held investments in the following external pools which are not rated:

Local Government Investment Pool

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of June 30, 2018, the District's investments were as follows:

Investment Type	Fair Value	Maturity (In Months)		
		Less than 1 year	1-5 Years	6-15 Years
Mutual funds - bonds	\$ 1,107,596	\$ -	\$ 587,123	\$ 520,473

Investments Highly Sensitive to Interest Rate Changes

At June 30, 2018, the District held \$1,107,596 in bond mutual funds. The market value of this investment at June 30, 2018, was \$1,107,596.

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

Market Approach - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Investment Type	Level 1	Level 2	Level 3	Total
Mutual funds - bonds	\$ 1,107,596	\$ -	\$ -	\$ 1,107,596
Mutual funds - stocks and other	1,176,656	-	-	1,176,656
Total	<u>\$ 2,284,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,284,252</u>

B. RECEIVABLES

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

B. RECEIVABLES (cont.)

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unearned
Deferred amounts - food service	\$ 60,855
Deferred amounts - community service	146,204
Deferred amounts - general fund	20,094
 Total Unearned Revenue for Governmental Funds	 \$ 227,153

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

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

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 556,920	\$ -	\$ -	\$ 556,920
Construction in progress	10,746,918	12,164,451	-	22,911,369
Total Capital Assets Not Being Depreciated	11,303,838	12,164,451	-	23,468,289
Capital assets being depreciated				
Buildings	62,432,087	-	-	62,432,087
Land improvements	2,163,426	-	-	2,163,426
Furniture and equipment	3,222,372	386,578	46,000	3,562,950
Total Capital Assets Being Depreciated	67,817,885	386,578	46,000	68,158,463
Total Capital Assets	79,121,723	12,551,029	46,000	91,626,752

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Buildings	(31,109,531)	(1,565,324)	-	(32,674,855)
Land improvements	(1,092,407)	(88,557)	-	(1,180,964)
Furniture and equipment	(2,420,263)	(389,099)	32,200	(2,777,162)
Total Accumulated Depreciation	(34,622,201)	(2,042,980)	32,200	(36,632,981)
Net Capital Assets Being Depreciated	33,195,684	(1,656,402)	13,800	31,525,482
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 44,499,522	\$10,508,049	\$ 13,800	\$ 54,993,771

Depreciation expense was charged to functions as follows:

Instruction		
Regular instruction		\$ 90,540
Vocational		5,142
Other		1,957
Support Services		
Pupil transportation		6,440
Administration		154,080
Building and grounds		248,735
Other support services		2,971
Food service		31,845
Depreciation - unallocated		1,501,270
Total Governmental Activities Depreciation Expense		\$ 2,042,980

E. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Special Revenue - Special Education Fund	General Fund	\$ 4,698,206	Financing operating deficit

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

E. INTERFUND TRANSFERS (cont.)

Transfers (cont.)

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

F. SHORT-TERM DEBT ACTIVITY

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

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and revenue anticipation note	\$ -	\$ 4,750,000	\$ 4,750,000	\$ -

G. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable					
General obligation debt	\$ 48,510,000	\$ 5,720,000	\$ 6,125,000	\$ 48,105,000	\$ 3,190,000
(Discounts)/Premiums	1,932,031	168,733	118,875	1,981,889	-
Sub-totals	50,442,031	5,888,733	6,243,875	50,086,889	3,190,000
Other Liabilities					
Capital leases	58,092	-	58,092	-	-
Other postemployment benefits	1,040,290	-	409,676	630,614	-
Net pension liability - WRS	1,604,520	-	1,604,520	-	-
Total pension liability - single employer	6,992,187	669,408	638,187	7,023,408	-
Total Other Liabilities	9,695,089	669,408	2,710,475	7,654,022	-
Total Governmental Activities Long-Term Liabilities	\$ 60,137,120	\$ 6,558,141	\$ 8,954,350	\$ 57,740,911	\$ 3,190,000

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

G. LONG-TERM OBLIGATIONS (cont.)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2018, was \$357,408,755. Total general obligation debt outstanding at year end was \$48,105,000.

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2018
State Trust Fund Loan	10/21/2010	3/15/2020	4.25%	\$ 1,000,000	\$ 200,000
GO Refunding Bonds	2/5/2013	4/1/2027	2.00-2.15%	9,970,000	9,035,000
GO Refunding Bonds	7/8/2014	4/1/2023	2.00-2.50%	8,835,000	6,100,000
GO Improvement Bonds	7/11/2016	4/1/2036	2.00-5.00%	30,700,000	27,050,000
GO Promissory Note	4/18/2018	4/1/2023	4.64%	2,000,000	2,000,000
GO Refunding Bonds	4/18/2018	4/1/2024	3.00%	3,720,000	<u>3,720,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 48,105,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2019	\$ 3,190,000	\$ 1,416,733
2020	2,865,000	1,331,420
2021	2,945,000	1,250,059
2022	3,030,000	1,167,459
2023	3,115,000	1,081,621
2024-2028	11,640,000	4,347,561
2029-2033	12,670,000	2,645,481
2034-2036	<u>8,650,000</u>	<u>564,145</u>
Totals	<u>\$ 48,105,000</u>	<u>\$ 13,804,479</u>

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

G. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of other post employment benefits and pension obligations are not included in the debt service requirement schedules. The other post employment benefits and net pension obligation attributable to governmental activities will be liquidated primarily by the general fund.

Current Refunding

On April 18, 2018, the District issued \$3,720,000 in general obligation bonds with an average coupon rate of 3.00% to refund \$3,730,000 of outstanding bonds with an average coupon rate of 4.58%. The net proceeds along with existing funds of the District were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$3,909,040 from 2018 through 2019. The cash flow requirements on the taxable general obligation refunding bonds are \$4,127,230 from 2019 through 2024. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$54,189.

H. NET POSITION/FUND BALANCES

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

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 556,920
Construction in progress	22,911,369
Other capital assets, net of accumulated depreciation	31,525,482
Less: Long-term debt outstanding	(48,105,000)
Plus: Unspent capital related debt proceeds	6,554,138
Plus: Noncapital debt proceeds	3,720,000
Plus: Deferred charges on refunding	1,261,896
Less: Unamortized debt premium	(1,981,889)
Total Net Investment in Capital Assets	<u>16,442,916</u>
Restricted	
Debt Service Fund	1,464,971
Pensions	5,689,878
Total Restricted	<u>7,154,849</u>
Unrestricted	<u>2,257,419</u>
Total Governmental Activities Net Position	<u>\$ 25,855,184</u>

SCHOOL DISTRICT OF MENOMONEE FALLS

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

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Fund Balances					
Nonspendable:					
Prepaid items	\$ 280,537	\$ -	\$ -	\$ -	\$ 280,537
Inventories	11,054	-	-	10,268	21,322
Restricted for:					
Debt service	-	6,647,422	-	-	6,647,422
Capital projects	-	-	1,813,160	-	1,813,160
Committed to:					
Gift trust	-	-	-	757,357	757,357
Food service	-	-	-	287,033	287,033
Community service	-	-	-	714,991	714,991
Assigned to:					
Technology upgrades	275,000	-	-	-	275,000
Budget appropriations	184,000	-	-	-	184,000
Fund balance applied to subsequent year's budget	1,685,937	-	-	-	1,685,937
Capital improvement projects	1,350,000	-	-	-	1,350,000
Self funded health liability	2,330,492	-	-	-	2,330,492
Unassigned:	<u>7,239,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,239,420</u>
 Total Fund Balances	 <u>\$ 13,356,440</u>	 <u>\$ 6,647,422</u>	 <u>\$ 1,813,160</u>	 <u>\$ 1,769,649</u>	 <u>\$ 23,586,671</u>

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

During the reporting period, the WRS recognized \$1,901,814 in contributions from the District.

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

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

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

At June 30, 2018, the District reported an asset of \$5,689,878 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.19163526%, which was an decrease of 0.00303164% from its proportion measured as of December 31, 2016.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended June 30, 2018, the District recognized pension expense of \$2,752,157.

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,229,132	\$ 3,381,548
Net differences between projected and actual earnings on pension plan investments	-	7,820,209
Changes in assumptions	1,124,208	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	90,959	-
Employer contributions subsequent to the measurement date	1,136,047	-
Total	\$ 9,580,346	\$ 11,201,757

\$1,136,047 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	650,087
2020		(16,472)
2021		(1,931,841)
2022		(1,472,905)
2023		13,673
Thereafter		-

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	14,721,657	(5,689,878)	(21,203,277)

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

At June 30, 2018, the district reported debt payable to the pension plan of \$729,449, which represents a contractual arrangement for contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The District purchases commercial insurance to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission; and workers compensation. However, other risks, such as health and dental benefits are accounted for and financed by the District in the general fund. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Self Insurance

On January 1, 2013, the District established a self-funded health and dental benefit plan for its employees. The plan administrator, United HealthCare, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2018.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$100,000 per individual and/or 125% of the annual estimated claims as provided by Humana. For the year ended June 30, 2018, the aggregate claim limit was \$6,232,300. The District has no stop-loss coverage for dental care coverage of the Plan.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance (cont.)

At June 30, 2018, the District reported a liability of \$4,989,728, which represents reported and unreported claims which were incurred on or before June 30, 2018, but were not paid by the District as of that date. Changes in the claims liability for the years ended June 30, 2017 and June 30, 2018 are as follows

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims - Beginning of Year	\$ 3,152,187	\$ 3,757,780
Current year claims and changes in estimates	5,801,046	5,828,139
Claim payments	<u>(5,195,453)</u>	<u>(4,596,191)</u>
Unpaid Claims - End of Year	<u>\$ 3,757,780</u>	<u>\$ 4,989,728</u>

C. COMMITMENTS AND CONTINGENCIES

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

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

The District has active construction projects as of June 30, 2018. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

D. OTHER POSTEMPLOYMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan. As of June 30, 2014, the plan was closed to new employees with the benefit to be phased out entirely by August 2021. Actual remaining benefits to be paid for the remaining life of the plan (previously established through personnel policy guidelines and various agreements) are known and fixed. As of June 30, 2018, the District has a remaining liability of \$630,614 to be paid to 43 retirees or their beneficiaries. This liability has been recognized on the governmental activities financial statements.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The District established an Employee Benefit Trust Fund - Post-Retirement Health Benefits - Fiduciary Fund to pay for these future liabilities. As of June 30, 2018, the District has \$2,831,842 of cash and investments held in the trust fund. In June 2015, the GASB issued Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement was considered by the District for implementation but due to the remaining liability being fixed and the trust being significantly overfunded, the disclosure requirements of this Statement provide no useful information and are considered not material to the financial statements.

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

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

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

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

F. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description

The District reports a single-employer defined benefit pension plan ("the stipend plan"). The plan is administered by the District and provides eligible Administrators that are at least age 55 with a minimum of 5 years of services an annual stipend, which will be a prorated portion of salary as determined by the retiree's year of service with the District, for a period of 3 years; Supervisors that are at least age 55 with a minimum of 10 years of services an annual stipend of \$10,000 for a period of 3 years; and Teachers that are at least age 55 with a minimum of 15 years of services an annual stipend of \$10,000 for a period of 3 years. Benefit provisions are established through the District's collective bargaining agreement and certain employment agreements.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

F. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

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

Retirees and beneficiaries	37
Active members	<u>514</u>
Total	<u><u>551</u></u>

The District paid \$328,520 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

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

	Total Pension Liability
Beginning of Year Balance	\$ 6,992,187
Service cost	457,557
Interest on total pension liability	211,851
Changes in assumptions or other inputs	(319,628)
Benefit payments	<u>(318,559)</u>
End of Year Balance	<u><u>\$ 7,023,408</u></u>

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

Measurement Date:	June 30, 2017
Actuarial Valuation Date:	June 30, 2017
Inflation:	2.50%
Salary Changes:	5.8% down to 0.2% in 30 years; includes merit increases plus inflation
Discount Rate:	3.50%
Source of Discount Rate:	Based upon all years of project payments discounted at a municipal bond rate of 3.50%
Source of Mortality Assumptions:	Wisconsin 2012 Mortality Table
Dates of Experience Studies:	Experience study conducted in 2015 using WRS experience from 2012-2014

SCHOOL DISTRICT OF MENOMONEE FALLS

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

NOTE IV - OTHER INFORMATION (cont.)

F. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

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

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	\$ 7,474,633	\$ 7,023,408	\$ 6,590,519

Pension expense and deferred outflows and deferred inflows of resources related to pensions. For the year ended June 30, 2018, the District recognized pension expense of \$644,821.

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

	Deferred Outflow of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-	\$ 209,043
Changes in assumptions	-	-	85,998
Employer contributions subsequent to the measurement date	328,520	-	-
Total	\$ 328,520	-	\$ 295,041

\$328,520 reported as deferred outflows related to pension resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:			
2019	\$	-	(24,587)
2020		-	(24,587)
2021		-	(24,587)
2022		-	(24,587)
2023		-	(24,587)
Thereafter		-	(172,106)

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Property taxes	\$ 35,279,688	\$ 35,279,688	\$ -
Local	1,242,700	1,461,364	218,664
Interdistrict	2,035,325	2,128,743	93,418
Intermediate	-	12,087	12,087
State	7,473,493	7,541,688	68,195
Federal	191,637	224,909	33,272
Other	171,500	163,172	(8,328)
Total Revenues	<u>46,394,343</u>	<u>46,811,651</u>	<u>417,308</u>
EXPENDITURES			
Instruction			
Regular	20,101,790	20,094,958	6,832
Special education	486,670	411,838	74,832
Vocational	1,370,404	1,335,993	34,411
Other	2,077,188	1,935,103	142,085
Total Instruction	<u>24,036,052</u>	<u>23,777,892</u>	<u>258,160</u>
Support Services			
Pupil services	1,420,216	1,419,120	1,096
Instructional support services	1,901,721	1,888,728	12,993
Administration	4,013,289	3,494,515	518,774
Buildings and grounds	7,225,827	5,144,015	2,081,812
Transportation	1,600,188	1,563,753	36,435
Debt service	213,635	65,065	148,570
Other support services	1,136,983	2,938,382	(1,801,399)
Total Support Services	<u>17,511,859</u>	<u>16,513,578</u>	<u>998,281</u>
Total Expenditures	<u>41,547,911</u>	<u>40,291,470</u>	<u>1,256,441</u>
Excess of revenues over expenditures	<u>4,846,432</u>	<u>6,520,181</u>	<u>1,673,749</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	-	23,398	23,398
Transfers out	(5,061,926)	(4,698,206)	363,720
Total Other Financing Sources (Uses)	<u>(5,061,926)</u>	<u>(4,674,808)</u>	<u>387,118</u>
Net Change in Fund Balance	<u>\$ (215,494)</u>	1,845,373	<u>\$ 2,060,867</u>
FUND BALANCES - BEGINNING OF YEAR		<u>11,511,067</u>	
FUND BALANCES - END OF YEAR		<u>\$ 13,356,440</u>	

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL EDUCATION -
SPECIAL REVENUE FUND
For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Interdistrict	\$ 40,000	\$ 24,289	\$ (15,711)
Intermediate	-	83	83
State	1,717,576	1,687,635	(29,941)
Federal	1,178,894	1,235,897	57,003
Total Revenues	<u>2,936,470</u>	<u>2,947,904</u>	<u>11,434</u>
EXPENDITURES			
Instruction			
Special education	<u>5,721,866</u>	<u>5,727,342</u>	<u>(5,476)</u>
Total Instruction	<u>5,721,866</u>	<u>5,727,342</u>	<u>(5,476)</u>
Support Services			
Pupil services	1,037,910	1,091,850	(53,940)
Instructional support services	457,659	469,542	(11,883)
Administration	12,000	11,759	241
Buildings and grounds	1,300	1,426	(126)
Transportation	419,000	342,728	76,272
Other support services	<u>347,191</u>	<u>1,463</u>	<u>345,728</u>
Total Support Services	<u>2,275,060</u>	<u>1,918,768</u>	<u>356,292</u>
Total Expenditures	<u>7,996,926</u>	<u>7,646,110</u>	<u>350,816</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,060,456)	(4,698,206)	362,250
OTHER FINANCING SOURCES			
Transfer in	<u>5,060,456</u>	<u>4,698,206</u>	<u>(362,250)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - BEGINNING OF YEAR		<u>-</u>	
FUND BALANCES - END OF YEAR		<u>\$ -</u>	

SCHOOL DISTRICT OF MENOMONEE FALLS

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

<u>Fiscal Year Ending</u>	<u>Beginning Balance</u>	<u>Service Cost</u>	<u>Interest on Total Pension Liability</u>	<u>Difference Between Expected and Actual Experience</u>	<u>Changes of Assumptions</u>	<u>Benefit Payments</u>	<u>Ending Balance</u>
6/30/17	\$ 6,616,562	\$ 457,557	\$ 201,115	\$ -	\$ -	\$ (283,047)	\$ 6,992,187
6/30/18	\$ 6,992,187	\$ 457,557	\$ 211,851	\$ (226,463)	\$ (93,165)	\$ (318,559)	\$ 7,023,408

**SCHEDULE OF COVERED PAYROLL
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Year Ended June 30, 2018**

<u>Fiscal Year Ending</u>	<u>Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Total Pension Liability as a Percentage of Covered Payroll</u>
6/30/17	\$ 6,992,187	\$ 26,096,057	26.8%
6/30/18	\$ 7,023,408	\$ 27,246,087	25.8%

SCHOOL DISTRICT OF MENOMONEE FALLS

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

Plan Fiscal Year End	Proportion of the Net Pension Asset	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 Asset (Liability)
12/31/14	0.20100073%	\$ 4,937,128	\$ 27,545,397	17.92%	102.74%
12/31/15	0.19830743%	(3,222,457)	27,816,092	11.58%	98.20%
12/31/16	0.19466690%	(1,604,520)	27,599,743	5.81%	99.12%
12/31/17	0.19163526%	5,689,878	27,974,128	20.34%	102.93%

SCHOOL DISTRICT OF MENOMONEE FALLS

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

District Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 1,932,068	\$ 1,932,068	\$ -	\$ 27,545,397	7.01%
6/30/16	1,891,493	1,891,493	-	27,816,092	6.80%
6/30/17	1,881,958	1,881,958	-	28,002,425	6.72%
6/30/18	1,856,304	1,856,304	-	27,547,895	6.74%

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2018

BUDGETARY INFORMATION

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

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

WISCONSIN RETIREMENT SYSTEM (WRS) PENSION

The amounts presented in relation to the schedule of employer's proportionate share of the net pension asset and the schedule of employer contributions represents the specific data of the District. The information was derived using a combination of the employer's contribution data along with data provided by the Wisconsin Retirement System in relation to the District as a whole.

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

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

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

SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN

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

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

Changes in benefit terms. There were no changes of benefit terms for the plan.

Changes in assumptions. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.0%) in order to be compliant with GASB 73. All other assumptions and methods remained unchanged from the previous valuation.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

	Special Revenue Funds			Total Nonmajor Funds
	Gift Trust	Food Service	Community Service	
ASSETS				
Cash and investments	\$ 786,235	\$ 339,145	\$ 906,544	\$ 2,031,924
Receivables				
Accounts	-	-	44,116	44,116
Due from other governments	-	51,312	1,691	53,003
Inventories	-	10,268	-	10,268
	<u>\$ 786,235</u>	<u>\$ 400,725</u>	<u>\$ 952,351</u>	<u>\$ 2,139,311</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 10,283	\$ 37,435	\$ 32,688	\$ 80,406
Accrued salaries and wages	-	1,062	38,667	39,729
Payroll taxes and withholdings	-	4,072	19,801	23,873
Other current liabilities	18,595	-	-	18,595
Total Liabilities	<u>28,878</u>	<u>42,569</u>	<u>91,156</u>	<u>162,603</u>
Deferred Inflows of Resources				
Unearned revenues	-	60,855	146,204	207,059
Fund Balances				
Nonspendable	-	10,268	-	10,268
Committed	757,357	287,033	714,991	1,759,381
Total Fund Balances	<u>757,357</u>	<u>297,301</u>	<u>714,991</u>	<u>1,769,649</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 786,235</u>	<u>\$ 400,725</u>	<u>\$ 952,351</u>	<u>\$ 2,139,311</u>

SCHOOL DISTRICT OF MENOMONEE FALLS

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

	Special Revenue Funds			Total Nonmajor Funds
	Gift Trust	Food Service	Community Service	
REVENUES				
Property taxes	\$ -	\$ -	\$ 750,000	\$ 750,000
Local	689,967	899,047	1,469,601	3,058,615
State	-	17,703	-	17,703
Federal	-	460,442	-	460,442
Other	-	-	218	218
Total Revenues	689,967	1,377,192	2,219,819	4,286,978
EXPENDITURES				
Instruction				
Regular	40,649	-	-	40,649
Vocational	10,526	-	-	10,526
Other	3,529	-	-	3,529
Total Instruction	54,704	-	-	54,704
Support Services				
Pupil Services	743	-	-	743
Instructional support services	3,427	-	-	3,427
Administration	12,818	-	-	12,818
Buildings and grounds	5,420	71,683	-	77,103
Transportation	5,167	-	-	5,167
Food service	-	1,286,136	-	1,286,136
Community Service	-	-	1,993,899	1,993,899
Total Support Services	27,575	1,357,819	1,993,899	3,379,293
Total Expenditures	82,279	1,357,819	1,993,899	3,433,997
Net Change in Fund Balance	607,688	19,373	225,920	852,981
FUND BALANCES - Beginning of Year	149,669	277,928	489,071	916,668
FUND BALANCES - END OF YEAR	\$ 757,357	\$ 297,301	\$ 714,991	\$ 1,769,649

SCHOOL DISTRICT OF MENOMONEE FALLS

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

	<u>Balance</u> <u>7/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2018</u>
ASSETS				
Cash and investments	<u>\$ 292,215</u>	<u>\$ 1,678,850</u>	<u>\$ 1,614,226</u>	<u>\$ 356,839</u>
LIABILITIES				
Accounts payable	\$ 8,831	\$ 592,820	\$ 585,435	\$ 16,216
Due to student organizations				
High School	248,379	963,641	918,705	293,315
Middle School	<u>35,005</u>	<u>74,959</u>	<u>62,656</u>	<u>47,308</u>
TOTAL LIABILITIES	<u>\$ 292,215</u>	<u>\$ 1,631,420</u>	<u>\$ 1,566,796</u>	<u>\$ 356,839</u>

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

Independent Auditors' Report

To the Board of Education
School District of Menomonee Falls
Menomonee Falls, Wisconsin

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Menomonee Falls ("District"), Wisconsin, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the School District of Menomonee Falls' basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

To the Board of Education
School District of Menomonee Falls

Compliance and Other Matters

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

School District of Menomonee Falls Responses to Findings

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

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 30, 2018

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

Independent Auditors' Report

To the Board of Education
School District of Menomonee Falls
Menomonee Falls, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the School District of Menomonee Falls ("District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and major state programs for the year ended June 30, 2018. The District's major federal 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 District's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Education
School District of Menomonee Falls

Opinion on Each Major Federal and Major State Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-003, that we consider to be a material weakness.

School District of Menomonee Falls Response to Finding

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

Purpose of this Report

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
November 30, 2018

SCHOOL DISTRICT OF MENOMONEE FALLS

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

Federal Agency/ Pass-Through Agency/ Program Title	Federal Catalog Number	Pass Through ID Number	Program or Award Amount	Revenues						
				Accrued Receivable 7/1/2017	Accrued (Payable) 7/1/2017	Cash Received	Accrued Receivable 6/30/2018	Total Revenues	Total Expenditures	
U.S. DEPARTMENT OF EDUCATION										
Special Education Cluster										
Passed Through Wisconsin Department of Public Instruction										
Special Education - Grants to States (IDEA, Part B)	84.027	2018-673437-IDEA-341	\$ 924,174	\$ 356,564	\$ -	\$ 525,314	\$ 763,835	\$ 932,585	\$ 932,585	
Special Education - Preschool Grants	84.173	2018-673437-Pre-S-347	27,950	27,950	(9,336)	18,977	36,121	36,484	36,484	
Total Special Education Cluster				384,514	(9,336)	544,291	799,956	969,069	969,069	
Title I-A Grants to Local Educational Agencies	84.010	2018-673437-Title I-141	195,311	181,748	-	181,748	114,976	114,976	114,976	
Title III-A English Language Acquisition	84.365	2018-673437-Title III A-391	15,607	11,530	-	11,530	8,390	8,390	8,390	
Title II-A Teach/Pnncipal Training	84.367	2018-673437-Title II-365	98,895	55,021	-	55,021	93,662	93,662	93,662	
Title IV-A Student Support and Academic Enrichment Grants	84.424	2018-673437-Title IV-A 424	1,285	-	-	-	1,285	1,285	1,285	
Passed Through Waukesha County Technical College										
Carl D. Perkins Vocational Education and Applied Technology Act										
Waukesha County Career Prep	84.048	Unknown	6,596	-	-	6,596	-	6,596	6,596	
Total U.S. Department of Education				632,813	(9,336)	799,186	1,018,269	1,193,978	1,193,978	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Medicaid Cluster										
Passed through Wisconsin Deptment of Health Services										
Medical Assistance	93.778	44217100	267,181	19,125	-	263,112	23,194	267,181	267,181	
U.S. DEPARTMENT OF AGRICULTURE										
Child Nutrition Cluster										
Passed Through Wisconsin Department of Public Instruction										
National School Lunch Program	10.555	2018-673437-NSL-547	323,772	9,504	-	287,159	46,117	323,772	323,772	
Food Distribution - Commodities	10.550	673437	106,730	-	-	106,730	-	106,730	106,730	
School Breakfast Program	10.553	2018-673437-SB-546	29,940	1,115	-	25,860	5,195	29,940	29,940	
Total Child Nutrition Cluster				10,619	-	419,749	51,312	460,442	460,442	
TOTAL FEDERAL AWARDS				\$ 662,557	\$ (9,336)	\$ 1,482,047	\$ 1,092,775	\$ 1,921,601	\$ 1,921,601	

SCHOOL DISTRICT OF MENOMONEE FALLS

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

State Agency/ Program Title	State ID Number	Program or Award Amount	Revenues			Total Revenues	Total Expenditures
			Accrued Receivable 7/1/2017	Cash Received	Accrued Receivable 6/30/2018		
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION							
Handicapped Pupils and School Age Parents:							
Internal District Program	255.101	\$ 1,677,635	\$ -	\$ 1,677,635	\$ -	\$ 1,677,635	\$ 1,677,635
State School Lunch Aid	255.102	14,764	-	14,764	-	14,764	14,764
Common School Fund - Library Aid	255.103	158,180	-	158,180	-	158,180	158,180
Pupil Transportation	255.107	80,486	-	80,486	-	80,486	80,486
General Equalization	255.201	5,256,720	76,518	4,318,818	73,158	4,315,458	4,315,458
Integration Aid-Nonresident	255.204	954,069	-	954,069	-	954,069	954,069
School Breakfast Program	255.344	2,939	-	2,939	-	2,939	2,939
Educator Effective Eval Sys Grants Public	255.940	26,160	-	26,160	-	26,160	26,160
Per Pupil Aid	255.945	1,673,550	-	1,673,550	-	1,673,550	1,673,550
Career and Technical Education Incentive Grant	255.950	13,303	-	13,303	-	13,303	13,303
Robotics League Participation Grants	255.959	2,592	2,671	2,671	2,592	2,592	2,592
Aid for Special Education Transition Grant	255.960	10,000	-	10,000	-	10,000	10,000
TOTAL STATE AWARDS			<u>\$ 79,189</u>	<u>\$ 8,932,575</u>	<u>\$ 75,750</u>	<u>\$ 8,929,136</u>	<u>\$ 8,929,136</u>

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "schedules") includes the federal and state grant activity of the School District of Menomonee Falls ("District") under programs of the federal and state government for the year ended June 30, 2018. The information in these schedules 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 the *State Single Audit Guidelines*. Because the schedules 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 schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

NOTE 3 – SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

Eligible costs of Special Education under project 011 were \$6,252,481 for the year ended June 30, 2018.

NOTE 4 – OVERSIGHT AGENCY

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 5 – PRIOR YEAR FINDINGS

The findings identified as Federal and State Awards Findings and Questioned Costs No. 2017-001, 2017-002, and 2017-003 in the Schedule of Findings and Questioned Costs for the year ended June 30, 2017 have not been satisfactorily resolved and are identified as Findings and Questioned Costs No. 2018-001, 2018-002, and 2018-003 in the Schedule of Findings and Questioned Costs for the year ended June 30, 2018. Findings 2017-004, 2017-005, and 2017-006 were satisfactorily resolved.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

NOTE 6 – INDIRECT COST RATE

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

SCHOOL DISTRICT OF MENOMONEE FALLS

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

SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

Identification of major state programs:

<u>State I.D. Numbers</u>	<u>Name of State Program</u>
255.201	General Equalization
255.204	Integration Aid - Nonresident

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

2018-001 Lack of Segregation of Duties.

Criteria: Internal controls should be in place that provides reasonable assurance that individuals have access to only one phase of the accounting process.

Condition: There is a lack of segregation of duties related to the payroll function.

Cause: The same person performs tasks which, under ideal situations, should be segregated from each other.

Effect: Because of the lack of segregation of duties, the accounting records may be misstated.

Recommendation: The District board and management should rely more heavily on their direct knowledge of the District's operations and day-to-day contact with employees to control and safeguard assets.

Management's Response: Although some segregation of duties issues exist due to the limited number of personnel, management believes that certain controls are in place to mitigate these issues, such as the review of bank reconciliations, payroll reports and journal entries by the administrator, other members of management or Board of Education members who possess the skills, knowledge and experience related to these processes to identify and correct errors.

SCHOOL DISTRICT OF MENOMONEE FALLS

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

SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

2018-002 Internal Control Over Financial Reporting

Criteria: Statement on Auditing Standards No. 115 requires the communication of significant deficiencies and material weaknesses in the year-end financial reporting process.

Condition: The District's personnel do not have the necessary technical expertise in governmental accounting and reporting to process all necessary year-end journal entries and prepare the financial statements and schedules of federal and state awards in accordance with generally accepted accounting principles.

Effect: Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

Recommendation: Management should determine if the benefits achieved by resolving this internal control deficiency warrants the additional costs that would be required to remedy the current conditions.

Management's Response: Although management does not prepare the financial statements or schedule of expenditures of federal and state awards, draft copies of these reports are reviewed and approved prior to their issuance by management. This review includes verifying amounts to the general ledger and other documentation such as grant agreements, debt documents, etc. Management does attend annual training sessions which include content relating to current financial reporting requirements and new accounting standards. Currently, management has not implemented controls to evaluate and determine whether the financial statements or the schedule of expenditures of federal and state awards conform to the requirements of accounting principles generally accepted in the United States of America, the Uniform Guidance or the State Single Audit Guidelines. As such, management will continue to rely on the auditors to assist in preparing the District's financial statements and schedule of expenditures of federal and state awards.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

2018-003 Programs:	84.027/84.173	Special Education Cluster
	93.778	Medical Assistance
	255.201	General Equalization
	255.204	Integration Aid - Nonresident

Lack of Segregation of Duties (see finding 2018-001).

SCHOOL DISTRICT OF MENOMONEE FALLS

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

SECTION IV – OTHER ISSUES

Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

_____ yes X no

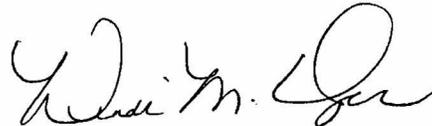
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in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

 X yes _____ no

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

 X yes _____ no

Name and signature of partner



Wendi M. Unger, CPA, Partner

Date of report

November 30, 2018