

Unified School District of De Pere
De Pere, Wisconsin

ANNUAL FINANCIAL REPORT

June 30, 2018

Unified School District of De Pere De Pere, Wisconsin

JUNE 30, 2018

Table of Contents

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Statement of Net Position - Nonmajor Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Net Position - Nonmajor Proprietary Funds	19
Statement of Cash Flows - Nonmajor Proprietary Funds	20
Statement of Net Position - Pupil Activity Agency Fund	21
Notes to Basic Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary Basis	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Fund - Budgetary Basis	48
Schedule of Changes in Total OPEB Liability and Related Ratios	49
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	50
Schedule of Contributions - Wisconsin Retirement System	50
Schedule of Changes in Pension Liability and Related Ratios - Supplemental Pension Plan	51
Notes to Required Supplementary Information	52
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	55
Schedule of Changes in Assets and Liabilities - Pupil Activity Funds	56

Unified School District of De Pere De Pere, Wisconsin

JUNE 30, 2018

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
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FEDERAL AND STATE AWARDS

Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	59
Schedule of Expenditures of Federal Awards	61
Schedule of Expenditures of State Awards	62
Notes to the Schedules of Expenditures of Federal and State Awards	63
Schedule of Findings and Questioned Costs	64
Schedule of Prior Year Audit Findings and Corrective Action Plan	67

Independent auditors' report

To the Board of Education
Unified School District of De Pere
De Pere, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Unified School District of De Pere, De Pere, Wisconsin (the "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.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District'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, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 2.F to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 4 through 10 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 47 through 51 be presented to supplement the basic financial statements. Such information, although not 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 District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of 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* issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements.

The supplementary information 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.

REPORT ON SUMMARIZED FINANCIAL INFORMATION

We have previously audited the District's 2017 financial statements, and our report dated November 30, 2017, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 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.



Certified Public Accountants

Green Bay, Wisconsin
December 3, 2018

Management's Discussion and Analysis June 30, 2018

As management of the Unified School District of De Pere we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows as of June 30, 2018 by \$57.5 million (*net position*). Of this amount, approximately \$2.8 million (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$3,628,000, of which \$4.4M was from District activities and - \$804K from a cumulative effect of change in accounting principle.
- As of June 30, 2018, the District's governmental funds reported combined ending fund balances of \$16.7 million, a decrease of \$1.8 million in comparison with the prior year. Of that decline, \$1.6M was the net of \$2.2M used for completing referendum and non-referendum capital projects that were scheduled for 2017/18 school year, and an increase of \$600K in the District's long term Capital project trust fund.
- In addition, there was a net decrease of \$1.7M for \$2.2M of long term debt that was defeased and an increase of \$500K in donations collected in the District's Trust account for Project Redbird.
- The referendum debt fund showed a favorable increase of \$1.5M for planned debt service payments.
- Approximately 52% of this total amount, \$8.6 million is *available for spending* at the District's discretion (*unassigned fund balance*).
- As of June 30, 2018, unassigned fund balance for the general fund was \$8.6 million, or approximately 18.8% of total general fund expenditures.
- The property tax rate decreased \$.64 for the year ended June 30, 2018 to \$9.85 per thousand of property value versus \$10.49, representing a decrease of 6.1% compared to the prior year in large part to the increase of \$108.9M in equalized value of the District or 5.45%.

Overview of the Basic Financial Statements

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

District-wide financial statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, liabilities and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., earned but unused vacation leave.) Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include the District's basic services, such as regular and special education and various support services. The business-type activities of the District include food service and community service programs.

The district-wide financial statements can be found on pages 11 - 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and referendum debt service fund, each of which, are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for all its governmental funds. As part of the required supplementary information, a budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

Proprietary funds. The District maintains a single type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the district-wide financial statements. The District uses enterprise funds to account for its food service and community service programs.

Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Food Service and Community Service funds, both of which are considered to be nonmajor funds of the District.

The basic proprietary fund financial statements can be found on pages 18 - 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 - 46 of this report.

Required supplementary information. The District adopts an annual appropriated budget for all its governmental funds. As part of the required supplementary information, budgetary comparison statements have been provided for the general fund and for each individual, major special revenue fund to demonstrate compliance with the budget. The budgetary comparison statements and the other postemployment benefit and pension schedules can be found on pages 47 - 51.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54 - 56.

District-wide Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$57.5 million at the close of 2018 or an increase of \$3.628M over prior year.

Unified School District of De Pere's Net Position						
(in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Current and other assets	\$ 24,190	\$ 21,631	\$ 179	\$ 161	\$ 24,369	\$ 21,792
Capital assets (net)	71,190	70,428	17	21	71,207	70,449
Total Assets	95,380	92,059	196	182	95,576	92,241
Deferred Outflows of Resources	8,327	9,543	-	-	8,327	9,543
Long-term liabilities outstanding	33,456	40,611	-	-	33,456	40,611
Other liabilities	2,804	2,686	81	65	2,885	2,751
Total Liabilities	36,260	43,297	81	65	36,341	43,362
Deferred Inflows of Resources	10,064	4,552	-	-	10,064	4,552
Net Position						
Invested in capital assets, net of related debt	47,765	42,254	17	21	47,782	42,275
Restricted	6,957	4,847	-	-	6,957	4,847
Unrestricted	2,661	6,652	98	96	2,759	6,748
Total Net Position	\$ 57,383	\$ 53,753	\$ 115	\$ 117	\$ 57,498	\$ 53,870

By far the largest portion of the District's net position (83%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2.8 million) may be used to meet the District's ongoing obligations to citizens and creditors.

Change in net position. The District's net position increased by \$3.628M, of this amount, the District was favorable \$4.432M from activities and recorded a change in accounting principles to record other post employment benefits of \$804K, netting out to the \$3.628M. Key elements of this increase are as follows:

Unified School District of De Pere's Change in Net Position						
(In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Revenues						
Program Revenues						
Charges for services	\$ 4,830	\$ 4,241	\$ 1,185	\$ 1,193	\$ 6,015	\$ 5,434
Operating grants and contributions	2,368	2,312	679	615	3,047	2,927
General Revenues						
Property taxes	20,754	20,943	22	23	20,776	20,966
Grants and contributions not restricted to specific programs	24,841	22,886	-	-	24,841	22,886
Other	930	957	-	-	930	957
Total Revenues	53,723	51,339	1,886	1,831	55,609	53,170
Expenses						
Instruction	27,154	26,911	-	-	27,154	26,911
Support services	16,747	16,860	-	-	16,747	16,860
Non-program	3,036	2,877	-	-	3,036	2,877
Interest on long-term debt	554	591	-	-	554	591
Depreciation - unallocated	1,748	1,786	-	-	1,748	1,786
Food service	-	-	1,857	1,754	1,857	1,754
Community service	-	-	81	83	81	83
Total Expenses	49,239	49,025	1,938	1,837	51,177	50,862
Transfers	(50)	(24)	50	24	-	-
Change in Net Position	4,434	2,290	(2)	18	4,432	2,308
Change in accounting principle	(804)	(3,333)	-	-	(804)	(3,333)
Change in Net Position after Change in Accounting Principle	3,630	(1,043)	(2)	18	3,628	(1,025)
Net Position - January 1	53,753	54,796	117	99	53,870	54,895
Net Position - December 31	\$ 57,383	\$ 53,753	\$ 115	\$ 117	\$ 57,498	\$ 53,870

- Capital outlay exceeded depreciation by \$762K
- Deferred pension outflows (an asset) decreased by \$1.081M
- Deferred pension inflows (a liability) increased by \$5.9M
- Payment toward long term debt and capital leases \$6.7M
- Net OPEB, supplemental and WRS net pension liability decreased by \$4.8M

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the District's governmental funds reported combined ending fund balances of \$16.7 million, a decrease of \$1.8 million in comparison with the prior year. Approximately 52% of this amount (\$8.6 million) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is not available for new spending because it has already been restricted (\$7.0 million) for debt service and capital improvements, committed (\$1.02 million) for trust obligations and purchase orders carried over from 2017-18 or non-spendable in the case of \$14K in prepayments.

The general fund is the main operating fund of the District. At the end of the current year, \$8.6 million of the general fund balance was unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 18.8% of total general fund expenditures, increasing by .2% over the prior year end.

The fund balance of the District's general fund increased by \$203,580 during the current year, however, of that amount, \$131,189 is committed for open purchase orders carried into the new year.

The referendum debt service fund has a total fund balance of \$5.7 million. The entire fund balance is restricted. Total fund balance represents approximately 98% of the expected debt service fund expenditures in the subsequent year which is needed due to the timing of cash flows from the District's state aids and general levy collection comes in after the debt service payment is due.

Proprietary funds. The District's proprietary funds provide the same type of information found in the District's district-wide financial statements, but in more detail.

Net position of the Food Service Fund at the end of the year amounted to \$15,802. The net decrease in net position was \$4,269 which was for depreciation taken on the food service equipment.

Net position of the Community Service Fund at the end of the year amounted to \$98,983. The total increase in net position was \$1,753.

Other factors concerning the finances of these funds have already been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

Generally the original budget is rarely modified. The District modified its original budget for 2017-2018 to reflect relatively minor changes in funding levels for levy, state and federal grant programs and the purchase of technology equipment including a new phone system for the District and replacement chromebooks.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$71.0 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, and machinery and equipment. The total increase in the District's investment in capital assets for the current year was approximately \$760K compared to prior year as many projects were completed with referendum and non-referendum debt issued in the prior year.

Unified School District of De Pere's Capital Assets						
(net of accumulated depreciation - in thousands)						
	Governmental Activities		Business-type Activities		Totals	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Land	\$ 3,962	\$ 3,962	\$ -	\$ -	\$ 3,962	\$ 3,962
Construction Work in Progress	2,367	6,536	-	-	2,367	6,536
Land improvements	1,835	2,050	-	-	1,835	2,050
Buildings	61,136	56,264	-	-	61,136	56,264
Machinery and equipment	1,890	1,616	16	22	1,906	1,638
Total	\$ 71,190	\$ 70,428	\$ 16	\$ 22	\$ 71,206	\$ 70,450

Major capital assets acquired or constructed during the year include:

- Removed and replaced the District's phone system for \$221,600
- Removed and replaced High School Gym Divider Curtains for \$46,400
- Finalized and capitalized the Heritage Elementary School addition of \$1,834,000
- Finalized and capitalized District building roof replacement of \$1,924,800
- Finalized and capitalized Middle School exterior improvement projects valued at \$1,647,700
- Finalized and capitalized various blacktop and concrete land improvements for \$325,100
- Finalized and capitalized costs related to projects above for engineering and owners representative for \$561,600
- Construction in progress at year included work done for the High School Music expansion for \$2,155,700

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$23.2 million.

Unified School District of De Pere's Outstanding Debt			
General Obligation Debt (in thousands)			
	Governmental Activities		
	2017-18	2016-17	
General Obligation Debt			
Bonds	\$ 14,346	\$	18,529
Notes	8,825		11,350
Total General Obligation Debt	\$ 23,171	\$	29,879

The District's total debt declined by \$6.7 million (22%) during the current fiscal year due to planned principal payment as well as defeasing \$2.225M in debt saving the District close to \$100,000 in future interest and investment fees.

The District maintains an AA rating from Standard and Poors for its general obligation debt.

State statutes limit the amount of general obligation debt the District may issue to 10% of its total equalized valuation. The current debt limitation for the District is \$213 million, which is significantly in excess of the District's \$23.2 million in outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- Inflationary trends in our region compare favorably to national indices.
- The District continues to experience enrollment growth. The enrollment projections indicate the enrollment will continue to increase during the course of the next five years due to housing development being planned in several municipalities in the District.
- Reduction in state aid will have a significant impact on the District.

All of these factors were considered in preparing the District's budget for the 2018-2019 fiscal year.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dawn Foeller, Director of Business Services, c/o Unified School District of De Pere, 1700 Chicago Street, De Pere, Wisconsin 54115.

BASIC FINANCIAL STATEMENTS

Unified School District of De Pere

De Pere, Wisconsin

STATEMENT OF NET POSITION

JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	Governmental Activities	Business-type Activities	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 13,242,726	\$ 117,291	\$ 13,360,017	\$ 14,483,269
Receivables				
Taxes	5,102,954	-	5,102,954	5,304,596
Accounts	259,930	9,002	268,932	530,113
Other	188,700	-	188,700	552,530
Due from other governments	796,758	25,847	822,605	820,406
Inventories and prepaid items	13,559	27,236	40,795	101,383
Net pension asset	4,585,042	-	4,585,042	-
Capital assets				
Nondepreciable	6,329,012	-	6,329,012	10,498,545
Depreciable	64,861,350	16,767	64,878,117	59,951,056
Total assets	95,380,031	196,143	95,576,174	92,241,898
DEFERRED OUTFLOWS OF RESOURCES				
Loss on advance refunding	-	-	-	161,587
Pension related amounts	8,300,227	-	8,300,227	9,381,484
Other postemployment related amounts	27,277	-	27,277	-
Total deferred outflows of resources	8,327,504	-	8,327,504	9,543,071
LIABILITIES				
Accounts payable	888,914	13,638	902,552	667,042
Accrued and other current liabilities	728,743	1,316	730,059	714,024
Accrued interest payable	88,517	-	88,517	126,543
Unearned revenues	-	66,404	66,404	54,747
Deposits payable	408,551	-	408,551	583,754
Health and dental claims payable	689,610	-	689,610	605,199
Long-term obligations				
Due in one year	5,722,260	-	5,722,260	4,705,578
Due in more than one year	18,095,476	-	18,095,476	26,063,781
Other postemployment benefits liability	3,811,199	-	3,811,199	2,613,073
Net pension liability	5,827,184	-	5,827,184	7,228,591
Total liabilities	36,260,454	81,358	36,341,812	43,362,332
DEFERRED INFLOWS OF RESOURCES				
Pension related amounts	9,875,706	-	9,875,706	4,000,023
Donations	188,700	-	188,700	552,530
Total deferred inflows of resources	10,064,406	-	10,064,406	4,552,553
NET POSITION				
Net investment in capital assets	47,765,206	16,767	47,781,973	42,275,303
Restricted	6,956,559	-	6,956,559	4,846,596
Unrestricted	2,660,910	98,017	2,758,927	6,748,185
Total net position	\$ 57,382,675	\$ 114,784	\$ 57,497,459	\$ 53,870,084

The notes to the basic financial statements are an integral part of this statement.

Unified School District of De Pere De Pere, Wisconsin

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction	\$ 27,153,671	\$ 4,663,680	\$ 1,022,512
Support services	16,746,639	116,040	795,911
Non-program	3,036,439	50,500	549,142
Interest and fiscal charges	553,536	-	-
Depreciation - unallocated	1,748,434	-	-
Total governmental activities	\$ 49,238,719	\$ 4,830,220	\$ 2,367,565
BUSINESS-TYPE ACTIVITIES			
School food service program	\$ 1,856,786	\$ 1,124,052	\$ 678,583
Community service program	81,286	60,579	-
Total business-type activities	\$ 1,938,072	\$ 1,184,631	\$ 678,583
Total school district	\$ 51,176,791	\$ 6,014,851	\$ 3,046,148
	General revenues		
	Property taxes		
	Other taxes		
	State and federal aids not restricted to specific functions		
	Interest and investment earnings		
	Miscellaneous		
	Transfers		
	Total general revenues and transfers		
	Change in net position		
	Net position - July 1, as originally reported		
	Cumulative effect of change in accounting principle		
	Net position - July 1, as restated		
	Net position - June 30		

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Totals	
		2018	2017
\$ (21,467,479)	\$ -	\$ (21,467,479)	\$ (21,740,803)
(15,834,688)	-	(15,834,688)	(16,085,019)
(2,436,797)	-	(2,436,797)	(2,268,996)
(553,536)	-	(553,536)	(590,499)
(1,748,434)	-	(1,748,434)	(1,786,232)
<u>(42,040,934)</u>	<u>-</u>	<u>(42,040,934)</u>	<u>(42,471,549)</u>
-	(54,151)	(54,151)	(11,938)
-	(20,707)	(20,707)	(16,851)
<u>-</u>	<u>(74,858)</u>	<u>(74,858)</u>	<u>(28,789)</u>
<u>(42,040,934)</u>	<u>(74,858)</u>	<u>(42,115,792)</u>	<u>(42,500,338)</u>
20,752,745	22,460	20,775,205	20,964,027
1,466	-	1,466	1,349
24,840,668	-	24,840,668	22,886,301
112,357	-	112,357	71,244
817,499	-	817,499	885,908
(49,882)	49,882	-	-
<u>46,474,853</u>	<u>72,342</u>	<u>46,547,195</u>	<u>44,808,829</u>
<u>4,433,919</u>	<u>(2,516)</u>	<u>4,431,403</u>	<u>2,308,491</u>
53,752,783	117,301	53,870,084	51,561,593
(804,027)	-	(804,027)	-
<u>52,948,756</u>	<u>117,301</u>	<u>53,066,057</u>	<u>51,561,593</u>
<u>\$ 57,382,675</u>	<u>\$ 114,785</u>	<u>\$ 57,497,460</u>	<u>\$ 53,870,084</u>

Unified School District of De Pere De Pere, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	General	Referendum Debt Service	Other Governmental Funds	Totals	
				2018	2017
ASSETS					
Cash and investments	\$ 5,279,450	\$ 5,676,083	\$ 2,287,193	\$ 13,242,726	\$ 14,380,895
Receivables					
Taxes	5,102,954	-	-	5,102,954	5,304,596
Accounts	259,930	-	-	259,930	1,081,406
Other	-	-	188,700	188,700	-
Due from other funds	-	-	-	-	69,719
Due from other governments	796,758	-	-	796,758	742,306
Inventories and prepaid items	13,559	-	-	13,559	77,148
Total assets	<u>\$ 11,452,651</u>	<u>\$ 5,676,083</u>	<u>\$ 2,475,893</u>	<u>\$ 19,604,627</u>	<u>\$ 21,656,070</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 856,051	\$ -	\$ 32,863	\$ 888,914	\$ 653,601
Accrued and other current liabilities	728,743	-	-	728,743	712,405
Due to other funds	-	-	-	-	25,000
Unearned revenues	-	-	-	-	4,363
Deposits payable	408,551	-	-	408,551	583,753
Health and dental claims payable	689,610	-	-	689,610	605,200
Total liabilities	<u>2,682,955</u>	<u>-</u>	<u>32,863</u>	<u>2,715,818</u>	<u>2,584,322</u>
Deferred inflows of resources					
Donations	-	-	188,700	188,700	552,530
Fund balances					
Nonspendable	13,559	-	-	13,559	77,148
Restricted	-	5,676,083	1,368,993	7,045,076	7,352,822
Committed	131,189	-	885,337	1,016,526	2,830,148
Unassigned	8,624,948	-	-	8,624,948	8,259,100
Total fund balances	<u>8,769,696</u>	<u>5,676,083</u>	<u>2,254,330</u>	<u>16,700,109</u>	<u>18,519,218</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,452,651</u>	<u>\$ 5,676,083</u>	<u>\$ 2,475,893</u>	<u>\$ 19,604,627</u>	<u>\$ 21,656,070</u>

The notes to the basic financial statements are an integral part of this statement.

Unified School District of De Pere De Pere, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 16,700,109	\$ 18,519,218
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 funds.	71,190,362	70,428,083
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Loss on advance refunding	-	161,587
Deferred outflows related to pensions	8,300,227	9,381,484
Deferred inflows related to pensions	(9,875,706)	(4,000,023)
Deferred outflows related to other postemployment benefits	27,277	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(23,171,427)	(29,878,986)
Capital lease payable	(253,729)	(327,561)
Premium on debt	(339,834)	(509,021)
Compensated absences	(52,746)	(53,791)
Other postemployment benefits liability	(3,811,199)	(2,613,073)
Supplemental pension liability	(5,827,184)	(5,959,269)
WRS net pension asset (liability)	4,585,042	(1,269,322)
Accrued interest on long-term obligations	(88,517)	(126,543)
Net position of governmental activities as reported on the statement of net position (see page 11)	<u>\$ 57,382,675</u>	<u>\$ 53,752,783</u>

The notes to the basic financial statements are an integral part of this statement.

Unified School District of De Pere De Pere, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

	General	Referendum Debt Service	Other Governmental Funds	Totals	
				2018	2017
REVENUES					
Property taxes	\$ 14,421,489	\$ 6,116,028	\$ 215,228	\$ 20,752,745	\$ 20,941,567
Other local sources	306,849	457	711,084	1,018,390	857,339
Interdistrict sources	4,546,600	-	-	4,546,600	3,983,741
Intermediate sources	117,080	-	-	117,080	99,342
State sources	26,029,122	-	-	26,029,122	24,005,195
Federal sources	1,144,568	-	-	1,144,568	1,185,443
Other sources	99,109	-	14,906	114,015	267,140
Total revenues	<u>46,664,817</u>	<u>6,116,485</u>	<u>941,218</u>	<u>53,722,520</u>	<u>51,339,767</u>
EXPENDITURES					
Instruction					
Regular instruction	19,958,987	-	25,875	19,984,862	19,367,309
Vocational instruction	1,372,090	-	6,485	1,378,575	1,366,407
Special education instruction	2,987,142	-	-	2,987,142	2,842,504
Other instruction	1,878,967	-	35,989	1,914,956	1,928,040
Total instruction	<u>26,197,186</u>	<u>-</u>	<u>68,349</u>	<u>26,265,535</u>	<u>25,504,260</u>
Support services					
Pupil services	2,298,319	-	1,317	2,299,636	2,247,710
Instructional staff services	2,071,550	-	2,732	2,074,282	2,102,229
General administration services	405,921	-	30,249	436,170	443,304
School administration services	2,475,564	-	32,430	2,507,994	2,490,993
Business services	753,034	-	-	753,034	751,437
Operations and maintenance of plant	4,624,317	-	2,232,372	6,856,689	10,022,015
Pupil transportation services	1,258,933	-	-	1,258,933	1,221,675
Central services	1,880,515	-	20,420	1,900,935	2,011,878
Insurance	386,326	-	-	386,326	328,717
Other support services	335,221	-	-	335,221	326,156
Total support services	<u>16,489,700</u>	<u>-</u>	<u>2,319,520</u>	<u>18,809,220</u>	<u>21,946,114</u>
Debt service					
Principal	73,832	4,165,000	2,542,559	6,781,391	6,811,682
Interest and fiscal charges	14,198	429,280	155,684	599,162	664,435
Total debt service	<u>88,030</u>	<u>4,594,280</u>	<u>2,698,243</u>	<u>7,380,553</u>	<u>7,476,117</u>
Non-program					
General tuition payments	1,804,461	-	-	1,804,461	1,823,763
Special education tuition payments	1,086,412	-	-	1,086,412	960,083
Adjustments and refunds	836	-	-	836	8,106
Voucher payments	129,625	-	-	129,625	85,507
Revenue transits to others	15,105	-	-	15,105	-
Total non-program	<u>3,036,439</u>	<u>-</u>	<u>-</u>	<u>3,036,439</u>	<u>2,877,459</u>
Total expenditures	<u>45,811,355</u>	<u>4,594,280</u>	<u>5,086,112</u>	<u>55,491,747</u>	<u>57,803,950</u>
Excess of revenues over (under) expenditures	<u>853,462</u>	<u>1,522,205</u>	<u>(4,144,894)</u>	<u>(1,769,227)</u>	<u>(6,464,183)</u>
OTHER FINANCING SOURCES (USES)					
Capital lease issued	-	-	-	-	370,254
Transfers in	2,245,000	-	2,845,000	5,090,000	25,000
Transfers out	(2,894,882)	-	(2,245,000)	(5,139,882)	(49,544)
Total other financing sources (uses)	<u>(649,882)</u>	<u>-</u>	<u>600,000</u>	<u>(49,882)</u>	<u>345,710</u>
Net change in fund balances	<u>203,580</u>	<u>1,522,205</u>	<u>(3,544,894)</u>	<u>(1,819,109)</u>	<u>(6,118,473)</u>
Fund balances - July 1	<u>8,566,116</u>	<u>4,153,878</u>	<u>5,799,224</u>	<u>18,519,218</u>	<u>24,637,691</u>
Fund balances - June 30	<u>\$ 8,769,696</u>	<u>\$ 5,676,083</u>	<u>\$ 2,254,330</u>	<u>\$ 16,700,109</u>	<u>\$ 18,519,218</u>

The notes to the basic financial statements are an integral part of this statement.

Unified School District of De Pere De Pere, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

	2018	2017
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ (1,819,109)	\$ (6,118,473)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay reported in governmental fund statements	2,510,713	6,048,625
Depreciation expense reported in the statement of activities	(1,748,434)	(1,786,232)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Capital leases issued	-	(370,254)
Principal repaid	6,707,559	6,768,989
Capital leases paid	73,832	42,693
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	38,026	46,013
Amortization of premiums and loss on advance refunding	7,600	27,923
Compensated absences	1,045	6,406
Net pension asset/liability	5,986,449	855,021
Deferred outflows of resources related to pensions	(1,081,257)	(4,338,245)
Deferred inflows of resources related to pensions	(5,875,683)	1,397,124
Other postemployment benefits liability	(304,908)	(289,314)
Deferred outflows of resources related to other postemployment benefits	(61,914)	-
Change in net position of governmental activities as reported in the statement of activities (see pages 12 - 13)	\$ 4,433,919	\$ 2,290,276

The notes to the basic financial statements are an integral part of this statement.

Unified School District of De Pere De Pere, Wisconsin

STATEMENT OF NET POSITION NONMAJOR PROPRIETARY FUNDS JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	Food Service	Community Service	Totals	
			2018	2017
ASSETS				
Cash and investments	\$ 6,990	\$ 110,301	\$ 117,291	\$ 102,374
Receivables				
Accounts	9,002	-	9,002	1,237
Due from other governments	25,847	-	25,847	78,100
Inventories and prepaid items	27,236	-	27,236	24,235
Capital assets				
Depreciable	15,802	965	16,767	21,518
Total assets	84,877	111,266	196,143	227,464
LIABILITIES				
Accounts payable	2,755	10,883	13,638	13,441
Accrued and other current liabilities	1,316	-	1,316	1,619
Due to other funds	-	-	-	44,719
Unearned revenues	65,004	1,400	66,404	50,384
Total liabilities	69,075	12,283	81,358	110,163
NET POSITION				
Net investment in capital assets	15,802	965	16,767	21,518
Unrestricted	-	98,018	98,018	95,783
Total net position	\$ 15,802	\$ 98,983	\$ 114,785	\$ 117,301

The notes to the basic financial statements are an integral part of this statement.

Unified School District of De Pere De Pere, Wisconsin

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017**

	Food Service	Community Service	Totals	
			2018	2017
OPERATING REVENUES				
Food sales	\$ 1,124,052	\$ -	\$ 1,124,052	\$ 1,127,840
Local sources	-	60,579	60,579	66,013
State sources	20,174	-	20,174	19,670
Federal sources	658,409	-	658,409	595,207
Total operating revenues	1,802,635	60,579	1,863,214	1,808,730
OPERATING EXPENSES				
Salaries, wages and benefits	861,244	-	861,244	795,311
Purchased services	28,153	620	28,773	23,619
Supplies and materials	962,634	27,644	990,278	961,389
Other	486	52,540	53,026	52,449
Depreciation	4,269	482	4,751	4,751
Total operating expenses	1,856,786	81,286	1,938,072	1,837,519
Operating loss	(54,151)	(20,707)	(74,858)	(28,789)
NONOPERATING REVENUES				
Property taxes	-	22,460	22,460	22,460
Income (loss) before transfers	(54,151)	1,753	(52,398)	(6,329)
Transfers in	49,882	-	49,882	24,544
Change in net position	(4,269)	1,753	(2,516)	18,215
Net position - July 1	20,071	97,230	117,301	99,086
Net position - June 30	\$ 15,802	\$ 98,983	\$ 114,785	\$ 117,301

The notes to the basic financial statements are an integral part of this statement.

Unified School District of De Pere De Pere, Wisconsin

STATEMENT OF CASH FLOWS NONMAJOR PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

	Food Service	Community Service	Totals	
			2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from user charges	\$ 1,132,357	\$ 60,530	\$ 1,192,887	\$ 1,127,429
Cash received from other government payments	730,836	-	730,836	614,877
Cash received from other funds	(44,719)	-	(44,719)	44,719
Cash payments to employees	(861,547)	-	(861,547)	(793,692)
Cash payments to suppliers	(999,819)	(75,063)	(1,074,882)	(1,034,194)
Net cash used by operating activities	<u>(42,892)</u>	<u>(14,533)</u>	<u>(57,425)</u>	<u>(40,861)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes	-	22,460	22,460	22,460
Transfers in	49,882	-	49,882	24,544
Net cash provided by noncapital financing activities	<u>49,882</u>	<u>22,460</u>	<u>72,342</u>	<u>47,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures	-	-	-	(17,123)
Change in cash and cash equivalents	6,990	7,927	14,917	(10,980)
Cash and cash equivalents - July 1	-	102,374	102,374	113,354
Cash and cash equivalents - June 30	<u>\$ 6,990</u>	<u>\$ 110,301</u>	<u>\$ 117,291</u>	<u>\$ 102,374</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES:				
Operating loss	\$ (54,151)	\$ (20,706)	\$ (74,857)	\$ (28,789)
Adjustments to reconcile operating loss to net cash used by operating activities				
Depreciation	4,269	482	4,751	4,751
Changes in assets and liabilities:				
Accounts receivables	(7,765)	-	(7,765)	(424)
Inventories	(3,001)	-	(3,001)	(3,405)
Due from other governments	52,253	-	52,253	(65,609)
Accounts payable	(5,545)	5,741	196	7,568
Accrued and other current liabilities	(303)	-	(303)	1,619
Due to (from) other funds	(44,719)	-	(44,719)	44,719
Unearned revenue	16,070	(50)	16,020	(1,291)
Net cash used by operating activities	<u>\$ (42,892)</u>	<u>\$ (14,533)</u>	<u>\$ (57,425)</u>	<u>\$ (40,861)</u>
Noncash operating activities:				
Commodities received from U.S. Department of Agriculture	<u>\$ 143,485</u>	<u>\$ -</u>	<u>\$ 143,485</u>	<u>\$ 133,696</u>

The notes to the basic financial statements are an integral part of this statement.

Unified School District of De Pere De Pere, Wisconsin

STATEMENT OF NET POSITION PUPIL ACTIVITY AGENCY FUND JUNE 30, 2018

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and investments	<u>\$ 240,299</u>	<u>\$ 246,354</u>
LIABILITIES		
Due to student organizations	<u>\$ 240,299</u>	<u>\$ 246,354</u>

The notes to the basic financial statements are an integral part of this statement.

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Unified School District of De Pere De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Unified School District of De Pere, De Pere, Wisconsin (the "District"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

A. REPORTING ENTITY

The District is organized as a unified school district. The District, governed by an elected seven member board, operates grades 4K through 12 and is comprised of all or parts of seven taxing districts. In accordance with GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established in GASB Statement No. 61.

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The District has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund

This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Referendum Debt Service

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

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

The District reports no major proprietary funds. The District uses enterprise funds to account for transactions of the food service and community service funds.

Additionally, the District reports the following fund types:

- ▶ The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for services. Operating expenses for proprietary funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

2. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in 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 by the 20th of the subsequent month, 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.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

3. Accounts Receivable

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

4. Inventories

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

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

5. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

6. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental	Business-type
	Activities	Activities
	Years	
Land improvements	20-30	-
Buildings and improvements	20-50	-
Machinery and equipment	5-20	5-20

7. Compensated Absences

The District's policy allows unlimited accumulation of sick days. However, unused accumulated sick time is forfeited upon retirement or termination of employment. Accumulated vacation time is prorated and paid to employees upon retirement or termination of employment during the fiscal year. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

8. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Governmental funds may report deferred inflows of resources for unavailable revenues. The District reports unavailable revenues for donations. These inflows are recognized as revenues in the district-wide financial statements.

9. Long-term Obligations

In the district-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

10. Pensions

Wisconsin Retirement System

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

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Supplemental Pension Plan

Qualifying teachers and administrators are provided with a supplemental pension. The supplemental pension is a single-employer defined benefit plan administered by the District. For purposes of measuring the supplemental pension liability, related deferred outflows and inflows and pension expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

11. Other Postemployment Benefits Other Than Pensions (OPEB)

Qualifying teachers and administrators are provided with other postemployment benefits. The OPEB is a single-employer defined benefit plan administered by the District. For purposes of measuring the OPEB liability, related deferred outflows and inflows and OPEB expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

12. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the District administrator to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

District-wide and Proprietary Fund Statements

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

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed 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.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

E. USE OF ESTIMATES

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

F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

G. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The trust, debt service, and capital projects funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

The carrying amount of the District's cash and investments totaled \$13,600,316 on June 30, 2018 as summarized below:

Petty cash and cash on hand	\$ 7,480
Deposits with financial institutions	1,407,475
Investments	
Wisconsin Investment Series Cooperative (WISC)	12,145,633
Beneficial Interest in investments held by Community Foundation	39,728
	<u>\$ 13,600,316</u>

Reconciliation to the basic financial statements:

District-wide statement of net position	
Cash and investments	\$ 13,360,017
Fiduciary fund statement of net position	
Agency fund	240,299
	<u>\$ 13,600,316</u>

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2018:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Beneficial interest in investments held by Community Foundation	\$ -	\$ -	\$ 39,728

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will 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 credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or 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.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of June 30, 2018, \$951,834 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. The entire amount was collateralized with securities held by the pledging financial institution or its trust department or agent.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
WISC	\$ 12,145,633	\$ -	\$ -	\$ -	\$ 12,145,633
Beneficial interest in investments held by Community Foundation	39,728	-	-	-	39,728
Totals	\$ 12,185,361	\$ -	\$ -	\$ -	\$ 12,185,361

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

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 the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Unified School District of De Pere De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
WISC	\$ 12,145,633	\$ 12,145,633	\$ -	\$ -	\$ -
Beneficial interest in investments held by Community Foundation	39,728	39,728	-	-	-
Totals	<u>\$ 12,185,361</u>	<u>\$ 12,185,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment in Wisconsin Investment Series Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$12,145,633 at year-end consisting of \$1,130 invested in the Cash Management Series and \$12,144,503 invested in the Investment Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin International Cooperative Statute, Wisconsin Statute, Section 66.031. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

Beneficial Interest in Assets Held by Community Foundation

Beneficial interest in assets held by community foundation represents amounts held at Greater Green Bay Community Foundation, Inc. (the Foundation). In 2013, the District entered into an agreement with the Foundation whereby they transferred their athletic field donations to the Foundation. These amounts are the legal assets of the Foundation with the restriction that the Foundation makes distributions to the District as needed. The agreement governing the assets includes a variance in power allowing the Foundation to modify the restrictions on distributions from the funds.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

B. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 3,962,278	\$ -	\$ -	\$ 3,962,278
Construction in progress	6,536,267	1,685,347	5,854,880	2,366,734
Total capital assets, nondepreciable	<u>10,498,545</u>	<u>1,685,347</u>	<u>5,854,880</u>	<u>6,329,012</u>
Capital assets, depreciable:				
Land improvements	4,455,085	-	-	4,455,085
Buildings and improvements	82,364,014	6,293,373	-	88,657,387
Machinery and equipment	12,410,429	386,873	1,480,700	11,316,602
Subtotals	<u>99,229,528</u>	<u>6,680,246</u>	<u>1,480,700</u>	<u>104,429,074</u>
Less accumulated depreciation for:				
Land improvements	2,404,802	215,307	-	2,620,109
Buildings and improvements	26,100,971	1,420,530	-	27,521,501
Machinery and equipment	10,794,217	112,597	1,480,700	9,426,114
Subtotals	<u>39,299,990</u>	<u>1,748,434</u>	<u>1,480,700</u>	<u>39,567,724</u>
Total capital assets, depreciable, net	<u>59,929,538</u>	<u>4,931,812</u>	<u>-</u>	<u>64,861,350</u>
Governmental activities capital assets, net	<u>\$ 70,428,083</u>	<u>\$ 6,617,159</u>	<u>\$ 5,854,880</u>	71,190,362
Less: Capital related debt				<u>23,425,156</u>
Net investment in capital assets				<u>\$ 47,765,206</u>
Business-type activities:				
Capital assets, depreciable:				
Machinery and equipment	\$ 730,958	\$ -	\$ -	\$ 730,958
Less accumulated depreciation for:				
Machinery and equipment	<u>709,440</u>	<u>4,751</u>	<u>-</u>	<u>714,191</u>
Business-type activities capital assets, net	<u>\$ 21,518</u>	<u>\$ 4,751</u>	<u>\$ -</u>	<u>\$ 16,767</u>

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

C. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 2,245,000	\$ 2,894,882
Special Revenue Trust	-	2,245,000
Non-Referendum Debt Service	2,245,000	-
Capital Improvement Trust	600,000	-
Food Service	49,882	-
	<u>\$ 5,139,882</u>	<u>\$ 5,139,882</u>

Interfund transfers were made for the following purposes:

For future debt payments	\$ 2,245,000
To fund future capital projects	600,000
To cover operational deficit	49,882
	<u>\$ 2,894,882</u>

D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2018:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$ 18,528,986	\$ -	\$ 4,182,559	\$ 14,346,427	\$ 5,546,280
Notes	11,350,000	-	2,525,000	8,825,000	-
Total general obligation debt	<u>29,878,986</u>	<u>-</u>	<u>6,707,559</u>	<u>23,171,427</u>	<u>5,546,280</u>
Debt premium	509,021	-	169,187	339,834	102,069
Capital leases	327,561	-	73,832	253,729	73,911
Compensated absences	53,791	-	1,045	52,746	-
Governmental activities					
Long-term obligations	<u>\$ 30,769,359</u>	<u>\$ -</u>	<u>\$ 6,951,623</u>	<u>\$ 23,817,736</u>	<u>\$ 5,722,260</u>

Total interest paid during the year on long-term debt totaled \$599,162.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/18
General obligation bonds	10/27/10	3/15/20	4.25%	\$ 718,000	\$ 186,427
General obligation bonds	7/10/12	10/1/20	2.00%	9,655,000	9,655,000
General obligation bonds	7/8/14	10/1/18	2.00%	5,585,000	4,505,000
General obligation notes	7/18/14	4/1/20	2.125%	3,200,000	955,000
General obligation notes	5/10/16	4/1/26	1.25% - 2.0%	9,600,000	7,870,000

Total outstanding general obligation debt \$ 23,171,427

Unified School District of De Pere De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

Annual principal and interest maturities of the outstanding general obligation debt of \$23,171,427 on June 30, 2018 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 5,546,280	\$ 449,236	\$ 5,546,280
2020	7,820,148	283,961	7,820,148
2021	4,054,999	161,875	4,054,999
2022	1,290,000	115,000	1,290,000
2023	1,310,000	337,600	1,310,000
2024 - 2026	3,150,000	108,000	3,150,000
	<u>\$ 23,171,427</u>	<u>\$ 1,455,672</u>	<u>\$ 24,627,099</u>

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2018 was \$195,662,019 as follows:

Equalized valuation of the District		\$ 2,128,803,707
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		212,880,371
Total outstanding general obligation debt applicable to debt limitation	\$ 23,171,427	
Less: Amounts available for financing general obligation debt		
Debt service fund, less accrued interest payable	<u>5,953,075</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>17,218,352</u>
Legal margin for new debt		<u>\$ 195,662,019</u>

Capital Lease

The District is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. The cost of the capital assets under the capital leases are \$286,145 and the related accumulated depreciation is \$32,416 as of June 30, 2018.

The following is a schedule of the minimum lease payments under the lease agreements and the present values of the minimum lease payments at June 30, 2018:

Year Ending	Governmental Activities
2019	\$ 87,892
2020	76,527
2021	76,527
	<u>45,199</u>
Subtotal	286,145
Less: Amount representing interest	<u>32,416</u>
Present value of future minimum lease payments	<u>\$ 253,729</u>

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

E. PENSION PLANS

The District reports pension related balances at June 30, 2018, as summarized below:

	Pension Asset	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Wisconsin Retirement System (WRS)	\$ 4,585,042	\$ -	\$ 7,723,734	\$ 9,038,263
Supplemental pension plan	-	5,827,184	576,493	837,443
Total pension liability	<u>\$ 4,585,042</u>	<u>\$ 5,827,184</u>	<u>\$ 8,300,227</u>	<u>\$ 9,875,706</u>

1. WRS Pension 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>.

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.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. The factors influencing the benefit are 1) final average earnings, 2) years of creditable service, and 3) a formula factor.

Final average earnings is the average of the participant's three highest annual earning 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 age 55 (50 for protective occupation employees) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for a 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.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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%	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	4

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.

During the reporting period ending December 31, 2017, the WRS recognized \$1,508,206 in contributions from the District.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

Unified School District of De Pere De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$4,585,042 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.15442436%, which was an increase of 0.00042509% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,017,769.

At June 30, 2017, 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	\$ 5,825,410	\$ 2,724,934
Net differences between projected and actual earnings on pension plan investments	-	6,301,714
Changes in assumptions	905,914	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,860	11,615
Employer contributions subsequent to the measurement date	900,550	-
Total	<u>\$ 7,723,734</u>	<u>\$ 9,038,263</u>

The \$900,550 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 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:

<u>Year Ended June 30,</u>	<u>Expense</u>
2018	\$ 524,985
2019	(9,283)
2020	(1,551,421)
2021	(1,190,347)
2022	10,987
Total	<u>\$ (2,215,079)</u>

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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 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.

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:

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
Core Fund Asset Class			
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 members 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.

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 7.2 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:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
District's proportionate share of the net pension liability (asset)	\$ 11,863,070	\$ (4,585,042)	\$ (17,086,117)

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>.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$331,382 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2018.

2. Supplemental Pension Plan

Pension Description

The plan, a single-employer pension plan, is a defined benefit pension plan established to provide benefits after early retirement. The plan is administered by the District. The plan does not issue separate financial statements.

Benefits Provided

A summary of eligibility requirements and plan benefits follows:

Administrators are eligible at age 55 with a minimum of 15 years of administrative experience, 10 of which must be with the District. Upon retirement, the District shall make a contribution into the retiree's 403(b). The amount of this contribution is equivalent to 2.5% of the administrative base rate times 60.

Teachers are eligible at age 55 with a minimum of 20 years of service with the District. Teachers may choose, via annual Section 125 election, to receive upon their retirement the cash equivalent of the medical benefits.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	24
Active employees	338
	<u>362</u>

Funding Policy

The entire cost of these benefits is paid by the District. Benefits are currently funded on a pay-as-you-go basis and no assets exist to prefund retiree benefits.

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

Component	Amount
Total pension liability at July 1, 2017	\$ 5,959,269
Changes for the year:	
Service cost	422,791
Interest	181,792
Differences between expected and actual experience	(901,862)
Changes of assumptions or other input	387,046
Benefit payments	(221,852)
Net changes	(132,085)
Total pension liability at June 30, 2018	<u>\$ 5,827,184</u>

For the year ended June 30, 2018, the District recognized pension expense of \$567,810.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 837,443
Changes in assumptions	359,400	-
Employer contributions subsequent to the measurement date	217,093	-
Total	<u>\$ 576,493</u>	<u>\$ 837,443</u>

The \$217,093 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 pension liability 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:

<u>Year Ended June 30,</u>	<u>Expense</u>
2018	\$ (36,773)
2019	(36,773)
2020	(36,773)
2021	(36,773)
2022	(36,773)
Thereafter	(294,178)
Total	<u>\$ (478,043)</u>

Actuarial Assumptions

The District's total pension liability was measured as of June 30, 2017.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of salary
Actuarial assumptions:	
Discount rate	3.5%
Inflation	2.5%

Single Discount Rate. A single discount rate of 3.5% was used to measure the total pension liability. This single discount rate was based on the 20 year tax-exempt AA Municipal bond rate.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

	1% Decrease to Discount Rate <u>(2.5%)</u>	Current Discount Rate <u>(3.5%)</u>	1% Increase to Discount Rate <u>(4.5%)</u>
Total pension liability	\$ 6,315,700	\$ 5,827,184	\$ 5,368,179

Payable to the Supplemental Pension Plan

At June 30, 2018, the District reported no outstanding contributions to the Plan required for the year ended June 30, 2018.

F. OTHER POSTEMPLOYMENT BENEFITS

The District has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2018. This statement revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended June 30, 2017 have not been restated.

The cumulative effect of this change was to decrease the June 30, 2017 net position by \$804,027 as follows:

Other postemployment liability		
OPEB liability balance previously reported	\$ 2,613,073	
Actuarially determined balance	<u>3,506,291</u>	
Increase in other postemployment liability		\$ (893,218)
Deferred outflows of resources		
Employer contributions subsequent to the measurement date		<u>89,191</u>
		<u>\$ (804,027)</u>

Plan Description

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical and dental coverage through the District's self-insured group plans. The District contributes to a pool for each retiree based upon a percentage of their salary and years of service. This pool is used for payment of the retiree's medical and dental premiums until its exhaustion. All employees of the District are eligible for the Plan if they meet the following age and service requirements below:

Administrators must be age 55 and 15 years of service, a minimum of 10 with the District. Teachers must be age 55 and 20 years of service.

Benefits Provided

The District provides medical (including prescription drugs) and dental coverage for retired employees through the District's self-insured plans.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	12
Active employees	338
	<u>350</u>

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

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

Inflation:	2.5%
Investment rate of return:	3.5%
Healthcare cost trend rates:	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter

Mortality rates are the same as those used in the Wisconsin 2012 Mortality Table.

The actuarial assumptions used in the July 1, 2017 valuation were based on the "Wisconsin Retirement System 2012 - 2014 Experience Study".

The current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.5%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 3,506,291
Changes for the year:	
Service cost	268,245
Interest	125,854
Benefit payments	(89,191)
Net changes	<u>304,908</u>
Balance at June 30, 2018	<u>\$ 3,811,199</u>

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Total OPEB liability	\$ 4,201,424	\$ 3,811,199	\$ 3,451,280

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 4.0%) or 1-percentage-point higher (8.5% decreasing to 6.0%) 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%)
Total OPEB liability	\$ 3,348,714	\$ 3,811,199	\$ 4,360,352

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 \$394,099. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
District contributions subsequent to the measurement date	<u>\$ 27,277</u>

The \$27,277 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2018, and reported in the year ended June 30, 2019.

Payable to the OPEB Plan

At June 30, 2018, the District reported no outstanding contribution to the Plan required for the year ended June 30, 2018.

G. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2018, nonspendable fund balance was as follows:

	<u>General</u>
Nonspendable Inventories and prepaid items	<u>\$ 13,559</u>

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2018, restricted fund balance was as follows:

Debt Service Funds		
Restricted for		
Debt service	\$	6,041,592
Capital Projects Funds		
Restricted for		
Capital improvements		<u>1,003,484</u>
Total restricted fund balance	\$	<u><u>7,045,076</u></u>

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by District Board action. At June 30, 2018, fund balance was committed as follows:

General Fund		
Committed for		
Subsequent years expenditures	\$	131,189
Special Revenue Funds		
Committed for		
Trust Fund		<u>885,337</u>
Total committed fund balance	\$	<u><u>1,016,526</u></u>

Minimum General Fund Balance Policy

The District has also adopted a minimum fund balance policy of 15% to 20% of subsequent year budgeted expenditures for the General Fund. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2019 General Fund expenditures	\$	45,936,681
Minimum fund balance %		<u>(x) 15%-20%</u>
Minimum fund balance amount		<u><u>\$6,890,502 to \$9,187,336</u></u>

The District's unassigned General Fund balance of \$8,624,948 is in compliance with the range of the above minimum fund balance amount.

Net Position

The District reports restricted net position at June 30, 2018 as follows:

Governmental activities		
Restricted for		
Debt retirement	\$	5,953,075
Capital improvements		<u>1,003,484</u>
Total governmental activities restricted net position	\$	<u><u>6,956,559</u></u>

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 3: OTHER INFORMATION

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. The District has chosen to retain a portion of the risks through a self-insurance program as follows:

Self-funded Insurance Program

The District has a self-funded health and dental benefit plan for its employees. The Plan administrator, Anthem (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, 2018.

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

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$75,000 per individual or 125% of the annual estimated claims as provided by the administrator. The District has no stop-loss coverage of dental care coverage of the Plan.

At June 30, 2018, the District has reported a liability of \$408,551 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. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2017 and June 30, 2018 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2018	\$ 583,753	\$ 7,387,104	\$ 7,562,306	\$ 408,551
2017	1,052,971	5,306,946	5,776,164	583,753

B. CONTINGENCIES

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the 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 or results of operations.

C. LIMITATION ON SCHOOL DISTRICT REVENUES

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

Unified School District of De Pere De Pere, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

D. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after December 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

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REQUIRED SUPPLEMENTARY INFORMATION

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 14,421,489	\$ 14,421,489	\$ 14,421,489	\$ -
Other local sources	192,959	306,872	306,681	(191)
Interdistrict sources	4,643,749	4,554,349	4,546,600	(7,749)
Intermediate sources	17,175	17,175	18,073	898
State sources	25,121,878	25,138,328	25,166,923	28,595
Federal sources	289,330	289,330	323,448	34,118
Other sources	43,442	80,191	99,109	18,918
Total revenues	44,730,022	44,807,734	44,882,323	74,589
EXPENDITURES				
Instruction				
Regular instruction	20,021,807	20,108,574	19,958,987	149,587
Vocational instruction	1,425,186	1,406,095	1,372,090	34,005
Other instruction	1,896,057	1,889,348	1,878,967	10,381
Total instruction	23,343,051	23,404,017	23,210,044	193,973
Support services				
Pupil services	1,952,636	1,953,578	1,823,672	129,906
Instructional staff services	1,916,117	1,917,255	1,785,691	131,564
General administration services	466,863	441,863	405,921	35,942
School administration services	2,569,561	2,605,653	2,475,564	130,089
Business services	837,076	844,939	753,034	91,905
Operations and maintenance of plant	4,647,498	4,641,876	4,624,092	17,784
Pupil transportation services	1,320,162	1,292,629	1,238,944	53,685
Central services	1,827,162	1,958,403	1,880,515	77,888
Insurance	453,958	409,196	386,326	22,870
Other support services	348,395	349,704	335,221	14,483
Total support services	16,339,428	16,415,096	15,708,980	706,116
Debt service				
Principal	-	-	73,832	(73,832)
Interest and fiscal charges	500	500	14,198	(13,698)
Non-program				
General tuition payments	1,817,724	1,788,724	1,804,461	(15,737)
Adjustments and refunds	2,000	2,000	836	1,164
Voucher payments	129,625	129,625	129,625	-
Revenue transits to others	-	-	15,105	(15,105)
Total non-program	1,949,349	1,920,349	1,950,027	(29,678)
Total expenditures	41,632,327	41,739,962	40,957,081	782,881
Excess of revenues over expenditures	3,097,695	3,067,772	3,925,242	857,470
OTHER FINANCING SOURCES (USES)				
Indirect cost payments from another fund	-	23,500	18,107	(5,393)
Transfers in	23,500	-	2,245,000	2,245,000
Transfers out	(3,121,195)	(3,118,265)	(5,984,769)	(2,866,504)
Total other financing sources (uses)	(3,097,695)	(3,094,765)	(3,721,662)	(626,897)
Net change in fund balance	-	(26,993)	203,580	230,573
Fund balance - July 1	8,566,116	8,566,116	8,566,116	-
Fund balance - June 30	\$ 8,566,116	\$ 8,539,123	\$ 8,769,696	\$ 230,573

See notes to required supplementary information.

Unified School District of De Pere

De Pere, Wisconsin

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - SPECIAL EDUCATION FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local sources	\$ -	\$ -	\$ 168	\$ 168
Intermediate sources	81,267	81,267	99,007	17,740
State sources	878,438	878,438	862,199	(16,239)
Federal sources	863,825	864,575	821,120	(43,455)
Total revenues	1,823,530	1,824,280	1,782,494	(41,786)
EXPENDITURES				
Instruction				
Special education instruction	2,915,218	2,931,468	2,987,142	(55,674)
Support services				
Pupil services	489,311	491,811	474,647	17,164
Instructional staff services	300,128	300,278	285,859	14,419
Operations and maintenance of plant	2,000	2,000	225	1,775
Pupil transportation services	27,000	27,000	19,989	7,011
Total support services	818,439	821,089	780,720	40,369
Non-program				
Special education tuition payments	1,038,138	1,013,138	1,086,412	(73,274)
Total expenditures	4,771,795	4,765,695	4,854,274	(88,579)
Excess of revenues under expenditures	(2,948,265)	(2,941,415)	(3,071,780)	(130,365)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,948,265	2,948,265	3,089,887	141,622
Indirect cost payments to another fund		-	(18,107)	(18,107)
Total other financing sources (uses)	2,948,265	2,948,265	3,071,780	123,515
Net change in fund balance	-	6,850	-	(6,850)
Fund balance - July 1	-	-	-	-
Fund balance - June 30	\$ -	\$ 6,850	\$ -	\$ (6,850)

See notes to required supplementary information.

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS *

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 268,245
Interest	125,854
Benefit payments	(89,191)
Net change in total OPEB liability	<u>304,908</u>
Total OPEB liability - beginning	<u>3,506,291</u>
Total OPEB liability - ending	<u>\$ 3,811,199</u>
Covered-employee payroll	\$ 20,017,866
District's total OPEB liability as a percentage of covered-employee payroll	19.04%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Fiscal Year Ending	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 Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.15984110%	\$ (3,926,134)	\$ 21,538,802	18.23%	102.74%
12/31/15	0.15702550%	1,551,633	21,682,409	7.16%	98.20%
12/31/16	0.15399930%	1,269,322	22,476,529	5.65%	99.12%
12/31/17	0.15442436%	(4,585,042)	23,036,880	19.90%	102.93%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/15	\$ 1,479,825	\$ 1,479,825	\$ -	\$ 21,492,712	6.89%
6/30/16	1,483,707	1,483,707	-	22,091,607	6.72%
6/30/17	1,566,507	1,566,507	-	22,859,918	6.85%
6/30/18	1,573,136	1,573,136	-	23,151,880	6.79%

See notes to required supplementary information.

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF CHANGES IN PENSION LIABILITY AND RELATED RATIOS SUPPLEMENTAL PENSION PLAN LAST 10 FISCAL YEARS *

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 422,791	\$ 422,791
Interest	181,792	169,821
Differences between expected and actual experience	(901,862)	-
Changes in assumptions	387,046	-
Benefit payments	<u>(221,852)</u>	<u>(165,322)</u>
Net change in total pension liability	(132,085)	427,290
Total OPEB liability - beginning	5,959,269	5,531,979
Total OPEB liability - ending	<u>\$ 5,827,184</u>	<u>\$ 5,959,269</u>
Covered-employee payroll	\$ 20,017,866	\$ 17,656,907
District's total pension liability as a percentage of covered-employee payroll	29.11%	33.75%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

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Unified School District of De Pere

De Pere, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

A. GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 75

The District implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2018. Information for prior years is not available.

B. WISCONSIN RETIREMENT SYSTEM

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

C. BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- ▶ Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- ▶ The Board of Education 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 Board of Education may make alterations to the proposed budget.
- ▶ Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- ▶ Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- ▶ Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- ▶ The DPI requires the District to separate special education revenues and expenditures from other General Fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2018.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP General Fund basis is summarized below:

	<u>General</u>	<u>Special Education Fund</u>
Revenues		
Actual amounts (budgetary basis)	\$ 44,882,323	\$ 1,782,494
Reclassification of special education fund	<u>1,782,494</u>	<u>(1,782,494)</u>
Total revenues	<u>46,664,817</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	40,957,081	4,854,274
Reclassification of special education fund	<u>4,854,274</u>	<u>(4,854,274)</u>
Total expenditures	<u>45,811,355</u>	<u>-</u>
Excess of revenues over (under) expenditures		
Actual amounts (budgetary basis)	3,925,242	(3,071,780)
Reclassification of special education fund	<u>(3,071,780)</u>	<u>3,071,780</u>
Excess of revenues over (under) expenditures	<u>853,462</u>	<u>-</u>
Other financing sources (uses)		
Actual amounts (budgetary basis)	(3,721,662)	3,071,780
Reclassification of special education fund	<u>3,071,780</u>	<u>(3,071,780)</u>
Total other financing sources (uses)	<u>(649,882)</u>	<u>-</u>
Net change in fund balance		
Actual amounts (budgetary basis)	203,580	-
Fund balance - July 1		
Actual amounts (budgetary basis)	<u>8,566,116</u>	<u>-</u>
Fund balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 8,769,696</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

Unified School District of De Pere De Pere, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2018

	Special Revenue	Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Trust	Non-Referendum Debt Service	Capital Projects	Capital Improvement Trust	
ASSETS					
Cash and investments	\$ 904,359	\$ 365,509	\$ 188,443	\$ 828,882	\$ 2,287,193
Receivables					
Other	188,700	-	-	-	188,700
Total assets	<u>\$ 1,093,059</u>	<u>\$ 365,509</u>	<u>\$ 188,443</u>	<u>\$ 828,882</u>	<u>\$ 2,475,893</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 19,022	\$ -	\$ 13,841	\$ -	\$ 32,863
Deferred inflows of resources					
Donations	188,700	-	-	-	188,700
Fund balances					
Restricted	-	365,509	174,602	828,882	1,368,993
Committed	885,337	-	-	-	885,337
	<u>885,337</u>	<u>365,509</u>	<u>174,602</u>	<u>828,882</u>	<u>2,254,330</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,093,059</u>	<u>\$ 365,509</u>	<u>\$ 188,443</u>	<u>\$ 828,882</u>	<u>\$ 2,475,893</u>

Unified School District of De Pere De Pere, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Special	Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Revenue		Non- Referendum Debt Service	Capital Projects	
	Trust				
REVENUES					
Property taxes	\$ -	\$ 215,228	\$ -	\$ -	\$ 215,228
Other local sources	699,440	232	9,375	2,037	711,084
Other sources	-	10,876	4,030	-	14,906
Total revenues	699,440	226,336	13,405	2,037	941,218
EXPENDITURES					
Instruction					
Regular instruction	24,956	-	919	-	25,875
Vocational instruction	6,485	-	-	-	6,485
Other instruction	35,989	-	-	-	35,989
Total instruction	67,430	-	919	-	68,349
Support services					
Pupil services	1,317	-	-	-	1,317
Instructional staff services	2,732	-	-	-	2,732
General administration services	30,249	-	-	-	30,249
School administration services	32,430	-	-	-	32,430
Operations and maintenance of plant	14,805	-	2,217,567	-	2,232,372
Central services	20,420	-	-	-	20,420
Total support services	101,953	-	2,217,567	-	2,319,520
Debt service					
Principal	-	2,542,559	-	-	2,542,559
Interest and fiscal charges	-	155,684	-	-	155,684
Total debt service	-	2,698,243	-	-	2,698,243
Total expenditures	169,383	2,698,243	2,218,486	-	5,086,112
Excess of revenues over (under) expenditures	530,057	(2,471,907)	(2,205,081)	2,037	(4,144,894)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	2,245,000	-	600,000	2,845,000
Transfers out	(2,245,000)	-	-	-	(2,245,000)
Total other financing sources (uses)	(2,245,000)	2,245,000	-	600,000	600,000
Net change in fund balances	(1,714,943)	(226,907)	(2,205,081)	602,037	(3,544,894)
Fund balances - July 1	2,600,280	592,416	2,379,683	226,845	5,799,224
Fund balances - June 30	\$ 885,337	\$ 365,509	\$ 174,602	\$ 828,882	\$ 2,254,330

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
ASSETS				
Cash	\$ 246,354	\$ 522,146	\$ 528,201	\$ 240,299
LIABILITIES				
Due to student organizations				
High School	\$ 226,585	\$ 478,453	\$ 486,747	\$ 218,291
Middle School	11,916	30,130	30,092	11,954
Foxview Intermediate	1,217	10,615	8,857	2,975
Altmayer Elementary School	599	-	-	599
Dickinson Elementary School	2,820	555	550	2,825
Heritage Elementary School	645	216	347	514
District	2,572	2,177	1,608	3,141
Total liabilities	\$ 246,354	\$ 522,146	\$ 528,201	\$ 240,299

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ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS

Independent auditors' 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
Unified School District of De Pere
De Pere, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Unified School District of De Pere, De Pere, Wisconsin (the "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 which includes an emphasis of matter paragraph as indicated on page 2 dated December 3, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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



Certified Public Accountants

Green Bay, Wisconsin
December 3, 2018

FEDERAL AND STATE AWARDS

Independent auditors' report on compliance for each major federal and state program and on internal control over compliance required by the Uniform Guidance and the *State Single Audit Guidelines*

To the Board of Education
Unified School District of De Pere
De Pere, Wisconsin

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM

We have audited the Unified School District of De Pere, De Pere, Wisconsin's (the "District's") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2018. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, 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 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 District's compliance.

OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM

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

OTHER MATTERS

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

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of prior year findings and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or 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 District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



Certified Public Accountants

Green Bay, Wisconsin
December 3, 2018

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/17	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2018-051414-SB-546	\$ (3,123)	\$ 38,648	\$ 1,452	\$ 36,977	\$ -
National School Lunch Program	10.555	WI DPI	2018-051414-NSL-547	(69,918)	511,743	15,596	457,421	-
Donated Commodities 17-18	10.555	WI DPI		(69,918)	143,485	-	143,485	-
Total National School Lunch Program					655,228	15,596	600,906	-
Summer Food Service Program for Children	10.559	WI DPI	2018-051414-SFSP-586	(5,247)	16,973	8,798	20,524	-
Total U.S. Department of Agriculture				(78,288)	710,849	25,846	658,407	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-051414-Title I-141	(36,430)	148,396	25,052	137,018	-
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2018-051414-IDEA-341	(252,864)	750,087	252,293	749,516	-
Special Education Preschool Grants	84.173	WI DPI	2018-051414-Pre-S-347	(252,864)	750,087	11,638	11,638	-
Total Special Education Cluster (IDEA)						263,931	761,154	-
Career and Technical Education - Basic Grants to States	84.048	CESA #7	n/a	-	17,176	-	17,176	-
English Language Acquisition State Grants	84.365	WI DPI	2018-051414-Title III A-391	(11,146)	15,543	6,975	11,372	-
Improving Teacher Quality State Grants	84.367	WI DPI	2018-051414-Title II-365	(6,135)	56,484	10,703	61,052	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2018-051414-Title-IV A-381	-	3,506	5,826	9,332	-
Hurricane Education Recovery	84.938	WI DPI	n/a	-	-	31,680	31,680	-
Total U.S. Department of Education				(306,575)	991,192	344,167	1,028,784	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	44224200	-	132,962	-	132,962	-
TOTAL FEDERAL AWARDS				\$ (384,863)	\$ 1,835,003	\$ 370,013	\$ 1,820,153	\$ -
				Reconciliation to the basic financial statements				
				Federal sources (governmental plus proprietary)		\$	1,802,977	
				Federal awards included in intermediate sources			17,176	
				Total federal awards		\$	1,820,153	

The notes to the schedules of expenditures of federal and state awards are an integral part of this schedule.

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/17	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	051414-100	\$ -	\$ 862,199	-	\$ 862,199	\$ -
State School Lunch Aid	255.102	Direct Program	051414-107	-	19,233	-	19,233	-
Common School Fund Library Aid	255.103	Direct Program	051414-104	-	177,669	-	177,669	-
General Transportation Aid	255.107	Direct Program	051414-102	-	77,745	-	77,745	-
Equalization Aids	255.201	Direct Program	051414-116	(372,978)	23,016,678	385,203	23,028,903	-
Peer Review and Mentoring	255.301	Direct Program	051414-141	(4,616)	19,722	7,913	23,019	-
State School Breakfast Aid	255.344	Direct Program	051414-108	-	941	-	941	-
Educator Effective Evaluation System	255.940	Direct Program	051414-154	-	25,920	-	25,920	-
Per Pupil Aid	255.945	Direct Program	051414-113	-	1,757,700	-	1,757,700	-
Career and Technical Education Incentive Grants	255.950	Direct Program	051414-152	-	8,869	-	8,869	-
Assessments of Reading Readiness	255.956	Direct Program	051414-166	-	6,181	-	6,181	-
Robotics League Participation Grants	255.959	Direct Program	051414-167	(2,671)	2,671	2,592	2,592	-
Total Wisconsin Department of Public Instruction				(380,265)	25,975,528	395,708	25,990,971	-
TOTAL STATE PROGRAMS				<u>\$ (380,265)</u>	<u>\$ 25,975,528</u>	<u>\$ 395,708</u>	<u>\$ 25,990,971</u>	<u>\$ -</u>

Reconciliation to the basic financial statements
 State sources (governmental plus proprietary) \$ 26,049,296
 Less: State sources not considered state financial assistance (53,733)
 State tax computer aid (4,592)
 Payment in lieu of taxes and other revenues \$ 25,990,971
 Total state awards

The notes to the schedules of expenditures of federal and state awards are an integral part of this schedule.

Unified School District of De Pere

De Pere, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the District are presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2018 fund financial statements. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The District has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2017 - 2018 eligible costs under the State Special Education Program as reported by the District are \$3,480,620. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

NOTE 5: OVERSIGHT AGENCIES

The federal and state oversight agencies for the District are as follows:

Federal - U.S. Department of Education
State - Wisconsin Department of Public Instruction

NOTE 6: PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services
WI DPI - Wisconsin Department of Public Instruction
CESA #7 - Cooperative Educational Service Agency No. 7

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Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

SECTION I: SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None reported
Noncompliance material to basic financial statements noted?	No

FEDERAL AND STATE AWARDS

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents
255.107	General Transportation Aid
255.201	Equalization Aids

Audit threshold used to determine between Type A and Type B programs:

Federal Awards	\$750,000
State Awards	\$250,000
Auditee qualified as low-risk auditee	Yes

Unified School District of De Pere

De Pere, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2018.

SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

FINDING NO.	CONTROL DEFICIENCIES
2018-001	<p>General Transportation Aids <i>State ID #255.107</i></p>
Condition:	<p>The auditor randomly selected 25 pupils that were claimed on the PI-1547 and traced to supporting documentation for various requirements. For 5 of the pupils selected, the District did not receive proper documentation from the contracted bus company to document that the pupils claimed on the transportation report physically rode the bus at least once during the school year.</p>
Criteria:	<p>The Wisconsin Department of Public Instruction provides a <i>Wisconsin Public School District Audit Manual</i>, which states that the District should maintain reliable source documentation to support the number of pupils reported as actually transported during the school year. Pupils must be transported at least once during the school year.</p>
Cause:	<p>The District contracts with a bus company to provide pupil transportation and gather appropriate data for the District's annual transportation report.</p>
Effect:	<p>Without documentation that pupils rode the bus at least one time, the District may be claiming students who are ineligible for pupil transportation aid.</p>
Questioned Costs:	<p>Not determined.</p>
Recommendation:	<p>We recommend the District work with the contracted bus company to obtain the reports in a format better suited for District reporting requirements, which includes verification of attendance and proper mileage category. Additionally, we recommend District personnel review documentation for accuracy and require that proof of ridership be submitted by the contracted bus company.</p>

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

SECTION IV: 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 cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : | |
| Wisconsin Department of Public Instruction | Yes |
| Wisconsin Department of Health Services | No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |

4. Name and signature of partner



Paul G. Denis, CPA

5. Date of report

December 3, 2018

Unified School District of De Pere De Pere, Wisconsin

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR AUDIT FINDINGS

The findings noted in the 2017 schedule of findings and questioned costs have been reported to the proper federal and state agencies. The current status of the prior year audit findings, as provided by management, follows:

<u>Finding No.</u>	<u>Prior Year Audit Finding</u>
2017-001	Preparation of Annual Financial Report The District prepared the annual financial report and related footnotes, with minimal assistance from the external auditor.

CORRECTIVE ACTION PLAN

<u>Finding No.</u>	<u>Corrective Action Plan</u>
2018-001	General Transportation Aids Last year, Lamers (the District's transportation company) conducted two separate audits to verify students riding the bus, one on December 11-22 and the second on April 9-20, 2018. If in either audit period the student didn't ride the bus, they were considered no shows and Lamers would update their bus routes and remove those students. That removal, however, wasn't necessarily updating the report they give me to report riders to DPI and the one which categorical aid is based on. Beginning with this new school year, Lamers will implement a rider verification date of at least one day that they verified the student rode the bus. They will then enter that specific date into the student's record and will pull our transportation report based on students they verified rode the bus at least once, instead of their entire file. They believe that will give them better information for us to report to DPI.