

DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
DeForest Area School District
DeForest, 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 DeForest Area School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the DeForest Area School District, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, prior period adjustments have been recorded to reflect the group life insurance plan and correction of the compensated absences accrual balances as of June 30, 2017. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xi, the budgetary comparison information, District Net OPEB Liability Schedules, District Supplemental Pension Plan Schedules, the Local Retiree Life Insurance Fund schedules, and Wisconsin Retirement System Schedules on pages 48 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeForest Area School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, and are also not a required part of the basic financial statements.

The supplementary information listed in the table of contents and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Mineral Point, Wisconsin
November 20, 2018

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

To the Board of Education
DeForest Area School District

The Management's Discussion and Analysis of the DeForest Area School District's 2017-2018 financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

The District's overall financial position, as reflected in total net position, increased by \$142,004.

Total District revenues on the Statement of Activities were \$48,633,571 including \$24,348,435 of property taxes and \$17,277,339 of federal and state aid not restricted for a specific purpose. Total District expenditures were \$46,799,447; including \$24,529,166 for direct instruction.

The following events took place during fiscal 2017-2018:

- At the end of the current fiscal year, fund balance for the general fund was approximately \$19.0 million. \$75,144 of that amount was restricted for self-funded insurance and \$2,129 was restricted for common school fund, \$91,025 of that amount was assigned for the ACT 59 project (CTE certifications) and \$1,086,800 was assigned for other future expenditures. The fund balance of Total Governmental Funds was approximately \$27.6 million. The breakdown of the \$27.6 million is as follows:
 - \$ 19.0 million General Fund
 - \$ 3.3 million Capital Improvement Trust
 - \$ 5.3 million Non-Major Governmental Funds
- Total unassigned Governmental Funds fund balance as of the end of the fiscal year is 35% of total expenditures.
- The 2017 tax levy decreased 0.3% from the prior year from a total levy of \$24,422,289 to \$24,348,435.
- The District continued to allocate funds for Other Post Employment Benefit (OPEB) during the 2017-2018 fiscal year. The District's 2017-2018 contribution was \$537,618.
- The District did not have a need to borrow short-term for cash-flow purposes due to the District's commitment to maintaining an appropriate fund balance. The District is able to avoid interest expense related to short-term borrowing.
- Instructional costs represent the single largest cost for the General Fund at 58% or \$23,759,510.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

Overview of the Financial Statements

The basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Position and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

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

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

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

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services	Assets held by the District on behalf of someone else <ul style="list-style-type: none"> • Student and other organizations that have funds on deposit with the district are reported here. • Other Post Employee Benefits.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position. • Statement of Changes in Fiduciary Net Position.
Basis of accounting and measurement focus	<p>Accrual accounting</p> <p>Economic resources focus</p>	<p>Modified accrual accounting</p> <p>Current financial resources focus</p>	<p>Accrual accounting</p> <p>Economic resources focus</p>
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term	<p>Generally assets expected to be used up and liabilities that come due during the year or soon thereafter.</p> <p>No capital assets or long-term liabilities included</p>	<p>All assets and liabilities, both financial and capital, short-term and long-term</p> <p>These funds do not currently contain any capital assets, although they can.</p>
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<p>Revenues for which cash is received during or soon after the end of the year</p> <p>Expenditures when goods or services have been received and the related liability are due and payable</p>	All additions or deductions during the year, regardless of when cash is received and paid

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Position reports all assets and deferred outflow, liabilities and deferred inflows available to support District activities. The two district-wide statements report the District's *net position* and how they have changed. Net Position, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* - Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District has no business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for Other Post-Employment Benefits trust and student organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

Financial Analysis of the District as a Whole

Table 1 provides a summary of the District's net position for the years ended June 30, 2018 and 2017.

Table 1		
Condensed Statement of Net Position		
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Assets		
Current assets	\$ 31,365,666	\$ 35,588,359
Capital assets (less depreciation)	84,174,268	83,893,694
Other assets	4,613,412	-
Total assets	<u>\$ 120,153,346</u>	<u>\$ 119,482,053</u>
Deferred outflows of resources	<u>\$ 7,972,239</u>	<u>\$ 9,456,218</u>
Liabilities		
Current liabilities	\$ 7,673,080	\$ 9,729,211
Non-current liabilities	45,948,049	49,157,295
Total liabilities	<u>\$ 53,621,129</u>	<u>\$ 58,886,506</u>
Deferred inflows of resources	<u>\$ 8,466,306</u>	<u>\$ 3,650,069</u>
Net Position		
Net investment in capital assets	\$ 39,567,698	\$ 44,580,882
Restricted	8,574,047	5,553,560
Unrestricted	17,896,405	16,267,254
Total net position	<u>\$ 66,038,150</u>	<u>\$ 66,401,696</u>

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

Financial Analysis of the District as a Whole (Continued)

Table 2 provides summarized operating results and their impact on Net Position.

Table 2		
Change in Net Position from Operating Results		
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$2,369,394	\$2,410,703
Operating grants and contributions	4,116,290	3,813,111
General revenues:		
Property taxes	24,348,435	24,422,289
State formula aid	17,277,339	18,709,773
Other	522,113	715,747
Special item	(1,692,120)	-
Total revenues	46,941,451	50,071,623
Expenses		
Instruction	24,529,166	23,956,090
Pupil & instructional services	5,312,282	5,269,054
Building and general administration	2,831,551	2,699,973
Business administration and central services	9,008,180	8,632,154
Transportation and insurance	1,967,951	1,884,697
Food service	1,545,579	1,575,531
Debt service and other support services	1,347,510	1,322,011
Community services	147,087	129,513
Other	110,141	253,647
Total expenses	46,799,447	45,722,670
 Increase (decrease) in net position	 \$ 142,004	 \$4,348,953

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

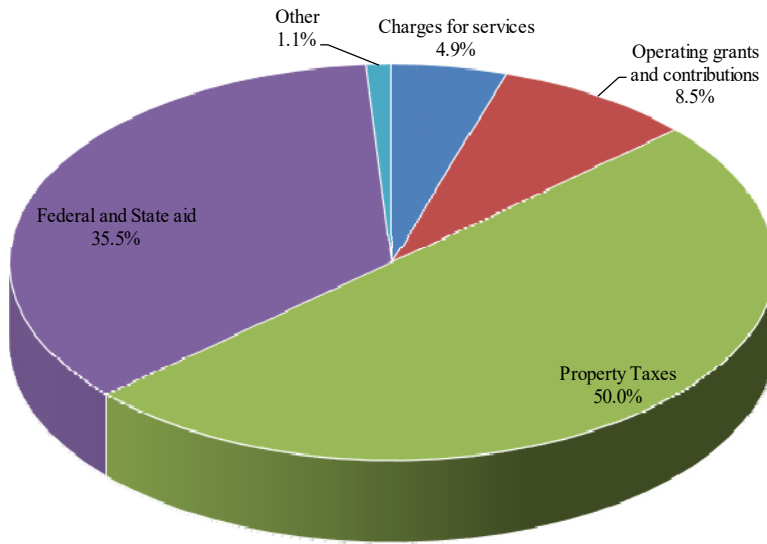
Financial Analysis of the District as a Whole (Continued)

The District relies primarily on property taxes and state formula aid to fund governmental activities. The District received \$48.6 million in revenue for fiscal year 2018 for Governmental Activities with 50.0% from property taxes and 35.5% from general federal and state aid. The remaining 14.5% of revenue came from charges for services, operating grants and contributions, and other.

The District received \$2.37 million in open enrollment, textbook and activity fees, admissions to athletic events, food service payments and building rental fees. This revenue came directly from individuals who participated or benefited from a specific program.

Federal and state government subsidized District programs with grants and contributions totaling \$4.12 million. The aid the District received for special education, transportation, and food service programs, as well as other instructional and support programs are included here.

Revenues by Source 2017-18



DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

Financial Analysis of the District as a Whole (Continued)

Table 3 presents the cost of the nine categories of district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Net Cost of Services 2018	Percent of Services 2018	Net Cost of Services 2017	Percent of Services 2017
Expenses				
Instruction	20,327,912	50.4%	19,545,057	49.5%
Pupil & instructional services	4,800,528	11.9%	5,179,356	13.1%
Building and general administration	2,831,551	7.0%	2,696,887	6.8%
Business administration and central services	8,974,747	22.3%	8,612,258	21.8%
Transportation	1,560,226	3.9%	1,487,355	3.8%
Food services	22,865	0.1%	40,205	0.1%
Debt service and other support services	1,457,651	3.6%	1,549,964	3.9%
Community services	65,479	0.2%	42,568	0.1%
Other	272,804	0.7%	345,206	0.9%
Total Expenses	40,313,763	100.0%	39,498,856	100.0%

The cost of all governmental activities this year was \$46,799,447. Individuals who directly participated or benefited from a program offering paid for \$2,369,394 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$4,116,290. The net cost of governmental activities \$40,313,763 was financed by general revenues of the District including in \$24,348,435 property taxes, \$17,277,339 state formula aid, and \$522,113 other.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

Financial Aspects of the District's Funds

- The general fund had a total increase in fund balance of \$114,622 and as of June 30, 2018 has a balance of \$19,064,609. The unassigned fund balance decreased by \$853,863. Assigned fund balance increased by \$958,634. Restricted fund balance increased by \$47,791. Non-spendable fund balance decreased by \$37,940.
- The debt service fund had a decrease to fund balance of \$196,618 and as of June 30, 2018 has a balance of \$1,926,111.
- The capital improvement trust fund had an increase to fund balance of \$962,290 and as of June 30, 2018 has a balance of \$3,285,812.
- The food service fund balance for 2017-18 showed a decrease of \$10,883 and as of June 30, 2018 has a balance of \$380,024.
- The OPEB (Other Post Employee Benefits) Liability fund balance decreased by \$138,647 and as of June 30, 2018 has a balance of \$3,723,032.
- The private purpose trust fund which holds scholarship balances decreased by \$6,482 and as of June 30, 2018 has a balance of \$366,681.

General Fund Budgetary Highlights

Consistent with current state statutes and regulations an *original* budget is adopted in October following determination of official enrollment and certification of states aids. Generally, the original budget is not significantly modified. The District modified its original budget in 2017-18 to reflect:

- The General Fund revenue budget saw an increase of \$204,836. The Special Education revenue budget increased by \$237,216.
- The General Fund expenditure budget saw an increase of \$351,958. The Special Education expenditure budget increased by \$147,099.
- The rest of the funds budgets, fund 21, 39, 41, 46, 49, 50, 80, 72, 73, 96, and 97, revenue and expenditures budgets were not changed and remained at the original budget.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

Capital Assets

At the end of fiscal year 2018, the District had invested \$112,314,683 in capital assets; including buildings, sites and equipment (see Table 4). Total accumulated depreciation on assets was \$28,140,415. Asset acquisitions for governmental activities totaled \$3,875,653. The District recognized depreciation expense of \$1,902,959 for the year. (Detailed information about capital assets can be found in Note 6 to the financial statements.)

Table 4
Capital Assets
(Net of depreciation)

	2018	2017
Land	\$ 8,119,382	\$ 8,143,382
Buildings	96,179,932	62,383,914
Land improvements	2,532,214	2,173,350
Equipment and vehicles	5,424,008	7,625,973
Construction in progress	59,147	32,677,655
Accumulated depreciation	(28,140,415)	(29,110,580)
Net capital assets	\$84,174,268	\$83,893,694

Long-term Liabilities

At year-end the District had \$42,340,000 in general obligation bonds and other long-term debt outstanding. Payments were made for a total of \$2,475,000 to general obligations debt. The District issued new capital lease for \$155,763. Detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table 6
Outstanding Long-term Obligations

	2018	2017
General Obligation Bonds/Notes	\$ 42,340,000	\$ 44,815,000
Compensated Absences*	3,515,133	3,547,419
Capital Lease	134,187	-
Premium/Discount on Debt	2,266,570	2,424,240
Net Long Term Liabilities	\$ 48,255,890	\$ 50,786,659

**The 2017 balance was restated. See Note No. 11 for additional information.*

General Obligation Bonds of the District are secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT DISCUSSION & ANALYSIS
June 30, 2018

Factors Bearing on the District's Future

Currently known circumstances that will impact the District's financial status in the future are:

- The referendum projects of 2015 final billings are anticipated to be finished in October 2018.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, Kathleen Davis, Director of Business & Auxiliary Services, DeForest Area School District, 520 East Holum Street, DeForest, Wisconsin.

BASIC FINANCIAL STATEMENTS

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF NET POSITION
June 30, 2018**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 17,097,726
Restricted Cash and Investments	6,508,571
Receivables:	
Taxes	5,567,415
Accounts	136,250
Prepaid Expenses	22,297
Due from Other Governments	2,014,483
Inventories	18,924
Total Current Assets	31,365,666
Noncurrent Assets:	
Land	8,119,382
Work in Progress	59,147
Land Improvements	2,532,214
Buildings and Building Improvements	96,179,932
Equipment and Vehicles	5,424,008
Less: Accumulated Depreciation	(28,140,415)
Net Capital Assets	84,174,268
Restricted Assets:	
Net Pension Asset	4,251,834
Net OPEB Asset	361,578
Total Restricted Assets	4,613,412
Total Assets	120,153,346
DEFERRED OUTFLOWS OF RESOURCES	
Deferred OPEB Outflows	614,626
Deferred OPEB Outflows - Group Life Insurance Plan	189,429
Deferred Pension Outflows	7,168,184
Total Deferred Outflows of Resources	7,972,239
Total Assets and Deferred Outflows of Resources	\$ 128,125,585
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 443,505
Accrued Liabilities:	
Payroll and Related Items	3,005,601
Interest	363,984
Due to fiduciary funds	243,767
Food Service Deposits	41,526
Current Portion of Long-Term Obligations	3,574,697
Total Current Liabilities	7,673,080
Noncurrent Liabilities:	
Noncurrent Portion of Long-Term Obligations	44,681,193
OPEB Liability - Group Life Insurance Plan	1,266,856
Total Noncurrent Liabilities	45,948,049
Total Liabilities	53,621,129
DEFERRED INFLOWS OF RESOURCES	
Deferred OPEB Inflows	67,481
Deferred OPEB Inflows - Group Life Insurance Plan	17,850
Deferred Pension Inflows	8,380,975
Total Deferred Inflows of Resources	8,466,306
NET POSITION	
Net Investment in Capital Assets	39,567,698
Restricted	8,574,047
Unrestricted	17,896,405
Total Net Position	66,038,150
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 128,125,585

See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Instruction				
Regular Instruction	\$ 15,949,757	\$ 1,048,592	\$ 608,408	\$ (14,292,757)
Vocational Instruction	1,129,671	-	18,092	(1,111,579)
Special Education Instruction	5,279,253	18,235	2,263,202	(2,997,816)
Other Instruction	2,170,485	179,911	64,814	(1,925,760)
Total Instruction	<u>24,529,166</u>	<u>1,246,738</u>	<u>2,954,516</u>	<u>(20,327,912)</u>
Support Services				
Pupil Services	2,201,247	2,890	165,837	(2,032,520)
Instructional Staff Services	3,111,035	-	343,027	(2,768,008)
General Administration Services	846,966	-	-	(846,966)
Building Administration Services	1,984,585	-	-	(1,984,585)
Business Administration	2,034,287	-	-	(2,034,287)
Operation and Maintenance	5,083,238	-	3,398	(5,079,840)
Pupil Transportation	1,695,147	45,331	89,590	(1,560,226)
Central Services	1,890,655	-	30,035	(1,860,620)
Insurance	272,804	-	-	(272,804)
Interest and Fiscal Charges on Debt	1,347,510	-	-	(1,347,510)
Other Support Services	110,141	-	-	(110,141)
Food Services	1,545,579	992,827	529,887	(22,865)
Community Services	147,087	81,608	-	(65,479)
Total Support Services	<u>22,270,281</u>	<u>1,122,656</u>	<u>1,161,774</u>	<u>(19,985,851)</u>
Total Governmental Activities	<u>\$ 46,799,447</u>	<u>\$ 2,369,394</u>	<u>\$ 4,116,290</u>	<u>(40,313,763)</u>

General revenues:

Taxes:	
Property Taxes, Levied for General Purposes	20,542,761
Property Taxes, Levied for Debt Service	3,755,674
Property Taxes, Levied for Community Services	50,000
Federal and State Aid not Restricted to Specific Purpose	
General	17,277,339
Interest and Investment Earnings	216,007
Miscellaneous	306,106
Total General Revenues	<u>42,147,887</u>
Special Item- Gain (Loss) on Disposal of Fixed Assets	<u>(1,692,120)</u>
Change in Net Position	142,004
Net Position - Beginning, Restated (See Note 11)	65,896,146
Net Position - Ending	<u>\$ 66,038,150</u>

See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018**

	<u>General Fund</u>	<u>Capital Improvement Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 16,460,112	\$ -	\$ 637,614	\$ 17,097,726
Restricted Cash and Investments	-	2,329,882	4,178,689	6,508,571
Receivables:				
Taxes	5,017,415	-	550,000	5,567,415
Accounts	110,866	-	25,384	136,250
Due from Other Funds	17,883	955,930	-	973,813
Due from Other Governments	2,013,990	-	493	2,014,483
Inventory	-	-	18,924	18,924
Prepaid Expenses	22,297	-	-	22,297
TOTAL ASSETS	<u><u>\$ 23,642,563</u></u>	<u><u>\$ 3,285,812</u></u>	<u><u>\$ 5,411,104</u></u>	<u><u>\$ 32,339,479</u></u>
LIABILITIES				
Accounts Payable	\$ 385,833	\$ -	\$ 57,672	\$ 443,505
Accrued Salaries and Wages	2,374,688	-	7,529	2,382,217
Payroll Taxes and Withholdings	622,767	-	617	623,384
Due to Fiduciary Funds	238,736	-	5,031	243,767
Due to Other Funds	955,930	-	17,883	973,813
Food Service Deposits	-	-	41,526	41,526
Total Liabilities	<u><u>4,577,954</u></u>	<u><u>-</u></u>	<u><u>130,258</u></u>	<u><u>4,708,212</u></u>
FUND BALANCES				
Nonspendable	22,297	-	18,924	41,221
Restricted	77,273	3,285,812	5,261,922	8,625,007
Assigned	1,177,825	-	-	1,177,825
Unassigned	17,787,214	-	-	17,787,214
Total Fund Balances	<u><u>19,064,609</u></u>	<u><u>3,285,812</u></u>	<u><u>5,280,846</u></u>	<u><u>27,631,267</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 23,642,563</u></u>	<u><u>\$ 3,285,812</u></u>	<u><u>\$ 5,411,104</u></u>	<u><u>\$ 32,339,479</u></u>

See accompanying notes to the basic financial statements

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

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

June 30, 2018

Total fund balance, governmental funds	\$ 27,631,267
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities in the Statement of Net Position.	84,174,268
The net pension asset and OPEB asset are not current financial resources, and are therefore not reported in the fund statements.	4,613,412
Pension and OPEB deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined pension plan and OPEB plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not current financial resources or obligations and therefore are not reported in the fund statements.	
Net deferred outflows and inflows of resources	(494,067)
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
General Obligation Debt	(42,340,000)
Capital Leases Payable	(134,187)
Net OPEB Liability - Group Life Insurance Plan	(1,266,856)
Unamortized Premium on Debt	(2,266,570)
Accrued interest on long-term debt	(363,984)
Compensated Absences	(3,515,133)
Net Position of Governmental Activities in the Statement of Net Position	\$ 66,038,150

See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

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

	<u>General Fund</u>	<u>Capital Improvement Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 20,042,761	\$ -	\$ 4,305,674	\$ 24,348,435
Other Local Sources	486,537	6,360	1,717,227	2,210,124
Interdistrict Sources	972,520	-	3,634	976,154
State Sources	18,946,151	-	21,763	18,967,914
Federal Sources	1,320,230	-	508,124	1,828,354
Other Sources	300,405	-	2,186	302,591
	<u>42,068,604</u>	<u>6,360</u>	<u>6,558,608</u>	<u>48,633,572</u>
EXPENDITURES				
Instruction:				
Regular Instruction	15,641,929	-	123,393	15,765,322
Vocational Instruction	1,169,667	-	995	1,170,662
Special Instruction	5,216,112	-	-	5,216,112
Other Instruction	1,731,802	-	456,439	2,188,241
Total Instruction	<u>23,759,510</u>	<u>-</u>	<u>580,827</u>	<u>24,340,337</u>
Support Services:				
Pupil Services	2,195,489	-	382	2,195,871
Instructional Staff Services	3,091,631	-	-	3,091,631
General Administration Services	826,587	-	1,372	827,959
Building Administration Services	1,963,190	-	1,902	1,965,092
Business Administration	706,842	-	-	706,842
Operation and Maintenance	4,533,892	-	3,710,314	8,244,206
Pupil Transportation	1,655,178	-	32,841	1,688,019
Central Services	1,832,105	-	1,558	1,833,663
Insurance	272,804	-	-	272,804
Food Services	-	-	1,511,995	1,511,995
Community Services	-	-	143,964	143,964
Principal and Interest	33,707	-	3,980,424	4,014,131
Other Support Services	293,968	-	3,839	297,807
Total Support Services	<u>17,405,393</u>	<u>-</u>	<u>9,388,591</u>	<u>26,793,984</u>
Total Expenditures	<u>41,164,903</u>	<u>-</u>	<u>9,969,418</u>	<u>51,134,321</u>
Excess (Deficiency) of Revenues over Expenditures	<u>903,701</u>	<u>6,360</u>	<u>(3,410,810)</u>	<u>(2,500,749)</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	155,763	-	-	155,763
Transfer In	15,820	955,930	4,732	976,482
Transfer Out	(960,662)	-	(15,820)	(976,482)
Total Other Financing Sources (Uses)	<u>(789,079)</u>	<u>955,930</u>	<u>(11,088)</u>	<u>155,763</u>
Net Change in Fund Balances	114,622	962,290	(3,421,898)	(2,344,986)
FUND BALANCE - BEGINNING	<u>18,949,987</u>	<u>2,323,522</u>	<u>8,702,744</u>	<u>29,976,253</u>
FUND BALANCE - ENDING	<u>\$ 19,064,609</u>	<u>\$ 3,285,812</u>	<u>\$ 5,280,846</u>	<u>\$ 27,631,267</u>

See accompanying notes to the basic financial statements

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**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: \$ (2,344,986)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays \$3,875,653 were more than depreciation (\$1,902,959) in the current period. 1,972,694

Vested employee benefits and OPEB are reported in the government funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year.

Net (increase) decrease in net OPEB liability (asset), deferred outflows and deferred inflows	302,795
Net (increase) decrease in compensated absences	32,286
Net (increase) decrease in OPEB liability, deferred outflows and deferred inflows - group life insurance plan	(134,925)

The Statement of Activities reports losses arising from the disposal of capital assets. Losses on disposal do not appear in the governmental funds. This is the amount of loss on disposal of current year capital assets. (1,692,120)

Proceeds from issuing long-term capital leases are reported as revenue in the governmental funds but increase long-term liabilities in the statement of net position. (155,763)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Position and does not affect the Statement of Activities.

The amount of long-term debt principal payments in the current year is:	2,475,000
The amount of capital lease principal payments in the current year is:	21,576

Governmental funds report the effect of premiums when debt is first issued. However, the premium on long-term debt is shown as a liability in the Statement of Net Position and is amortized. 157,670

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the Statement of Activities interest is reported as incurred.

Change in amount of accrued interest not reflected on Governmental Funds	12,371
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Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.

Amount of current year required contributions into the defined benefit pension plan	1,488,865
Actuarially determined change in net pension asset between years, with some adjustments	(1,993,459)

Change in net position of governmental activities	\$ 142,004
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See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018**

	<u>Private Purpose Trust Fund</u>			<u>Agency Funds</u>
	<u>Scholarship Fund</u>	<u>Other Post- Employment Benefit Trust</u>	<u>Total</u>	<u>Pupil Activity Fund</u>
ASSETS				
Cash and Investments	\$ 366,681	\$ 3,479,265	\$ 3,845,946	\$ 122,990
Accounts Receivable	-	-	-	927
Due from Other Funds	-	448,602	448,602	-
TOTAL ASSETS	<u>\$ 366,681</u>	<u>\$ 3,927,867</u>	<u>\$ 4,294,548</u>	<u>\$ 123,917</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 12,899
Due to Other Funds	-	204,835	204,835	-
Due to Student Organizations	-	-	-	111,018
Total Liabilities	<u>-</u>	<u>204,835</u>	<u>204,835</u>	<u>123,917</u>
NET POSITION				
Restricted	366,681	3,723,032	4,089,713	-
Total Net Position	<u>366,681</u>	<u>3,723,032</u>	<u>4,089,713</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 366,681</u>	<u>\$ 3,927,867</u>	<u>\$ 4,294,548</u>	<u>\$ 123,917</u>

See accompanying notes to the basic financial statements

DEFOREST AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUNDS
For the Year Ended June 30, 2018

	<u>Private Purpose Trust Fund</u>	<u>Other Post- Employment Benefit Trust</u>	<u>Total</u>
	<u>Scholarship Fund</u>		
ADDITIONS			
Employer Contributions	\$ -	\$ 487,618	\$ 487,618
Employee Contributions	-	26,789	26,789
Other Contributions	11,209	50,000	61,209
Interest and Dividends	3,859	32,300	36,159
TOTAL ADDITIONS	<u>15,068</u>	<u>596,707</u>	<u>611,775</u>
DEDUCTIONS			
Scholarship Payments	21,550	-	21,550
Benefit Payments	-	735,354	735,354
TOTAL DEDUCTIONS	<u>21,550</u>	<u>735,354</u>	<u>756,904</u>
Change in Net Position	(6,482)	(138,647)	(145,129)
NET POSITION - BEGINNING	373,163	3,861,679	4,234,842
NET POSITION - ENDING	<u>\$ 366,681</u>	<u>\$ 3,723,032</u>	<u>\$ 4,089,713</u>

See accompanying notes to the basic financial statements

NOTES TO FINANCIAL STATEMENTS

DEFOREST AREA SCHOOL DISTRICT
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June 30, 2018

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**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies

The accounting policies of the DeForest Area School District (“District”) conform to generally accepted accounting principles 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: (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

B. District-Wide and Fund Financial Statements

District-wide Statements:

The Statement of Net Position and Statement of Activities present financial information about the District as a whole. These statements include the financial activities of the overall government in its entirety, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular 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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

B. District-Wide and Fund Financial Statements (Continued)

Fund Financial Statements:

Financial statements of the reporting entity 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 equity, revenues, and expenditures. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Funds are organized as major funds or nonmajor funds within the governmental fund 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

The District reports the following major governmental funds:

General Fund - Accounts for the District's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund. The Special Education Fund, a subset of the General Fund, accounts for resources legally restricted to supporting expenditures for the special education program as required by the Wisconsin Department of Public Instruction.

Capital Improvement Trust Fund - Accounts for the District's capital expenditures identified in the approved long-term capital improvement plan after the initial 5-year wait period after the fund is created.

The District reports the following non-major governmental funds:

Special Revenue Funds - Used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or assigned to expenditures for specified purposes:

- Donations/Gifts
- Food Service
- Community Service
- Packaged Services

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

B. District-Wide and Fund Financial Statements (Continued)

Capital Projects Funds - These funds account for the resources restricted for specific capital projects:

Capital Expansion Fund
Capital Projects Fund

Debt Service Funds- Used to account for the accumulation of resources for, and the payment of, general long-term debt principal (nonreferendum and referendum), interest, and related costs.

In addition, the District reports the following fund types:

Private Purpose Trust Funds - Used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Post-Employment Benefit Trust Fund - This trust is used to report resources that are required to be held in trust for the members and beneficiaries of the District's other post-employment benefit plan.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements:

The district-wide and fiduciary fund financial statements 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, regardless of when the related cash transaction takes place. 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 revenue 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. As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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. Measurable means the amount of the transaction can be determined and 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 principal and 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. Interest cost on temporary borrowing is recognized as an expenditure of the fiscal period incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables.

Property taxes are recognized in the fiscal year levied. Property taxes are collected by local taxing districts until January 31. Real estate tax collections after that date are made by the county, which assumes all responsibility for delinquent real estate taxes. Full receipt of the entire levy is assured within 60 days of the District's fiscal year-end.

The aggregate amount of property taxes to be levied for District purposes is determined according to 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. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar- 2018 tax roll:

Lien date and levy date	October 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
Tax deed- 2018 delinquent real estate taxes	October 2020

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

State general and categorical aids, federal impact aid, and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure driven grant programs, public charges for services, and investment income.

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

The District reports unearned revenues on its governmental funds balance sheet. For governmental fund financial statements, unearned revenues arise resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the deferred inflows for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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. Deposits and Investments

The District's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The District has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the District's individual major funds, and in the aggregate for non-major and agency funds.

See footnote 3 for additional information.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

E. Receivables and Payables

Taxes

The aggregate District tax levy is apportioned and certified during the current fiscal year for collection to comprising municipalities based on the immediate past August 15 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31.

On or before January 15 and February 15, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Interfunds

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Accounts Receivable

All accounts receivable are shown as gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance is not material.

F. Other Assets

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as an expenditure would result in more than one year's cost being recorded. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

District-Wide Statements

Capital assets, which include property, plant, and equipment, are reported in the districtwide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$5,000 for general capital assets 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 fair value at the date of donation. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Estimated Useful Life</u>
Land Improvements	10-20 years
Buildings	25-50 years
Equipment and Vehicles	5-20 years

Fund Financial Statements

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

H. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as a liability in the district-wide statements. The long-term obligations consist primarily of notes, bonds or loans payable, capital leases, and accrued compensated absences. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premiums) is 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 effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year-end for premiums/discounts is shown as an increase or decrease in the liability section of the Statement of Net Position. Gains or losses on refunding are reported as deferred inflows of resources or deferred outflows of resources, respectively.

I. Vested Employee Benefits

Termination Benefit

The District is providing certain employees with negotiated termination benefits upon separation from the District. No termination benefits paid during the year and no remaining benefit accrued in the government-wide financial statements.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

I. Vested Employee Benefits (Continued)

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits expected to be paid are considered vested and are disclosed in these statements.

The District's policy allows administrators to earn varying amounts of sick leave for each year employed. Accrued sick leave will be lost upon separation.

The District's policy allows teachers to earn varying amounts of sick leave for each year employed. Upon retirement these employees are entitled to convert the unused sick leave at 90% of their per diem rate at retirement to pay for health insurance until the vested amount is exhausted. The amount considered vested at June 30, 2018 is \$1,259,411 for retirees and \$1,988,274 for currently active teachers.

The District's policy allows support staff to earn varying amounts of sick leave for each year employed. Upon retirement, these employees are entitled to a payout of unused sick leave. The amount considered vested at June 30, 2018 is \$188,645.

In certain circumstances, the District's policy allows employees to carryover up to 40 hours of vacation into the next year. The amount considered vested at June 30, 2018 is \$78,804.

All vested vacation and sick leave pay is accrued when incurred in the district-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2018 are determined on the basis of current salary rates and include salary related payments.

Other Postemployment Benefits

As provided in applicable negotiated contracts, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits directly from the District. Employees that choose not to participate in the medical plan during their retirement will instead receive a cash benefit in lieu of such coverage. See Note 10 for additional information.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

I. Vested Employee Benefits (Continued)

Other Postemployment Benefits – Group Life Insurance Plan

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

J. Pensions

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

K. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The District has three items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District has three items that qualify for reporting in this category.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

L. 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 bond 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 the use either by: 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net positions that do not meet their definition of "restricted" or "invested in capital assets, net of related debt."

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

Fund Statements

In the governmental fund financial statements, governmental funds report *nonspendable* fund balance for amounts that cannot be spent because they are either:

- a. Not in spendable form; or
- b. Legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District board.

Assigned fund balance is reported for amounts that are constrained by the District management's intent to be used for specific purposes, but is neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund.

When committed, assigned, and unassigned amounts are available for use, it is the District's policy to use committed resources first, then assigned resources, then unassigned resources as they are needed.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

1. Summary of Significant Accounting Policies (Continued)

L. Equity Classifications (Continued)

Fiduciary fund equity is classified as held in trust for scholarships or retiree health benefits. Various donor restrictions apply, including authorizing and spending trust income, and the District believes it is in compliance with all significant restrictions.

M. Claims and Judgements

Claims and judgments are recorded as liabilities if all the conditions of GASB pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

N. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences Between Governmental Funds Statement of Revenues, Expenditures And Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities fall into one of four broad categories:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- c. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
- d. Payments to retired employees for post-employment benefits are recorded when paid in the fund financial statements. Expenses are recorded in the Statement of Activities when incurred. Payments to retired employees reduce the post-employment liabilities.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

3. Deposits and Investments

Investments Authorized by Wisconsin Statutes

Investment of District funds is restricted by State Statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank, or trust company authorized to transact business in the state.
- 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, or by the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- 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. The investment policy does not address the following risks:

- Custodial Credit Risk
- Credit Risk
- Interest Rate Risk
- Concentration of Credit Risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. 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 funds is allocated to the General Fund. Amounts allocated to the General Fund but earned by other funds are not material.

The Wisconsin Investment Series Cooperative is an investment pool established by an intergovernmental agreement. The pool invests in investments legally permissible under Wisconsin law.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

3. Deposits and Investments (Continued)

For all the District's cash and investments shown below, the market value at the balance sheet date is substantially the same as the fair value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the District's deposits were higher than the June 30, 2018 balances, detailed below. This means that the District's risk and exposure could be higher at these times.

	Carrying Value	Fair Value	Associated Risks
Petty Cash	\$ 1,655	\$ 1,655	N/A
Deposits	12,607,217	12,653,097	Custodial Credit Risk
Investments			
Local Government Investment Pool	2,905,143	2,905,143	Credit/Interest Rate
WISC Investment Series	22,865	22,865	Credit
Certificates of Deposit	11,877,699	11,877,699	Custodial Credit/Interest Rate
Mutual Fund	26,074	26,074	Credit
Stock	134,580	135,660	N/A
Total June 30, 2018	<u>\$ 27,575,233</u>	<u>\$ 27,622,193</u>	

A reconciliation of cash and investments as shown on the statements is as follows:

Statement of Net Position	
Cash and Investments	\$ 17,097,726
Restricted Cash and Investments	6,508,571
Statement of Fiduciary Net Position	
Trust funds	3,845,946
Agency fund	<u>122,990</u>
Total Cash and Investments	<u>\$ 27,575,233</u>

Restricted cash in the amount of \$1,926,111 in the Debt Service funds and \$4,582,460 in the Capital Projects funds include amounts set aside for future payment of G.O. debt and capital project expenditures. The restricted cash to pay for these requirements is offset in the restricted fund balance of the respected funds.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

3. Deposits and Investments (Continued)

The Wisconsin Local Government Investment Pool (“LGIP”) is part of the State Investment Fund (“SIF”), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool’s investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 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. Information on derivatives was not available to the District.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers’ Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the local government investment pool as of June 30, 2018 was: 94.65% in U.S. Government Securities, 3.85% in Commercial Paper and Corporate Notes, and 1.50% in Certificates of Deposit, Bankers’ Acceptances and Time Deposits. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity. The LGIP investments have an average maturity of 20 days.

<u>Investment Type</u>	Investment Maturities			
	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6 Months to 1 Year</u>	<u>1 Year to 5 Years</u>
Certificates of Deposit	\$ 11,877,699	\$ 9,753,855	\$ 2,064,389	\$ 59,455
Local Government Investment Pool	2,905,143	2,905,143	-	-
Total	<u>\$ 14,782,842</u>	<u>\$ 12,658,998</u>	<u>\$ 2,064,389</u>	<u>\$ 59,455</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

3. Deposits and Investments (Continued)

Credit Risk

Generally, Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. As of June 30, 2018, the District's investments were rated as follows:

Investment Type	Fair Value	Composite
Mutual Fund - Columbia Total Return Bond CL A	\$ 26,074	Morningstar Rating-4 stars
WISC Investment Series	22,865	S&P Global Ratings-AAAm
Local Government Investment Pool	<u>2,905,143</u>	Not Rated
Total fair value of investments subject to credit risk	<u>\$ 2,954,082</u>	

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of its investment of collateral securities that are in the possession of another party. Wisconsin Statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. Due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities.

As of June 30, 2018, the District's deposits with financial institutions in excess of federal and state deposit insurance were exposed to custodial credit risk as follows:

Insured by FHLB with a letter of credit	\$ 8,077,169
Uninsured and Uncollateralized	<u>1,833,646</u>
Total	<u>\$ 9,910,815</u>

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances exceeding uninsured amounts at the balance sheet date.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

4. Fair Value Measurement

Financial assets required to be measured on a recurring basis are classified under a three-tier hierarchy for fair value investments. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurements date.

The District uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the District’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The District uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

Assets at Fair Value as of June 30, 2018				
	Fair Value	Level 1	Level 2	Level 3
Mutual Fund	\$ 26,074	\$ -	\$ 26,074	\$ -
Stock	135,660	-	-	135,660
Totals	\$ 161,734	\$ -	\$ 26,074	\$ 135,660

Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Stock classified in Level 3, due to lack of an independent pricing source, are valued by the investment manager.

5. Receivables and Customer Deposits

All receivables of the District are expected to be collected within one year. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported deposits of \$41,526 for food service payment card balances.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

6. Capital Assets

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

	Beginning Balance	Additions	Deletions	Adjustment*	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 8,143,382	\$ -	\$ -	\$ (24,000)	\$ 8,119,382
Construction in progress	32,677,655	2,864,591	35,483,099	-	59,147
Total capital assets not being depreciated	<u>40,821,037</u>	<u>2,864,591</u>	<u>35,483,099</u>	<u>(24,000)</u>	<u>8,178,529</u>
Capital assets being depreciated					
Land improvements	2,173,350	299,227	81,621	141,258	2,532,214
Buildings	62,383,914	35,523,964	1,824,823	96,877	96,179,932
Equipment and vehicles	7,625,973	670,970	2,415,728	(457,207)	5,424,008
Total capital assets being depreciated	<u>72,183,237</u>	<u>36,494,161</u>	<u>4,322,172</u>	<u>(219,072)</u>	<u>104,136,154</u>
Accumulated depreciation					
Land improvements	(1,723,296)	(52,141)	(63,292)	(5,756)	(1,717,901)
Buildings	(22,546,353)	(1,555,815)	(1,033,299)	(123,148)	(23,192,017)
Equipment and vehicles	(4,840,931)	(295,003)	(1,742,920)	162,517	(3,230,497)
Total accumulated depreciation	<u>(29,110,580)</u>	<u>(1,902,959)</u>	<u>(2,839,511)</u>	<u>33,613</u>	<u>(28,140,415)</u>
Capital assets being depreciated, net of accumulated depreciation	<u>43,072,657</u>	<u>34,591,202</u>	<u>1,482,661</u>	<u>(185,459)</u>	<u>75,995,739</u>
Total capital assets, net of depreciation	<u>\$ 83,893,694</u>	<u>\$ 37,455,793</u>	<u>\$ 36,965,760</u>	<u>\$ (209,459)</u>	<u>\$ 84,174,268</u>

*Adjustment is made to reclassify the capital assets among different categories and to agree with the capital assets record maintained by the District.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

6. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Instruction		
Regular	\$	13,169
Vocational		4,419
Other instruction		26,116
Support services		
Pupil services		2,588
Instructional support services		2,067
General administration services		526
Business administration		1,495,804
Operations and maintenance of plant services		277,974
Pupil transportation services		7,129
Central services		51,438
Food service		5,858
Other support service		14,278
Community services		1,593
		<u>1,902,959</u>
Total depreciation expense	\$	<u>1,902,959</u>

7. Long-Term Obligations

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

<u>General Obligation Debt</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
G.O. Bonds	\$ 42,930,000	\$ -	\$ 2,475,000	\$ 40,455,000	\$ 2,535,000
G.O. Notes	1,885,000	-	-	1,885,000	-
Total governmental activity long-term liabilities	44,815,000	-	2,475,000	42,340,000	2,535,000
Deferred amounts for premium	2,424,240	-	157,670	2,266,570	157,670
Capital Leases	-	155,763	21,576	134,187	26,767
Compensated Absences*	3,547,419	-	32,286	3,515,133	855,260
Total Long-Term Obligations	<u>\$ 50,786,659</u>	<u>\$ 155,763</u>	<u>\$ 2,686,532</u>	<u>\$ 48,255,890</u>	<u>\$ 3,574,697</u>

*The beginning balance has been restated. See Note No. 11 for additional information.

The compensated absences liability is typically being liquidated in the general fund.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

7. Long-Term Obligations (Continued)

General Obligation Debt

Total interest paid and accrued during the year:

	Expense	Paid
Long Term Debt	\$ 1,527,362	\$ 1,505,424

All general obligation bonds and notes payable are backed by the full faith and credit and unlimited taxing powers of the District. Notes and bonds in the governmental funds will be retired by future property tax levies of the Debt Service Fund. General Obligation Debt at June 30, 2018 is comprised of the following individual issues:

Description	Issue Dates	Interest Rate %	Dates of Maturity	Original Indebtedness	Balance 6/30/2018	Amount Due Within One Year
GO Refunding Bonds	1/7/2014	2.0%	4/1/2020	\$ 7,940,000	\$ 5,130,000	\$ 2,535,000
GO School Improvement Bonds	6/17/2015	3.375-5.0%	4/1/2035	26,000,000	25,325,000	-
GO School Improvement Bonds	4/4/2016	2.0-3.0%	4/1/2036	10,000,000	10,000,000	-
GO Promissory Note	1/4/2017	1.99%	4/1/2021	5,000,000	1,885,000	-
Total General Obligation Debt					\$ 42,340,000	\$ 2,535,000

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,504,226,488. The legal debt limit and margin of indebtedness as of June 30, 2018, in accordance with §67.03(1)(b) of the Wisconsin statutes follows:

Debt Limit (10% of \$2,504,226,488)	\$ 250,422,649
Deduct long-term debt applicable to debt margin	42,340,000
Margin of indebtedness	\$ 208,082,649

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2018 are as follows:

Year Ended June 30,	Principal	Interest
2019	\$ 2,535,000	\$ 1,455,924
2020	2,595,000	1,405,224
2021	1,885,000	1,353,324
2022	1,690,000	1,315,812
2023	1,890,000	1,282,012
2024-2028	10,175,000	5,601,362
2029-2033	12,690,000	3,109,113
2034-2036	8,880,000	579,126
Totals	\$ 42,340,000	\$ 16,101,897

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

7. Long-Term Obligations (Continued)

Capital Leases

In September 2017, the District entered into a capital lease agreement for the purpose of facilitating the acquisition of equipment. Equipment capitalized with leases has an original cost of \$155,763 and accumulated depreciation of \$14,278. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

Year Ended June 30,		
2019	\$	40,449
2020		40,448
2021		40,448
2022		40,449
2023		<u>6,742</u>
Total minimum lease payments		<u>168,536</u>
Less: Amount representing interest		<u>34,349</u>
Present value of net minimum lease payments	\$	<u><u>134,187</u></u>

8. Defined Benefit Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

8. Defined Benefit Pension Plan (Continued)

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

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

The WRS also provides death and disability benefits for employees.

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4.0

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

8. Defined Benefit Pension Plan (Continued)

During the reporting period, the WRS recognized \$1,488,865 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

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

Pension Liabilities, 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 \$4,251,834 for its proportionate share of the net pension asset. The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (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 liability (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 0.14320191%, which was an increase of 0.00249491% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,849,513.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,402,062	\$ (2,526,905)
Changes of assumptions	840,079	-
Net difference between projected and actual earnings on pension plan investments	-	(5,843,751)
Changes in proportion and difference between District contributions and proportionate share of contributions	18,812	(10,319)
District contributions subsequent to the measurement date	907,231	-
Total	<u>\$ 7,168,184</u>	<u>\$ (8,380,975)</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

8. Defined Benefit Pension Plan (Continued)

\$907,231 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (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:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 465,215
2020	(31,464)
2021	(1,458,629)
2022	(1,105,329)
2023	10,185
	\$ (2,120,022)

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 Liability (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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

8. Defined Benefit Pension Plan (Continued)

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

Asset Allocation Targets and Expected Returns
As of December 31, 2017

Core Fund Asset Class	Asset Allocation %	Lon-Term Expected Nominal Rate of Return %	Lon-Term Expected Real Rate of Return %
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
Variable Fund Asset Class			
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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

8. Defined Benefit Pension Plan (Continued)

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)	\$ 11,000,947	\$ (4,251,834)	\$ (15,844,421)

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

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan

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

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

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

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

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

Contribution rates as of June 30, 2018 are:

Coverage Type	Employer Contribution
25% Post Retirement Coverage	20% of employee contribution

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

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

Life Insurance	
Employee Contribution Rates	
For the year ended December 31, 2017	
<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$7,996 in contribution from the employer.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2018, the District reported a liability of \$1,266,856 for its proportionate share of the net OPEB liability. The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (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 OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.42108100%, which was an increase of 0.003428% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$135,161.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (17,850)
Changes of assumptions	122,419	-
Net differences between projected and actual earnings on OPEB plan investments	14,587	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,217	-
Employer contributions subsequent to the measurement date	45,206	-
Totals	\$ 189,429	\$ (17,850)

\$45,206 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Net Outflows (Inflows) of Resources
Year ended June 30:	
2019	\$ 20,766
2020	20,766
2021	20,766
2022	20,766
2023	17,120
Thereafter	26,188
Total	\$ 126,373

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

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

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Net OPEB Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	3.44%
Long-Term Expected Rated of Return:	5.00%
Discount Rate:	3.63%
Salary Increases	
Inflation:	3.20%
Seniority/Merit:	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

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

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government Bonds	Barclays Government	1%	1.13%
US Credit Bonds	Barclays Credit	65%	2.61%
US Long Credit Bonds	Barclays Long Credit	3%	3.08%
US Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

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

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

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
District's proportionate share of the net OPEB liability (asset)	\$ 1,790,549	\$ 1,266,856	\$ 864,976

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

10. Post-Employment Benefits Other Than Pensions

At June 30, 2018, the District’s net OPEB liability was measured as of June 30, 2017, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

Plan Description. The District administers a single-employer defined benefit health care plan (the Retiree Health Plan). The plan provides health insurance contributions for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. There are 365 active members in the plan and 55 retired members in the plan. Benefit provisions are determined and may be amended by the Board of Education. Benefits are not negotiated through a collective bargaining agreement. The post-retirement plan does not issue stand-alone financial reports.

Funding Policy. The DeForest Area School District Post-Employment Benefits Trust was created by the District on November 8, 2008 to fund a portion of the costs of the OPEB liabilities (assets). Distributions from the Trust in any year are limited to the amount of contributions the District has made to the Trust for that year plus a portion of the investment gains of the assets of the Trust. The District has the authority to permit Trust assets to accumulate from year to year in order to reduce future District funding obligations, or the District may exercise its discretion to withdraw in any year an amount not to exceed the limitation specified above.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

10. Post-Employment Benefits Other Than Pensions (Continued)

Benefits Provided. For the DeForest Area School District, the other postemployment benefit liability consists of several interdependent pieces arising from the rules of the plan. The amounts paid by the District for continued health care for all classification that are entitled to a benefit are briefly outlined below:

Teachers: At least age 55 with a minimum of 15 years of service

Eligible retirees may use the monies resulting from unused sick leave, converted at 90% of the retiree's per diem rate at retirement, to continue coverage under the District's group medical, dental and/or life insurance plan until their exhaustion.

Teachers hired prior to July 1, 1995 may choose one of the following two options:

- **Sick Leave Conversion Benefit:** Eligible retirees may use the monies resulting from unused sick leave accumulated upon retirement, converted at 90% of the retiree's per diem rate at retirement) to continue coverage under the District's group medical, dental and/or life insurance coverage until their exhaustion.
- **Medical Insurance:** The District shall make contributions towards a retiree's medical at the exit rate. The District shall continue its contributions in this manner for a period of 5 years.

Administrators (including current Superintendent): At least age 55 with a minimum of 10 years of service

Eligible retirees will receive an annual contribution of \$25,000 into a Premium-Only HRA for a period of 3 years. The total contributions will not exceed a maximum of \$75,000.

Salaried District Specialist: At least age 55 with a minimum of 10 years of service

Eligible retirees will receive an annual contribution of \$25,000 into a Premium-Only HRA for a period of 2 years. The total contributions will not exceed a maximum of \$50,000.

Hourly District Wide Administration Support: At least age 55 with a minimum of 10 years of service

The District will make a contribution to a Premium-Only HRA on behalf of eligible retirees. The total contribution amount will be based upon \$250 per year of service in a non-district office support position and \$1,000 per year of service in a district office administrative support position. The total amount, however, will not exceed a maximum of \$20,000.

Hourly Support Staff (Effective 7/1/2017): At least age 55 with a minimum of 15 years of service

Eligible retirees will receive a one-time contribution of \$10,000 into a Premium-Only HRA. The total contribution will not exceed a maximum of \$10,000.

Note: Prorated to FTE and only for those who qualify for benefits 75% FTE.

Note: HRA funds may only be used on the District's health plan only for the duration of COBRA. Any remaining balance would be for coverage with an outside provider – may not remain on the District health plan beyond COBRA. In addition, those noted eligible for a District provided benefit may self-pay to remain on the District's health plan only for the duration of COBRA.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

10. Post-Employment Benefits Other Than Pensions (Continued)

Employees Covered by Benefit Terms. Employees participating in the OPEB benefit consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	55
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	365
	420

Net OPEB Liability (Asset). The District’s net OPEB asset of (\$361,578) was measured at June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs. The net OPEB asset in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Discount rate*	3.50 percent
Healthcare cost trend rates	7.50 decreasing by .050% per year down to 6.50%, then down by 0.10% per year down to 5.0%, and level thereafter

**Discount rate is based upon all years of projected payments discounted at a 3.50% long-term expected rate of return.*

Mortality rates were based on the RP-2000 healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2016 valuation were based on a study conducted in 2015 using the Wisconsin Retirement System (WRS) experience from 2012-2014.

Discount Rate. The discount rate used to measure the total net OPEB liability (asset) was 3.50%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability (asset). The long-term expected rate of return is equal to the discount rate.

The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement date.

Assets Allocation. The current assets allocation of the District’s OPEB plan’s asset classes as of June 30, 2018 was as follows:

- 7.8% - Money Market Account
- 92.2% - ICS Account (Insured Cash Sweep Account)

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

10. Post-Employment Benefits Other Than Pensions (Continued)

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at 6/30/2016	\$ 3,787,346	\$ 3,290,524	\$ 496,822
Changes for the year:			
Service cost	220,646	-	220,646
Interest	108,025	-	108,025
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	(74,229)	-	(74,229)
Contributions - employer	-	1,102,750	(1,102,750)
Net investment income	-	10,092	(10,092)
Benefit payments	(593,686)	(593,686)	-
Net Changes	<u>(339,244)</u>	<u>519,156</u>	<u>(858,400)</u>
Balance at 6/30/2017	<u>\$ 3,448,102</u>	<u>\$ 3,809,680</u>	<u>\$ (361,578)</u>

There were no changes in the assumptions.

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

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the net OPEB liability (asset) of the District, as well as what the District's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

		Current		
		1% Decrease	Discount Rate	1% Increase
		2.50%	3.50%	4.50%
Net OPEB Liability (Asset)	6/30/2017	<u>\$ (212,511)</u>	<u>\$ (361,578)</u>	<u>\$ (507,837)</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

10. Post-Employment Benefits Other Than Pensions (Continued)

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

		1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB Liability (Asset)	6/30/2017	<u>\$ (488,580)</u>	<u>\$ (361,578)</u>	<u>\$ (229,387)</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2018, the District recognized OPEB expense of \$234,823. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

<u>Gain / Loss</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ -
Changes of assumptions or other inputs	-	67,481
Net difference between projected and actual earnings on OPEB plan investments	77,008	-
District contributions subsequent to the measurement date	537,618	-
Total	<u>\$ 614,626</u>	<u>\$ 67,481</u>

\$537,618 reported as deferred outflows related to OPEB resulting from the DeForest Area School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year Ended June 30:	
2019	\$ 12,504
2020	12,504
2021	12,504
2022	12,504
2023	(6,748)
Thereafter	(33,741)
	<u>\$ 9,527</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

11. Fund Balances / Net Position

Fund Balances

The following is a detailed schedule of ending fund balances as reported in the fund financial statements by category:

Fund balances:	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<u>Nonspendable:</u>					
Prepays	\$ 22,297	\$ -	\$ 18,924	\$ -	\$ 41,221
<u>Restricted for:</u>					
Self Insurance	75,144	-	-	-	75,144
Common School Fund	2,129	-	-	-	2,129
Debt Service Retirement	-	1,926,111	-	-	1,926,111
Capital Projects	-	-	-	6,025,064	6,025,064
Food Services	-	-	361,100	-	361,100
Community Services	-	-	45,251	-	45,251
Special Revenue Trust	-	-	190,208	-	190,208
Total Restricted	<u>77,273</u>	<u>1,926,111</u>	<u>596,559</u>	<u>6,025,064</u>	<u>8,625,007</u>
<u>Assigned for:</u>					
Programs	<u>1,177,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,177,825</u>
<u>Unassigned:</u>	<u>17,787,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,787,214</u>
Total Fund Balances	<u><u>\$ 19,064,609</u></u>	<u><u>\$ 1,926,111</u></u>	<u><u>\$ 615,483</u></u>	<u><u>\$ 6,025,064</u></u>	<u><u>\$ 27,631,267</u></u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

11. Fund Balances / Net Position (Continued)

Net Position

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

Capital Assets Net of Depreciation	\$ 84,174,268
Less: Related Long-term Debt Outstanding	(42,340,000)
Less: Related Long-term Debt Premium	(2,266,570)
Total Net Investment in Capital Assets	<u>39,567,698</u>
Restricted	
Capital Projects	6,025,064
Debt Service	1,562,130
Food Service	380,024
Community Service	45,251
Donations	190,208
Restricted OPEB	294,097
Common School Fund	2,129
Self-funded Insurance	75,144
Total Restricted	<u>8,574,047</u>
Unrestricted	<u>17,896,405</u>
Total Governmental Activities Net Position	<u><u>\$ 66,038,150</u></u>

Prior Period Adjustment

Prior period adjustments have been recorded to reflect the group life insurance plan OPEB liability balances as of July 1, 2017 and beginning deferred outflows of resources for District contributions to the OPEB plans, which were not reported in the Statement of Net Position.

Administrative sick leave benefits, which were reported as part of the compensated absences in the Statement of Net Position in prior years', were determined not to be a compensated absence under GASB 16 subject to accrual. Therefore, this benefit will not be part of the District's obligation and was corrected by restating the beginning net position.

Net Position - beginning, as previously reported	\$ 66,401,696
Cumulative correction of errors:	
Compensated Absences	454,802
Net OPEB Liability - group life insurance plan	(1,014,007)
Deferred Outflows of Resources - group life insurance plan	<u>53,655</u>
Net Position - beginning, as restated	<u><u>\$ 65,896,146</u></u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

12. Interfund Balances and Activity

Due to / Due from Other Funds

Interfund receivable and payable balances in the fund financial statements on June 30, 2018 are as follows:

Due To	Amount	Due From	Purpose
Private Benefit Trust Fund	\$ 238,736	General Fund	OPEB contribution
Private Benefit Trust Fund	4,597	Food Service	OPEB contribution
Private Benefit Trust Fund	434	Community Service	OPEB contribution
Capital Improvement Trust Fund	955,930	General Fund	Capital improvement projects
General Fund	16,594	Community Service	Cash shortfall
General Fund	1,289	Package Cooperative	Cash shortfall
Total-Fund Financial Statements	1,217,580		
Less: Fund Eliminations	(973,813)		
Total District-Wide Statement of Net Position	<u>\$ 243,767</u>		

Transfers

The District had the following interfund transfers:

Purpose	Receivable Fund	Payable Fund	Amount
Capital Improvement Project	Capital Improvement Trust	General Fund	\$ 955,930
Operating Transfer	General Fund	Special Revenue Trust Fund	15,820
Operating Transfer	Package Cooperative	General Fund	4,732
			<u>\$ 976,482</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

13. Self-Funded Insurance Program

The District has a self-funded dental benefit plan for its employees. The plan administrator 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.

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. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2018, the District has reported a liability of \$21,814, 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. This amount consists of claims reported to the District by the Plan administrator (\$0), claims reported to the Plan administrator but not the District (\$9,816) and claims which were not yet reported to either the Plan administrator or the District (\$11,998). The amounts not reported to the District were determined by the Plan administrator.

Change in the claims liability for the year ended June 30, 2018 is as follows:

	Year Ended June 30, 2018	Year Ended June 30, 2017
Estimated claims outstanding July 1	\$ 19,479	\$ -
Current year claims and changes in estimates	419,035	451,068
Claim payments	416,700	431,589
Estimated claims outstanding June 30	<u>\$ 21,814</u>	<u>\$ 19,479</u>

14. Limitation of School District Revenues

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

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

15. 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; worker's compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

16. Commitments and Contingencies

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

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

17. Subsequent Events

Subsequent to yearend, the District approved the acquisition of computer equipment and lease purchase financing for such acquisition in an amount of \$356,475 with an interest rate of 3.95%.

18. Effective of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases*. When these become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 20,362,461	\$ 20,461,847	\$ 20,529,298	\$ 67,451
Interdistrict Sources	905,000	912,729	954,285	41,556
Intermediate Sources	-	-	-	-
State Sources	17,499,440	17,528,574	17,536,156	7,582
Federal Sources	281,877	317,546	304,086	(13,460)
Other Sources	47,500	80,418	300,405	219,987
Total Revenues	<u>39,096,278</u>	<u>39,301,114</u>	<u>39,624,230</u>	<u>323,116</u>
EXPENDITURES				
Instruction:				
Regular Instruction	15,484,266	15,580,549	15,641,929	(61,380)
Special Education Instruction	209,332	204,172	203,017	1,155
Vocational Instruction	1,218,036	1,168,960	1,169,667	(707)
Other Instruction	1,635,198	1,715,888	1,731,802	(15,914)
Support Service:				
Pupil Services	1,303,416	1,319,418	1,305,814	13,604
Instructional Staff Services	2,812,378	2,757,391	2,736,546	20,845
General Administration Services	872,838	864,359	826,587	37,772
Building Administration Services	1,936,370	1,967,287	1,963,190	4,097
Business Administration	643,889	714,001	706,842	7,159
Operation and Maintenance	4,525,112	4,610,756	4,530,494	80,262
Pupil Transportation	1,277,456	1,315,989	1,326,068	(10,079)
Central Services	1,840,270	1,846,450	1,812,070	34,380
Insurance	305,446	305,445	272,804	32,641
Debt Principal and Interest	-	30,000	33,707	(3,707)
Other Support Services	428,000	443,300	286,155	157,145
Total Expenditures	<u>34,492,007</u>	<u>34,843,965</u>	<u>34,546,692</u>	<u>297,273</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,604,271</u>	<u>4,457,149</u>	<u>5,077,538</u>	<u>620,389</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	155,763	155,763	-
Transfers In	25,000	25,000	15,821	(9,179)
Transfers Out	(4,629,271)	(4,637,912)	(5,134,500)	(496,588)
Total Other Financing Sources and Uses	<u>(4,604,271)</u>	<u>(4,457,149)</u>	<u>(4,962,916)</u>	<u>(505,767)</u>
Net Change in Fund Balances	-	-	114,622	114,622
Fund Balances - Beginning	18,949,987	18,949,987	18,949,987	-
Fund Balances - Ending	<u>\$ 18,949,987</u>	<u>\$ 18,949,987</u>	<u>\$ 19,064,609</u>	<u>\$ 114,622</u>

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND
BUDGET AND ACTUAL**

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interdistrict	\$ 4,600	\$ 4,600	\$ 18,235	\$ 13,635
State Sources	1,272,633	1,397,595	1,409,995	12,400
Federal Sources	837,000	949,254	1,016,144	66,890
Total Revenues	<u>2,114,233</u>	<u>2,351,449</u>	<u>2,444,374</u>	<u>92,925</u>
EXPENDITURES				
Instruction:				
Special Education Instruction	4,906,052	5,022,700	5,013,095	9,605
Support Service:				
Pupil Services	914,301	908,434	889,675	18,759
Instructional Staff Services	330,751	348,376	355,085	(6,709)
Operation and Maintenance	3,000	3,300	3,398	(98)
Pupil Transportation	317,600	332,300	329,110	3,190
Central Services	16,300	19,993	20,035	(42)
Other Support Services	-	-	7,814	(7,814)
Total Expenditures	<u>6,488,004</u>	<u>6,635,103</u>	<u>6,618,212</u>	<u>16,891</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,373,771)</u>	<u>(4,283,654)</u>	<u>(4,173,838)</u>	<u>109,816</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	4,373,771	4,283,654	4,173,838	(109,816)
Total Other Financing Sources and Uses	<u>4,373,771</u>	<u>4,283,654</u>	<u>4,173,838</u>	<u>(109,816)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Special Education Fund</u>
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 39,624,230	\$ 2,444,374
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	<u>2,444,374</u>	<u>(2,444,374)</u>
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 42,068,604</u>	<u>\$ -</u>
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 34,546,692	\$ 6,618,212
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	<u>6,618,212</u>	<u>(6,618,212)</u>
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 41,164,904</u>	<u>\$ -</u>

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DISTRICT NET OPEB LIABILITY SCHEDULES
For the Year Ended June 30, 2018**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED
RATIOS AS OF THE MEASUREMENT DATE**

	2017	2016
Total OPEB Liability		
Service costs	\$ 220,646	\$ 220,646
Interest	108,025	118,053
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions or other inputs	(74,229)	-
Benefit payments	(593,686)	(752,293)
Net change in total OPEB	\$ (339,244)	\$ (413,594)
Total OPEB Liability-Beginning	3,787,346	4,200,940
Total OPEB Liability-Ending (a)	\$ 3,448,102	\$ 3,787,346
 Fiduciary Net Position		
Contributions - employer	\$ 1,102,750	\$ 682,946
Net investment income	10,092	11,566
Benefit payments	(593,686)	(752,293)
Administrative expense	-	-
Net change in fiduciary net position	\$ 519,156	\$ (57,781)
Fiduciary Net Position-Beginning	3,290,524	3,348,305
Fiduciary Net Position-Ending (b)	\$ 3,809,680	\$ 3,290,524
 Net OPEB Liability		
Net OPEB Liability (Asset)- ending (a) - (b)	\$ (361,578)	\$ 496,822
 Fiduciary net position as a percentage of the Total OPEB Liability	110.49%	86.88%
 Covered Employee Payroll	\$ 15,874,637	\$ 15,874,637
 Total OPEB Liability as a percentage of covered-employee payroll	-2.28%	3.13%

Data presented as of the measurement date.

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DISTRICT NET OPEB LIABILITY SCHEDULES
For the Year Ended June 30, 2018**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution (ADC)	\$ 335,749	\$ 486,910
Contributions in Relation to the ADC	537,618	1,102,750
Contribution Deficiency/(Excess)	<u>(201,869)</u>	<u>(615,840)</u>
 Cover-Employee Payroll	 \$ 15,874,637	 \$ 15,874,637
 Contributions as a Percentage of Covered-Employee Payroll	 3.39%	 6.95%

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
LOCAL RETIREE LIFE INSURANCE FUND SCHEDULE
June 30, 2018**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
AS OF THE MEASUREMENT DATE
Last 10 Years***

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered-employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2017	0.42108100%	\$ 1,266,856	\$ 17,707,661	7.15%	44.81%

*The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

**SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years****

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 87,779	(87,779)	\$ -	\$ 20,796,072	0.42%

**The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

**DEFOREST AREA SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM
June 30, 2018**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AS OF THE MEASUREMENT DATE
Last 10 Years***

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2017	(0.14320191%)	\$ (4,251,834)	\$ 21,783,876	(19.52%)	(102.93%)
2016	0.14070700%	1,159,762	20,569,841	5.64%	99.12%
2015	0.14005602%	2,275,883	19,729,870	11.54%	98.20%
2014	(0.14141936%)	(3,472,691)	19,620,368	(17.70%)	(102.74%)

* The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE YEAR ENDED
Last 10 Fiscal Years****

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered employee payroll
2018	\$ 1,490,158	\$ (1,490,158)	\$ -	\$ 22,113,210	6.74%
2017	1,431,910	(1,431,910)	-	21,295,250	6.72%
2016	1,353,424	(1,353,424)	-	20,270,397	6.68%
2015	1,350,898	(1,350,898)	-	19,639,708	6.88%

**The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

NOTE 1

BUDGET SCHEDULE

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level for the general fund and at the one-digit function level for all other funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may make alterations to the proposed budget.
- Once the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.
- Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as an assigned fund balance.

The District is legally required by the State of Wisconsin to maintain and budget separately for a Special Education Fund. The Special Education Fund is combined with the General Fund in the basic financial statements. Due to the perspective differences in budgeting, the required supplementary information reports the budgetary comparison information separately for the General Fund and the Special Education Fund.

Except as noted in the previous paragraph, annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental and special revenue funds.

Appropriations lapse at year-end unless authorized as a carryover by the School Board.

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following individual funds had functions that had an excess of actual expenditures over budget of \$5,000 or more for the year ended June 30, 2018.

<u>Fund</u>	<u>Function</u>	<u>Amount</u>
General Fund	Regular Instruction	\$ 61,380
General Fund	Other Instruction	15,914
General Fund	Pupil Transportation	10,079
General Fund	Transfers	496,588
Special Education Fund	Instructional Staff Services	6,709
Special Education Fund	Other Support Services	7,814

In each of the funds, the District had sufficient revenues, fund balance, other financial sources and/or expenditures less than the budget in other functions to support the amounts listed above. In total, General Fund expenditures were \$297,273 under budget and, in total, Special Education expenditures were \$16,891 under budget.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

NOTE 3

DISTRICT NET OPEB LIABILITY SCHEDULES

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

Actuarial assumptions. Key methods and assumptions used to calculate actuarially determined contributions (ADC) were as follows:

Valuation Date	6/30/2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Amortization Method	5 year Level \$
Discount Rate	3.50%
Inflation	2.50%

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

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

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 6 preceding years.

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.

NOTE 5

LOCAL RETIREE LIFE INSURANCE SCHEDULES

Governmental Accounting Statements Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 9 preceding years.

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

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

OTHER SUPPLEMENTARY INFORMATION

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	Special Revenue Funds				Total Nonmajor Special Revenue	Capital Project Fund		Total Nonmajor Capital Project	Debt Service Debt Service Fund	Total Nonmajor Funds
	Special Revenue Trust	Food Service	Community Service	Package Cooperative		Capital Expansion Fund	Capital Project Fund			
ASSETS										
Cash and Investments	\$ 230,024	\$ 407,590	\$ -	\$ -	\$ 637,614	\$ -	\$ -	\$ -	\$ -	\$ 637,614
Restricted Cash and Investments	-	-	-	-	-	2,252,578	-	2,252,578	1,926,111	4,178,689
Receivables:										
Accounts	118	1,049	21,046	3,171	25,384	-	-	-	-	25,384
Taxes	-	-	50,000	-	50,000	500,000	-	500,000	-	550,000
Due from Other Governments	-	-	-	493	493	-	-	-	-	493
Inventory	-	18,924	-	-	18,924	-	-	-	-	18,924
TOTAL ASSETS	\$ 230,142	\$ 427,563	\$ 71,046	\$ 3,664	\$ 732,415	\$ 2,752,578	\$ -	\$ 2,752,578	\$ 1,926,111	\$ 5,411,104
LIABILITIES										
Accounts Payable	\$ 39,934	\$ 1,215	\$ 822	\$ 2,375	\$ 44,346	\$ 13,326	\$ -	\$ 13,326	\$ -	\$ 57,672
Accrued Salaries and Wages	-	176	7,353	-	7,529	-	-	-	-	7,529
Payroll Taxes and Withholdings	-	25	592	-	617	-	-	-	-	617
Due to Fiduciary Funds	-	4,597	434	-	5,031	-	-	-	-	5,031
Due to Other Funds	-	-	16,594	1,289	17,883	-	-	-	-	17,883
Food Service Deposits	-	41,526	-	-	41,526	-	-	-	-	41,526
Total Liabilities	39,934	47,539	25,795	3,664	116,932	13,326	-	13,326	-	130,258
FUND BALANCES										
Nonspendable	-	18,924	-	-	18,924	-	-	-	-	18,924
Restricted	190,208	361,100	45,251	-	596,559	2,739,252	-	2,739,252	1,926,111	5,261,922
Total Fund Balances	190,208	380,024	45,251	-	615,483	2,739,252	-	2,739,252	1,926,111	5,280,846
TOTAL LIABILITIES AND FUND BALANCES	\$ 230,142	\$ 427,563	\$ 71,046	\$ 3,664	\$ 732,415	\$ 2,752,578	\$ -	\$ 2,752,578	\$ 1,926,111	\$ 5,411,104

DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN

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 Special Revenue Funds	Capital Project Fund		Total Nonmajor Capital Project Funds	Debt Service	Total Nonmajor Funds
	Special Revenue Trust	Food Service	Community Service	Package Cooperative		Capital Expansion Fund	Capital Projects Fund		Debt Service Fund	
REVENUES										
Property Taxes	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ 500,000	\$ -	\$ 500,000	\$ 3,755,674	\$ 4,305,674
Other Local Sources	546,649	992,827	81,609	62,664	1,683,749	-	5,346	5,346	28,132	1,717,227
Interdistrict Sources	-	-	-	3,634	3,634	-	-	-	-	3,634
State Sources	-	21,763	-	-	21,763	-	-	-	-	21,763
Federal Sources	-	508,124	-	-	508,124	-	-	-	-	508,124
Other Sources	-	2,186	-	-	2,186	-	-	-	-	2,186
Total Revenue	546,649	1,524,900	131,609	66,298	2,269,456	500,000	5,346	505,346	3,783,806	6,558,608
EXPENDITURES										
Instruction:										
Regular Instruction	119,888	-	-	3,505	123,393	-	-	-	-	123,393
Vocational Instruction	995	-	-	-	995	-	-	-	-	995
Other Instruction	417,057	-	-	39,382	456,439	-	-	-	-	456,439
Total Instruction	537,940	-	-	42,887	580,827	-	-	-	-	580,827
Support Services:										
Pupil Services	382	-	-	-	382	-	-	-	-	382
General Administration Services	1,372	-	-	-	1,372	-	-	-	-	1,372
Building Administration Services	1,902	-	-	-	1,902	-	-	-	-	1,902
Operation and Maintenance	7,183	22,270	-	18,530	47,983	277,526	3,384,805	3,662,331	-	3,710,314
Pupil Transportation	27,067	-	-	5,774	32,841	-	-	-	-	32,841
Central Services	40	1,518	-	-	1,558	-	-	-	-	1,558
Food Services	-	1,511,995	-	-	1,511,995	-	-	-	-	1,511,995
Community Services	-	-	143,964	-	143,964	-	-	-	-	143,964
Principal and Interest	-	-	-	-	-	-	-	-	3,980,424	3,980,424
Other Support Services	-	-	-	3,839	3,839	-	-	-	-	3,839
Total Support Services	37,946	1,535,783	143,964	28,143	1,745,836	277,526	3,384,805	3,662,331	3,980,424	9,388,591
Total Expenditures	575,886	1,535,783	143,964	71,030	2,326,663	277,526	3,384,805	3,662,331	3,980,424	9,969,418
Excess (Deficiency) of Revenues over Expenditures	(29,237)	(10,883)	(12,355)	(4,732)	(57,207)	222,474	(3,379,459)	(3,156,985)	(196,618)	(3,410,810)
OTHER FINANCING SOURCES (USES)										
Transfer In	-	-	-	4,732	4,732	-	-	-	-	4,732
Transfer Out	(15,820)	-	-	-	(15,820)	-	-	-	-	(15,820)
Total Other Financing Sources (Uses)	(15,820)	-	-	4,732	(11,088)	-	-	-	-	(11,088)
Net Change in Fund Balances	(45,057)	(10,883)	(12,355)	-	(68,295)	222,474	(3,379,459)	(3,156,985)	(196,618)	(3,421,898)
FUND BALANCE - BEGINNING	235,265	390,907	57,606	-	683,778	2,516,778	3,379,459	5,896,237	2,122,729	8,702,744
FUND BALANCE - ENDING	\$ 190,208	\$ 380,024	\$ 45,251	\$ -	\$ 615,483	\$ 2,739,252	\$ -	\$ 2,739,252	\$ 1,926,111	\$ 5,280,846

DEFOREST AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
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	\$ 93,782	\$ 417,430	\$ (388,222)	\$ 122,990
Accounts Receivable	<u>525</u>	<u>927</u>	<u>(525)</u>	<u>927</u>
 Total Assets	 <u>\$ 94,307</u>	 <u>\$ 418,357</u>	 <u>\$ (388,747)</u>	 <u>\$ 123,917</u>
 LIABILITIES				
Accounts Payable	\$ 14,614	\$ 12,899	\$ (14,614)	\$ 12,899
Due to Student Organizations				
Elementary Schools	9,317	21,208	(20,860)	9,665
Middle School	3,699	30,344	(25,845)	8,198
High School	<u>66,677</u>	<u>353,906</u>	<u>(327,428)</u>	<u>93,155</u>
 Total Liabilities	 <u>\$ 94,307</u>	 <u>\$ 418,357</u>	 <u>\$ (388,747)</u>	 <u>\$ 123,917</u>

SINGLE AUDIT

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

Administering Agency/Pass-Through Agency/Award Description	Federal CFDA Number	Pass-Through Entity ID Number	Accrued Receivable at July 1, 2017	Receipts- Grantor Reimbursement	Total Expenditures	Accrued Receivable at June 30, 2018
<u>U.S. Department of Agriculture</u>						
Wisconsin Department of Public Instruction:						
Child Nutrition Cluster:						
School Breakfast Program	10.553	2018-131316-SB-546	\$ -	\$ 34,576	\$ 34,576	\$ -
National School Lunch Program	10.555	2018-131316-NSL-547	-	344,550	344,550	-
Commodity Supplemental Food Program	10.555	Not Available	-	128,920	128,920	-
Milk Program	10.556	2018-131316-SMP-548	-	79	79	-
Total Child Nutrition Cluster			<u>-</u>	<u>508,125</u>	<u>508,125</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>-</u>	<u>508,125</u>	<u>508,125</u>	<u>-</u>
<u>U.S. Department of Education</u>						
Wisconsin Department of Public Instruction:						
Title I, Part A Cluster:						
ESEA Title I - Basic Grant	84.010	2018-131316-Title I-141	133,519	215,083	126,060	44,496
Total Title I, Part A Cluster			<u>133,519</u>	<u>215,083</u>	<u>126,060</u>	<u>44,496</u>
Special Education Cluster:						
IDEA Flow Through	84.027	2018-131316-IDEA-341	214,391	814,840	789,965	189,516
IDEA Preschool Entitlement	84.173	2018-131316-Pre-S-347	13,951	32,983	33,046	14,014
Total Special Education Cluster			<u>228,342</u>	<u>847,823</u>	<u>823,011</u>	<u>203,530</u>
Carl Perkins Act Formula Allocation	84.048	2018-131316-CP-CTE-400	8,139	14,086	18,092	12,145
			<u>8,139</u>	<u>14,086</u>	<u>18,092</u>	<u>12,145</u>
ESEA Title II-A Teacher & Principal Training	84.367	2018-131316-Title II-365	-	36,427	36,427	-
ESEA Title IIA Transfer of AIDS to Title IA	84.367	Not Available	-	19,225	19,225	-
ESEA Title IV-A-Student Support and Academic Enrichment Grants	84.424	2018-131316-Title-IV A-381	-	10,000	10,000	-
ESEA Title III-A English Language Acquisition	84.365	2018-131316-Title III A-391	2,989	10,176	8,733	1,546
			<u>2,989</u>	<u>10,176</u>	<u>8,733</u>	<u>1,546</u>
Total U.S. Department of Education			<u>372,989</u>	<u>1,152,820</u>	<u>1,041,548</u>	<u>261,717</u>
<u>U.S. Department of Health and Human Services</u>						
Wisconsin Department of Health Services:						
Medical Assistance	93.778	Not Available	55,541	302,537	276,156	29,160
Total U.S. Department of Health and Human Services			<u>55,541</u>	<u>302,537</u>	<u>276,156</u>	<u>29,160</u>
TOTAL FEDERAL AWARDS			<u>\$ 428,530</u>	<u>\$ 1,963,482</u>	<u>\$ 1,825,829</u>	<u>\$ 290,877</u>

See Notes to Schedules of Expenditures of Financial Awards.

DEFOREST AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2018

Administering Agency/Pass-Through Agency/Award Description	State I.D. Number	Pass-Through Entity ID Number	Accrued Receivable at July 1, 2017	State Reimbursements	Expenditures	Accrued Receivable at June 30, 2018
<u>Wisconsin Department of Public Instruction:</u>						
Cost Reimbursement Programs:						
State Lunch	255.102	131316-107	\$ -	\$ 16,854	\$ 16,854	\$ -
WI School Day Milk Program	255.115	131316-109	-	2,528	2,528	-
School Breakfast Program	255.344	131316-108	-	2,380	2,380	-
Total Cost Reimbursement Programs			<u>\$ -</u>	<u>\$ 21,762</u>	<u>\$ 21,762</u>	<u>\$ -</u>
Entitlement Programs:						
Special Education and School Age Parents:						
Internal District Program	255.101	131316-100	\$ -	\$ 1,396,995	\$ 1,396,995	\$ -
Total Entitlement Programs			<u>\$ -</u>	<u>\$ 1,396,995</u>	<u>\$ 1,396,995</u>	<u>\$ -</u>
Other Aids:						
General Equalization Aid	255.201	131316-116	\$ 278,997	\$ 14,210,174	\$ 14,172,424	\$ 241,247
Per Pupil Aid	255.945	131316-113	-	1,603,350	1,603,350	-
Pupil Transportation	255.107	131316-102	-	63,308	63,308	-
Common School Fund Library Aids	255.103	131316-104	-	130,774	130,774	-
Educator Effective Evaluation System	255.940	131316-154	-	22,080	22,080	-
Career and Technical Education Grants	255.950	131316-171	-	37,376	37,376	-
Assessments of Reading Readiness	255.956	131316-166	-	5,279	5,279	-
Aid for Special Education Transition Grant	255.960	131316-168	-	13,000	13,000	-
Total Other Aids			<u>\$ 278,997</u>	<u>\$ 16,085,341</u>	<u>\$ 16,047,591</u>	<u>\$ 241,247</u>
Total State Awards			<u>\$ 278,997</u>	<u>\$ 17,504,098</u>	<u>\$ 17,466,348</u>	<u>\$ 241,247</u>

See Notes to Schedules of Expenditures of Financial Awards.

DEFOREST AREA SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

Note 1 Reporting Entity

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the DeForest Area School District.

Note 2 Basis of Presentation

The accounting records for the grant program are maintained on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 Special Education and School Age Parents Program

2017-2018 eligible costs under the State Special Education Program are \$5,609,769.

Note 4 Medical Assistance

Expenditures presented for the Medicaid SBS Benefit represent only the federal funds for the program that the District receives from DHS. District records should be consulted to determine the total amount expended for this program.

Note 5 Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed for the USDA Commodities Program (CFDA #10.555).

Note 6 De Minimis Cost Rate

The District did not elect to use the 10% de minimis indirect cost rate.

Note 7 Subrecipients

No amounts were passed through to subrecipients.



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

To the Board of Education
DeForest Area School District
DeForest, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeForest Area School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the DeForest Area School District's basic financial statements, and have issued our report thereon dated November 20, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as #2018-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DeForest Area School 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*.

DeForest Area School District's Response to Finding

The DeForest Area School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The DeForest Area School 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 is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Mineral Point, Wisconsin
November 20, 2018



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

To the Board of Education
DeForest Area School District
DeForest, Wisconsin

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the DeForest Area School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *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 state program occurred. An audit includes examining, on a test basis, evidence about the DeForest Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the *Wisconsin Department of Health Services Audit Manual* and which are described in the accompanying Schedule of Findings and Questioned Costs as item #2018-002. Our opinion on each state program with limited required procedures is not modified with respect to this matter.

District's Response to Findings

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the DeForest Area School 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 DeForest Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the DeForest Area School 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Mineral Point, Wisconsin
November 20, 2018

**DEFOREST AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- * Material weakness identified? No
- * Significant deficiency(ies) identified? None Reported

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

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Program or Cluster</u>
84.027, 84.173	Special Education Cluster

Dollar threshold for distinguishing Types A and B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

State Awards

Internal control over major programs:

- * Material weakness identified? No
- * Significant deficiency(ies) identified? None Reported

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

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

**DEFOREST AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditor's Results (Continued)

Identification of major state programs:

<u>ID Number</u>	<u>Name of State Program or Cluster</u>
255.201	Equalization Aid
255.945	Per Pupil Aid
255.107	Pupil Transportation

Dollar threshold for distinguishing Types A and B programs: \$250,000

Other Programs with Limited Required Procedures

Internal control over programs with required procedures:

- * Material weakness identified? No
- * Significant deficiency(ies) identified? None Reported

Any audit findings disclosed that are required to be reported in accordance with Department of Health Services Audit Guide and the Wisconsin Public School District Audit Manual Yes

Identification of other programs which limited required procedures:

<u>ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School Age Parent
93.778	Medical Assistance

**DEFOREST AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Finding

Finding #2018-001 – Preparation of Financial Statements in Accordance with GAAP – Repeat Finding

Condition: District staff does not prepare the financial statements and accompanying notes. The District has designated individuals responsible for reviewing and accepting the financial statements and related notes.

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Cause: The District does not prepare the financial statements and related notes. Additionally, a restatement was reported to correct the accrual of compensated absences that did not meet the standards for accrual as a long-term obligation.

Effect: Because District staff relies on the auditor to assist with the preparation of the financial statements, the District’s system of internal control may not prevent, detect, or correct misstatements in the financial statements. This includes the restatement for correction of an error for accrued compensated absences that was determined not to be a long-term obligation to the District.

Recommendation: The auditor will work with the District to make personnel more knowledgeable about its responsibility for the financial statements.

District’s Response: The auditors prepare the financial statements but we review them and accept the statements prior to them being issued. We prepare financial reports that are reviewed by management on a monthly basis. Any concerns or questions are addressed throughout the year.

Section III – Federal and State Award Findings and Questioned Costs

None

Section IV – Other Programs with Limited Required Procedures Findings and Questioned Costs

Finding: #2018-002 School Based Service 93.778 – DHS Audit Guide - Activities Allowed or Disallowed

Condition: Through sampling, it was found that the District did not have a signed consent form on file for a student who the District billed related services for.

Criteria: For costs to be eligible for reimbursement, the District must obtain parental consent through a signed *Consent to Bill Wisconsin Medicaid* form.

Cause: The District transitioned from paper files to a new online special education software and it appears the form was not scanned and was misplaced.

**DEFOREST AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Effect: The District claimed costs for services that may not have been eligible for reimbursement.

Questioned costs: \$4,708. Amounts billed by service provided by third party billing provider.

Recommendation: We recommend the district obtain a new consent to bill form as soon as possible.

District Response: The District has requested a new signed consent form from the guardian of the tested student.

Section V – Other Issues

- | | |
|--|-----|
| 1. Does the auditor have substantial doubt as to the auditee’s ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weakness, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines: | |
| Department of Corrections | N/A |
| Department of Health Services | Yes |
| Department of Workforce Development | N/A |
| Department of Public Instruction | No |
| Department of Administration | N/A |
| Office of Justice Assistance | N/A |

Section VI – Other Issues (Continued)

- | | |
|---|---|
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes
An Audit
Communication Letter
was submitted to the
oversight body |
|---|---|

4. Name and signature of partner


Jay Bennett, CPA

5. Date of report:

November 20, 2018

**DEFOREST AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

#2017-001- This is still a finding. See #2018-001