

**MONONA GROVE SCHOOL DISTRICT**  
Monona, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

June 30, 2018

## CONTENTS

Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
District-Wide Financial Statements	
Statement of Net Position .....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet—Governmental Funds .....	14
Reconciliation of the Governmental Funds Balance Sheet to the District-Wide Statement of Net Position .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	17
Statement of Fiduciary Net Position.....	18
Statement of Changes in Fiduciary Net Position .....	19
Notes to Financial Statements.....	20
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual— General Fund.....	52
Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures.....	53
Schedule of Proportionate Share of Net Pension Liability (Asset) and Schedule of Contributions - Wisconsin Retirement System .....	54
Schedule of Proportionate Share of the Net OPEB Liability—Local Retiree Life Insurance Fund .....	55

Schedule of Employer OPEB Contributions and Schedule of Changes in Net OPEB Liability and Related Ratios .....	56
Schedule of Net Supplemental Pension Liability and Schedule of Changes in Net Supplemental Pension Liability.....	57
Notes to Required Supplementary Information .....	58
Other Supplementary Information	
Combining Balance Sheet—General Governmental Funds.....	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—General Governmental Funds .....	62
Combining Balance Sheet—Nonmajor Governmental Funds.....	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds .....	64
Agency Funds—Schedule of Changes in Assets and Liabilities .....	65
Charter School Authorizer Operating Costs by Object.....	66
Schedule of Expenditures of Federal and State Awards.....	68
Notes to Schedule of Expenditures of Federal and State Awards .....	70
Summary Schedule of Prior Audit Findings .....	71
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	72
Independent Auditor’s Report on Compliance for Each Major Federal Program and Each Major State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i> .....	74
Schedule of Findings and Questioned Costs.....	77



## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Monona Grove School District  
Monona, Wisconsin

### Report on the Financial Statements

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

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

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

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## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the financial statements for the year ended June 30, 2017 have been restated to correct a misstatement. Our opinion is 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, budgetary comparison information, schedule of proportionate share of net pension liability (asset) and schedule of contributions, schedule of employer OPEB contributions, schedule of proportionate share of the net OPEB liability—Local retiree life insurance fund, and schedule of changes in net OPEB liability and related ratios, and schedule of net supplemental pension liability and schedule of changes in net supplemental pension liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Monona Grove School 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Monona Grove School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monona Grove School District's internal control over financial reporting and compliance.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 16, 2018

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

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The discussion and analysis of the financial performance of the Monona Grove School District (District) provides an overview of financial activities for the fiscal year ended June 30, 2018. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

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

- Total net position of the District increased to \$15,010,512 at June 30, 2018.
- Total revenues increased to \$51,809,983 in fiscal year 2018, up from \$49,121,407 in fiscal year 2017, an increase of approximately 5.47%.
- Total expenses increased to \$47,785,483 in fiscal year 2018, up from \$46,066,835 in the fiscal year 2017, an increase of 3.573%.

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

- Total fund balances of the District's governmental funds increased \$893,961 in fiscal year 2018. This increase included a \$204,802 decrease in the general fund, a \$802,626 increase in the debt service fund, and a \$296,137 increase in the nonmajor governmental funds.
- The District passed a \$2.6 million operational referendum to override the revenue limit cap for 5 years. The 2017-2018 fiscal year was the second year in which the \$2.6 million was available to the District utilize.
- The fund balance for all governmental funds at June 30, 2018 was \$11,458,129. Of this amount, \$698,124 was nonspendable; \$3,521,879 was restricted for debt service, capital projects, donor restriction, nutrition services, and community service; and \$7,238,126 remains unassigned.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**MONONA GROVE SCHOOL DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018

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

**District-Wide Financial Statements**

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

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows 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 or not the financial position of the District is improving. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position.

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

**Fund Financial Statements**

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

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



**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2018

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

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

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

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20-50 of this report.

**Other Information**

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

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

The District ended its fiscal year with net position of \$15,010,512, of which \$14,244,922 was net investment in capital assets, \$2,029,310 was restricted for debt service, \$79,489 was restricted for capital projects, \$2,776,829 was restricted for WRS pension, and \$1,258,753 was restricted for donor restrictions, nutrition services, and community service, and (\$5,378,791) was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general District operations.

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

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>% Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 23,165	\$ 17,811	30.06%
Capital assets	57,496	57,008	0.86%
<b>Total assets</b>	80,661	74,819	7.81%
<b>DEFERRED OUTFLOWS</b>	12,086	10,962	10.25%
<b>LIABILITIES</b>			
Long-term liabilities	57,362	16,218	253.69%
Other liabilities	7,772	28,169	-72.41%
<b>Total liabilities</b>	65,134	44,387	46.74%
<b>DEFERRED INFLOWS</b>	12,603	4,545	177.29%
<b>NET POSITION</b>			
Net Investment in capital assets	14,245	10,798	31.92%
Restricted	6,144	5,448	12.78%
Unrestricted	(5,379)	(4,709)	14.23%
<b>Total Net Position</b>	<b>\$ 15,010</b>	<b>\$ 11,537</b>	<b>30.10%</b>

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

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

**Changes in Net Position**

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2018 with an increase in net position of \$4,024,500 compared to an increase of \$3,054,572 in fiscal year 2017.

The district received \$51,809,983 in revenue for the fiscal year 2018. The District relies primarily on property taxes (54.1% of total governmental revenues), and state equalization aid (25.0%) to fund governmental activities. The District received approximately 15.8% in the form of specific use state grants, federal aid and direct fees for services.

Individuals who directly participated or benefited from a program paid 8.2% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services.

Federal and state governments subsidized certain programs with grants and awards of \$3,939,815. Operating grants include Title I, IDEA, National School Lunch Programs, and State Special Education Aid.

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

<b>REVENUES</b>	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>% Change</b>
Program revenues			
Charges for services	\$ 4,224	\$ 4,026	4.92%
Operating grants & contributions	3,940	3,604	9.32%
General revenues			
Property taxes	28,049	27,499	2.00%
General Aid	12,953	12,106	7.00%
Other	2,644	1,887	40.12%
<b>Total revenues</b>	<b>51,810</b>	<b>49,122</b>	<b>5.47%</b>
<b>EXPENSES</b>			
Instruction	24,851	23,435	6.04%
Pupil and instructional services	3,912	3,569	9.61%
Administration and business	13,355	12,856	3.88%
Interest on debt	1,101	1,127	-2.31%
Other	4,567	5,080	-10.10%
<b>Total expenses</b>	<b>47,786</b>	<b>46,067</b>	<b>3.73%</b>
<b>Change in Net Position</b>	<b>\$ 4,024</b>	<b>\$ 3,055</b>	<b>31.72%</b>

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2018

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

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

The cost of all governmental activities this year was \$47,785,483. Individuals who directly participated or benefited from a program offering paid \$4,223,541 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3,939,815. The net cost of governmental activities \$39,622,127 was financed by \$28,050,460 of property taxes and \$12,952,549 of state equalization aid.

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

	Total Cost of Services	Net Cost of Services
<b>EXPENSES</b>		
Instruction	\$ 24,851	\$ (18,401)
Pupil and instructional services	3,912	(3,780)
Administration and business	13,355	(11,920)
Interest on debt	1,101	(1,101)
Other	4,567	(4,420)
<b>Total expenses</b>	<b>\$ 47,786</b>	<b>\$ (39,622)</b>

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

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$11,458,129, up from last year's ending fund balance of \$10,564,168. The District's unassigned fund balance, available for spending at the district's discretion was \$7,238,126.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance decrease of \$204,802.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

While the District's original budget for the general fund anticipated that revenues would exceed expenditures by \$1,129. The actual results for the year ended June 30, 2018 had expenditures and other financing uses in excess of revenues and other financing sources of \$204,802.

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the June 30, 2018, the District had \$83,983,872 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$26,488,175. Asset acquisitions for governmental activities totaled \$1,701,498. The District recognized depreciation expense of \$1,211,888. Detailed information about capital assets can be found in Note 5 to the financial statements.

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

	<b>2018</b>	<b>2017</b>
Land	\$ 3,475	\$ 1,854
Buildings	73,887	73,887
Furniture and equipment	6,622	6,574
Accumulated depreciation	(26,488)	(25,307)
Net capital assets	<b>\$ 57,496</b>	<b>\$ 57,008</b>

**Long-Term Debt**

At June 30, 2018, the District had \$43,129,000 in general obligation debt outstanding—a decrease of \$2,935,000 from fiscal year 2017. Debt of the District is secured by a tax levy adopted by the Board of Education at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. Detailed information about the District's long-term obligations is presented in Note 8 to the financial statements.

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

	<b>2018</b>	<b>2017</b>
General obligation debt	\$ 43,581	\$ 46,622
Other postemployment benefits	6,572	7,227
Net supplemental pension	6,168	6,286
Compensated absences	1,041	1,030
Net long-term obligations	<b>\$ 57,362</b>	<b>\$ 61,165</b>

**MONONA GROVE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2018

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

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

- The District continues to see growth in enrollment both in residential students as well as through the school choice program. Enrollment will continue to be monitored closely. The District will be asking residents of the District to vote for a new elementary school grades 3 - 5 located in Cottage Grove.
- The District revenue limit will continue to reflect the operational referendum passed in April of 2016 for \$2.6 million, this increase in revenue limits will expire after the 2020-2021 fiscal year.
- The second year of the state budget allocates an addition \$204 per pupil for a total of \$654 per pupil.
- Property valuation continues to increase for the district due to development and an upcoming TID closure in the amount of approximately \$60 million.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Jerrud Rossing, Director of Business Services, at (608) 316-1916 or [jerrud.rossing@mgschools.net](mailto:jerrud.rossing@mgschools.net).

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

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 7,826,178
Accounts receivable	7,142,713
Due from other governments	2,183,844
Due from other funds	1,220,291
Prepaid expenses	698,124
Pension asset	4,093,712
Capital assets not being depreciated	3,474,941
Capital assets being depreciated, net	54,020,756
Total assets	80,660,559
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Unamortized loss on refinancing	330,032
Related to pension	11,155,690
Related to other postemployment benefits	152,052
Related to supplemental pension	448,680
Total deferred outflows of resources	12,086,454
<b>LIABILITIES</b>	
Short-term notes payable	3,500,000
Accounts payable and other current liabilities	3,638,642
Accrued interest	159,076
Unearned revenue	474,379
Noncurrent liabilities	
Due within one year	5,666,045
Due in more than one year	51,695,775
Total liabilities	65,133,917
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension	12,472,573
Related to other postemployment benefits	10,602
Related to supplemental pension	119,409
Total deferred inflows of resources	12,602,584
<b>NET POSITION</b>	
Net investment in capital assets	14,244,922
Restricted	6,144,381
Unrestricted	(5,378,791)
<b>Total net position</b>	<b>\$ 15,010,512</b>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES:</b>				
Instruction				
Regular instruction	\$ 16,723,226	\$ 2,910,655	\$ 948,564	\$ (12,864,007)
Vocational instruction	1,131,192	-	-	(1,131,192)
Physical instruction	1,075,908	-	16,283	(1,059,625)
Special education instruction	4,432,991	-	2,294,396	(2,138,595)
Other instruction	1,487,237	279,353	-	(1,207,884)
Total instruction	24,850,554	3,190,008	3,259,243	(18,401,303)
Support services				
Pupil services	1,984,655	-	-	(1,984,655)
Instructional staff services	1,926,951	-	131,711	(1,795,240)
General administrative services	1,085,576	-	-	(1,085,576)
Building administrative services	2,862,061	-	-	(2,862,061)
Business administrative services	9,407,747	886,659	548,861	(7,972,227)
Central services	1,779,507	-	-	(1,779,507)
Insurance and judgments	257,648	-	-	(257,648)
Other support services	2,529,614	146,874	-	(2,382,740)
Interest on debt	1,101,170	-	-	(1,101,170)
Total support services	22,934,929	1,033,533	680,572	(21,220,824)
<b>Total school district</b>	<b>\$ 47,785,483</b>	<b>\$ 4,223,541</b>	<b>\$ 3,939,815</b>	<b>(39,622,127)</b>
<b>GENERAL REVENUES:</b>				
TAXES:				
				21,328,366
Property taxes, levied for general purposes				6,370,465
Property taxes, levied for debt service				350,500
Property taxes, levied for community service				1,129
Other taxes				
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				12,952,549
Other				2,297,328
Interest and investment earnings				114,312
Gain on disposal of assets				23,450
Miscellaneous				208,528
Change in Net Position				4,024,500
Net Position—beginning of year, as restated				10,986,012
<b>Net Position—end of year</b>				<b>\$ 15,010,512</b>

See accompanying notes.



**MONONA GROVE SCHOOL DISTRICT**  
**BALANCE SHEET—GOVERNMENTAL FUNDS**  
June 30, 2018

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,855,825	\$ 2,255,684	\$ 1,714,669	\$ 7,826,178
Accounts receivable	7,102,091	-	40,622	7,142,713
Due from other governments	2,096,714	-	87,130	2,183,844
Due from other funds	1,287,589	-	-	1,287,589
Prepaid expenses	692,753	-	5,371	698,124
<b>Total assets</b>	<b>\$ 15,034,972</b>	<b>\$ 2,255,684</b>	<b>\$ 1,847,792</b>	<b>\$ 19,138,448</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Short-term notes payable	\$ 3,500,000	\$ -	\$ -	\$ 3,500,000
Accounts payable	399,878	-	21,145	421,023
Accrued salaries and wages	2,072,546	-	-	2,072,546
Payroll taxes and withholdings	1,121,037	-	24,036	1,145,073
Due to other funds	-	67,298	-	67,298
Unearned revenues	10,010	-	464,369	474,379
<b>Total liabilities</b>	<b>7,103,471</b>	<b>67,298</b>	<b>509,550</b>	<b>7,680,319</b>
<b>FUND BALANCES</b>				
Nonspendable	692,753	-	5,371	698,124
Restricted	-	2,188,386	1,333,493	3,521,879
Unassigned	7,238,748	-	(622)	7,238,126
<b>Total fund balances</b>	<b>7,931,501</b>	<b>2,188,386</b>	<b>1,338,242</b>	<b>11,458,129</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,034,972</b>	<b>\$ 2,255,684</b>	<b>\$ 1,847,792</b>	<b>\$ 19,138,448</b>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE DISTRICT-WIDE STATEMENT OF NET POSITION**  
June 30, 2018

<b>Total fund balances - governmental funds</b>		<b>\$ 11,458,129</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
Cost of capital assets	83,983,872	
Accumulated depreciation	<u>(26,488,175)</u>	
Net capital assets		57,495,697
The net pension asset (liability) are not available resources and, therefore, are not reported in the funds		
Net pension asset	4,093,712	
Supplemental pension liability	<u>(6,168,480)</u>	
		(2,074,768)
Certain items, including bonds payable, are not due and payable in the current period and therefore are not reported as assets or liabilities in the funds.		
Bonds, notes payable, and capital lease	(43,129,000)	
Accrued interest payable	(159,076)	
Compensated absences	(1,041,045)	
Deferred outflows related to pension	11,155,690	
Deferred outflows related to other postemployment benefits	152,052	
Deferred outflows related to supplemental pension	448,680	
Deferred inflows related to pension	(12,472,573)	
Deferred inflows related to supplemental pension	(119,409)	
Other postemployment benefits	(6,571,488)	
Unamortized debt premium	(451,807)	
Loss on refinancing	<u>330,032</u>	
		<u>(51,868,546)</u>
<b>Total net position - governmental activities</b>		<b>\$ <u>15,010,512</u></b>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS**  
Year Ended June 30, 2018

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$21,329,495	\$ 6,370,465	\$ 350,500	\$ 28,050,460
Local	681,256	29,618	1,143,216	1,854,090
Interdistrict payments	2,564,730	-	70,795	2,635,525
Intermediate sources	-	-	491,866	491,866
State	16,937,937	-	22,147	16,960,084
Federal	1,132,147	-	453,823	1,585,970
Other sources	185,398	-	23,140	208,538
Total revenues	42,830,963	6,400,083	2,555,487	51,786,533
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	16,569,834	-	68,994	16,638,828
Vocational instruction	1,078,072	-	52,633	1,130,705
Physical instruction	1,040,939	-	7,910	1,048,849
Special education instruction	4,432,699	-	-	4,432,699
Other instruction	1,485,822	-	-	1,485,822
Total instruction	24,607,366	-	129,537	24,736,903
Support services				
Pupil services	1,983,748	-	-	1,983,748
Instructional staff services	1,457,489	-	468,772	1,926,261
General administrative services	912,857	-	5,499	918,356
Building administrative services	2,764,186	-	70,762	2,834,948
Business administrative services	7,262,351	-	1,232,920	8,495,271
Central services	1,777,193	-	1,503	1,778,696
Insurance and judgments	257,648	-	-	257,648
Other support services	1,879,249	-	335,538	2,214,787
Total support services	18,294,721	-	2,114,994	20,409,715
Capital outlay	86,679	-	1,614,819	1,701,498
Debt service				
Principal	-	4,535,000	-	4,535,000
Interest and fees	98,466	1,062,457	-	1,160,923
Total expenditures	43,087,232	5,597,457	3,859,350	52,544,039
Excess (deficiency) of revenues over (under) expenditures	(256,269)	802,626	(1,303,863)	(757,506)
Other financing sources (uses)				
Long term debt issued	-	-	1,600,000	1,600,000
Premium on debt issuance	26,025	-	-	26,025
Proceeds from sale of capital assets	25,442	-	-	25,442
Total other financing sources (uses)	51,467	-	1,600,000	1,651,467
<b>Net change in fund balances</b>	(204,802)	802,626	296,137	893,961
Fund balances—beginning of year	8,136,303	1,385,760	1,042,105	10,564,168
<b>Fund balances—end of year</b>	<b>\$ 7,931,501</b>	<b>\$ 2,188,386</b>	<b>\$ 1,338,242</b>	<b>\$ 11,458,129</b>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2018

Net change in fund balances—total governmental funds		\$ 893,961
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital outlay reported in governmental fund statements	1,701,498	
Depreciation expense reported in the statement of activities	(1,211,888)	
Net book value of assets disposed of	(1,992)	487,618
<p>Bond, note and capital lease proceeds and premiums are reported as financing sources in governmental funds and contribute to the change in fund balance. In the statement of net position issuing debt increases long term liabilities and does not affect the statement of activities.</p>		
		(1,626,025)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.</p>		
Bonds and notes		4,535,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Decrease in accrued interest payable	9,851	
Premium on debt issuance	26,025	
Amortization of premium	106,385	
Amortization of loss on refinancing	(82,508)	
Net decrease in other postemployment benefits	131,685	
Net increase in net supplemental pension liability	(34,470)	
Net increase in pension asset	(412,042)	
Net increase in compensated absences	(10,980)	(266,054)
Change in net position of governmental activities		\$ 4,024,500

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2018

	Private Purpose Trust	Employee Benefit Trust	Agency
<b>ASSETS</b>			
Cash and investments	\$ 500	\$ 3,584,370	\$ 302,909
<b>LIABILITIES</b>			
Due to student organizations	\$ -	\$ -	\$ 302,909
Due to other funds	-	1,220,291	-
Total liabilities	-	1,220,291	\$ 302,909
<b>NET POSITION</b>			
Restricted	\$ 500	\$ 2,364,079	
<b>Total liabilities and net position</b>	<b>\$ 500</b>	<b>\$ 3,584,370</b>	

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
Year Ended June 30, 2018

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
<b>ADDITIONS</b>		
Contributions	\$ 1,000	\$ 388,036
Investment earnings	-	93,582
Total additions	1,000	481,618
<b>DEDUCTIONS</b>		
Scholarships	1,500	-
Other postemployment benefits	-	1,220,291
Total deductions	1,500	1,220,291
Change in Net Position	(500)	(738,673)
Net Position—beginning of year	1,000	3,102,752
<b>Net Position—end of year</b>	<u>\$ 500</u>	<u>\$ 2,364,079</u>

See accompanying notes.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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

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

Effective July 1, 2016, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was not required to be implemented until July 1, 2017. The District participates in the Local Retiree Life Insurance Fund, administered by the Wisconsin Department of Employee Trust Funds (ETF). ETF implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, effective July 1, 2017. A description of the postemployment benefit plan and the impact on the financial statements of the District is provided on page 39.

**Reporting Entity**

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

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

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

**Basis of Presentation**

*District-Wide Financial Statements*

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect costs.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

*Fund Financial Statements*

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

The District reports the following major governmental funds:

**General Fund**

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

**Debt Service Fund**

Debt service funds are used to accumulate resources for the payment of general long-term debt principal, interest, and related costs.

The District reports the following nonmajor governmental funds:

**Capital Projects Fund**

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**Special Revenue Funds**

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



**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the District reports the following fund types:

**Private-Purpose Trust Fund**

Private-purpose trust funds are used to account for resources legally held in trust for student scholarships.

**Employee Benefit Trust Fund**

Employee benefit trust funds are used to account for resources legally held in trust for the District's postemployment health insurance benefits.

**Agency Fund**

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

**Measurement Focus and Basis of Accounting**

The district-wide and fiduciary fund statements (excluding the agency funds) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

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

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

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Cash and Investments**

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

The District may invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local governmental investment pool.

**Receivables and Payables**

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

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

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

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

**Inventories and Prepaid Items**

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

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Capital assets are defined by the District as assets with an initial individual cost of \$5,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Site improvements	7-50
Buildings	7-50
Furniture and equipment	5-20
Computer and related technology	5

**Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2018 related to unamortized loss on refinancing, WRS pension, other postemployment benefits, and supplemental pension activity.

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

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows as of June 30, 2018 related to WRS pension and supplemental pension activity.

**Compensated Absences and Other Employee Benefit Amounts**

District employees are granted vacation, compensatory time, and sick leave benefits in varying amounts in accordance with district policies. In the event of retirement, death or resignation of an employee, the District is obligated to pay for unused vacation and sick leave benefits not to exceed a maximum amount. All compensated absences are accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Pension**

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

Supplemental: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension, and pension expense, information about the fiduciary net position of the supplemental pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. No assets were accumulated in a trust as of the measurement date.

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

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

**Long-Term Obligations**

In the district-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Claims and Judgments**

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Net Position**

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

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

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

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

**Fund Balance**

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

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

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

*Committed*—Resources that can only be used for specific purposes as the result of a formal action approval of a resolution, by the Board of Education. Any changes in the constraints imposed require the same formal action, approval of a resolution, by the Board of Education that originally created the commitment.

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

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

**Use of Restricted Resources**

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described on page 22.

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

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2018, cash and investments consisted of the following:

	Statement Balance	Carrying Value	Risk
Cash on hand	\$ 7,842	\$ 7,842	Custodial
Deposits with financial institutions	2,511,876	2,500,083	Credit and interest rate
Investments	2,076,871	2,076,871	Credit and interest rate
Wisconsin Investment Series Cooperative	7,703,112	7,129,161	Credit and interest rate
	<u>\$ 12,299,701</u>	<u>\$ 11,713,957</u>	

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

Governmental funds	\$ 7,826,178
Private purpose trust	500
Employee benefit trust	3,584,370
Agency fund	302,909
	<u>\$ 11,713,957</u>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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NOTE 2—CASH AND INVESTMENTS (continued)

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

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

The District has adopted an investment policy which permits all investments authorized under state statutes as described above.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. As of June 30, 2018, Wisconsin Investment Series Cooperative (WISC) investments have a maturity of 12 months or less.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 2—CASH AND INVESTMENTS (continued)

*Custodial Credit Risk*

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited for non-interest bearing accounts. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2018, \$566,927 of the District's deposits with financial institutions was uninsured and uncollateralized. The District does not have a custodial risk policy for deposits.

PMA Financial Network is the administrator and investment manager for the WISC. The WISC is not registered with the Securities and Exchange Commission but invests in funds in accordance with applicable Wisconsin statutes. The WISC is not rated. The WISC has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At June 30, 2018, the District's share of the WISC's assets was substantially equal to the amount reported on page 27. The District is subject to market risk and credit risk through its investment in WISC.

*Concentration of Credit Risk*

The District does not have a policy for concentration of credit risk. The District has the following investments that represent 5% or more of the total investments:

Vanguard Ftse Developed Markets ETF	\$ 268,211
Vanguard Index Fds S&P 500 ETF Shs	275,958
Vanguard Index Fds Vanguard Value ETF	207,245
Vanguard Bd Index Fd Inc Short Term Bd ETF	530,811
Vanguard Bd Index Fd Inc Total Bd Market ETF	308,603

The District categorizes its fair value 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 other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2018 measured at quoted prices in active markets for identical assets (Level 1):

Fixed income securities	\$ 999,895
Equity funds	<u>1,060,611</u>
Total investments	<u>\$ 2,060,506</u>



**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 3—INTERFUND PAYABLES AND TRANSFERS**

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

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Employee Trust Fund	\$ 1,220,291
General fund	Debt Service	<u>67,298</u>
		<u><u>\$ 1,287,589</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur,(2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 4—LIMITATION OF SCHOOL DISTRICT REVENUES**

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either a resolution of the Board of Education or by a referendum prior to August 12, 1993, or referendum on or after August 12, 1993.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 5—CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,854,141	\$ 1,620,800	\$ -	\$ 3,474,941
Capital assets being depreciated				
Building	73,887,137	-	-	73,887,137
Equipment	6,573,698	80,698	32,602	6,621,794
Total capital assets being depreciated	80,460,835	80,698	32,602	80,508,931
Less accumulated depreciation	25,306,897	1,211,888	30,610	26,488,175
Total capital assets being depreciated-net	55,153,938	(1,131,190)	(1,992)	54,020,756
Capital assets - net	<u>\$ 57,008,079</u>	<u>\$ 489,610</u>	<u>\$ (1,992)</u>	<u>\$ 57,495,697</u>

Depreciation expense for governmental activities for the year ended June 30, 2018 was charged to functions as follows:

Regular instruction	\$ 84,398
Vocational instruction	487
Physical instruction	27,059
Special education instruction	292
Other instruction	1,415
Pupil services	907
Instructional staff services	690
General administrative services	167,220
Building administrative services	27,113
Business administrative services	901,496
Central services	811
Total depreciation	<u>\$ 1,211,888</u>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 6—UNEARNED REVENUE**

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of unearned revenue reported in the governmental funds were as follows:

Student fees	\$ 10,010
Student meal deposits	109,682
Community service fees	200
Co-operative program	<u>354,487</u>
	<u><u>\$ 474,379</u></u>

**NOTE 7—SHORT TERM DEBT ACTIVITY**

The District issues short-term notes payable for working capital and operational cash flow needs pending receipt of the District's equalization aid allocations from the state government. A note was issued in October 2017 and matures September 27, 2018, with an interest rate of 2.0%. Interest for the year ended June 30, 2018 was \$98,466.

Short-term notes payable for the year ended June 30, 2018 was as follows:

Balance 6/30/17	Additions	Payments	Balance 6/30/18
\$ 3,500,000	\$ 6,000,000	\$ 6,000,000	\$ 3,500,000

**NOTE 8—LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended June 30, 2018 and outstanding debt at June 30, 2018 was as follows:

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Due Within One Year
General obligation debt					
General obligation bonds	\$ 40,470,000	\$ -	\$ 1,540,000	\$ 38,930,000	\$ 2,450,000
General obligation notes	5,594,000	1,600,000	2,995,000	4,199,000	2,175,000
Unamortized premium	558,192	-	106,385	451,807	-
Total general obligation debt	<u>46,622,192</u>	<u>1,600,000</u>	<u>4,641,385</u>	<u>43,580,807</u>	<u>4,625,000</u>
Other Liabilities					
Other postemployment benefits	7,227,496	-	656,008	6,571,488	-
Net supplemental pension	6,285,504		117,024	6,168,480	-
Accrued compensated absences	<u>1,030,065</u>	<u>10,980</u>	<u>-</u>	<u>1,041,045</u>	<u>1,041,045</u>
Total other liabilities	<u>14,543,065</u>	<u>10,980</u>	<u>773,032</u>	<u>13,781,013</u>	<u>1,041,045</u>
Total long-term liabilities	<u><u>\$ 61,165,257</u></u>	<u><u>\$ 1,610,980</u></u>	<u><u>\$ 5,414,417</u></u>	<u><u>\$ 57,361,820</u></u>	<u><u>\$ 5,666,045</u></u>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 8—LONG-TERM OBLIGATIONS (continued)

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2018 was \$1,037,855 and \$1,047,706, respectively.

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

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,100,930,689. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction. The legal debt limit, as of June 30, 2018 was as follows:

Debt limit (10% of \$2,100,930,689)	\$ 210,093,069
Less: long-term debt applicable to debt margin:	<u>43,129,000</u>
Margin of indebtedness:	<u><u>\$ 166,964,069</u></u>

The District issued Qualified School Construction Bonds (QSCB) in a prior year. The QSCB program provides the District with an opportunity to save on interest costs associated with financing school renovations and new construction. The Internal Revenue Service provides tax credits to the holders of QSCB bonds in lieu of interest.

General obligation debt at June 30, 2018 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/18
G.O. notes (QSCB)	9/18/2009	0.00%	9/15/2019	\$ 729,000	\$ 424,000
G.O. refunding bonds	4/1/2011	2.25%-3.50%	5/1/2022	3,795,000	1,980,000
G.O. refunding bonds	3/14/2012	2.50%	5/1/2026	9,995,000	9,275,000
G.O. bonds	3/20/2013	1.00%	5/1/2024	3,860,000	3,655,000
G.O. refunding bonds	3/20/2013	1.00%	5/1/2028	6,135,000	6,135,000
G.O. refunding bonds	5/14/2014	2.00%	5/1/2023	4,270,000	4,075,000
G.O. school improvement bonds	5/14/2014	3.00%	5/1/2034	5,730,000	5,730,000
G.O. notes	4/15/2015	1.00%-2.00%	5/1/2019	10,000,000	2,175,000
G.O. refunding bonds	5/1/2015	3.00%-4.00%	5/1/2035	2,040,000	2,040,000
G.O. refunding bonds	3/29/2016	2.00%	5/1/2022	8,110,000	6,040,000
G.O. notes (TAN)	12/5/2017	1.79%	5/1/2020	1,600,000	1,600,000
					<u><u>\$ 43,129,000</u></u>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 8—LONG-TERM OBLIGATIONS (continued)

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

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Total
2019	\$ 4,625,000	\$ 975,663	\$ 5,600,663
2020	5,984,000	884,100	6,868,100
2021	4,225,000	757,990	4,982,990
2022	4,235,000	657,203	4,892,203
2023	4,500,000	559,018	5,059,018
2024-2028	15,920,000	1,621,353	17,541,353
2029-2033	2,840,000	446,714	3,286,714
2034-2035	800,000	36,004	836,004
	<u>\$ 43,129,000</u>	<u>\$ 5,938,045</u>	<u>\$ 49,067,045</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the old debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018 \$28,875,000 of debt outstanding is considered defeased.

NOTE 9—EMPLOYEE'S RETIREMENT SYSTEM

**General Information about the Pension Plan**

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

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

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

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 9—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

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

The WRS also provides death and disability benefits for employees.

*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	2.0	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, 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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 9—EMPLOYEE'S RETIREMENT SYSTEM (continued)

bargaining agreement. During the reporting period, the WRS recognized \$1,464,556 contributions from the employer which equaled required contributions.

Contribution rates as of June 30, 2018 are as follows:

<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%

**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 \$4,093,712 for its proportionate share of the pension asset. The pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the 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 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 0.137876%, which was an increase of 0.004846% from its proportion measured as of December 31, 2016. For the year ended June 30, 2018, the District recognized pension expense of \$1,913,889.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,201,163	\$ (2,432,932)
Changes in assumptions	808,837	-
Net differences between projected and actual earnings on pension plan investments	4,381,461	(10,007,888)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(31,753)
Employer contributions subsequent to the measurement date	<u>764,229</u>	<u>-</u>
Total	<u>\$ 11,155,690</u>	<u>\$ (12,472,573)</u>

\$764,229 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 asset in the year ended June 30, 2019.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 9—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

Year ended June 30:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 4,155,913	\$ (3,721,962)
2019	3,677,032	(3,721,895)
2020	1,318,967	(2,731,628)
2021	1,229,729	(2,297,048)
2022	9,820	(40)
	<u>\$ 10,391,461</u>	<u>\$ (12,472,573)</u>

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

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

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



**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 9—EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	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
<b>Total core fund</b>	<b>110%</b>	<b>7.3%</b>	<b>4.4%</b>
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.5%	4.6%
International equities	30	7.8	4.9
<b>Total variable fund</b>	<b>100%</b>	<b>7.9%</b>	<b>5.0%</b>

*Single Discount Rate.* A single discount rate of 7.20% was used to measure the pension asset. 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 3.13%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the pension asset.

*Sensitivity of the District’s Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the District’s proportionate share of the pension asset calculated using the discount rate of 7.20 percent, as well as what the District’s proportionate share of the pension 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 (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase to Discount Rate (8.2%)</u>
The District’s proportionate share of net pension asset	\$ 10,591,832	\$ (4,093,712)	\$ (15,255,181)

*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://legis.wisconsin.gov/lab/>.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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NOTE 10—OTHER POST-EMPLOYMENT BENEFITS

*Local Retiree Life Insurance Fund*

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

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

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

**Contributions**

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

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

Contribution rates as of June 30, 2017 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

**Life Insurance**  
**Employee Contribution Rates**  
**For the year ended December 31, 2017**

Attained Age	Basic
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$4,749 in contributions from the District.

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

At June 30, 2018, the District reported a liability of \$752,476 or its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.250110%, which was an increase of 0.022954% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$79,493.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ (10,602)
Net differences between projected and investment earnings on plan investments	8,664	-
Changes in actuarial assumptions	72,713	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	48,328	-
Employer contributions subsequent to the measurement date	2,579	-
<b>Total</b>	<b>\$ 132,284</b>	<b>\$ (10,602)</b>

\$2,579 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 20,702	\$ (1,623)
2019	20,702	(1,623)
2020	20,702	(1,623)
2021	20,702	(1,623)
2022	18,536	(1,623)
2023	18,536	(1,623)
2024	9,825	(864)
	<b>\$ 129,705</b>	<b>\$ (10,602)</b>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

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

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

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
The District’s proportionate share of net OPEB liability	\$ 1,063,534	\$ 752,476	\$ 513,771

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

*Health Insurance*

**Plan Description**

*Plan Administration.* The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree plan that provides postemployment health insurance benefits to retiree’s at least age 55 with a minimum of 10 years of service and subject to the rule of 70 (Upon retirement, the District will contribute the same benefit level and premium percentages of the medical and dental premiums at the time of the retiree’s last semester of teaching in the District until age 70). Benefits and eligibility are established and amended by the Board of Education.

*Plan Membership.* At June 30, 2016, the date of the latest actuarial valuation, there were no active plan members and 94 inactive plan members receiving OPEB benefits. The Plan is closed to new entrants.

*Contributions.* There is no requirement for any employee or employer contributions for funding of the plan. During the reporting period, the District did not make any contributions to the Trust.

**Net OPEB Liability**

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Inflation	2.50%
Investment rate of return	3.5% based upon all years of projected payments discounted at a 3.5% long-term expected rate of return
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.5%, then by 0.10% per year down to 5.0%, and level thereafter.

The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

**Changes in the Net OPEB Liability**

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2016	\$ 10,653,176	\$ 3,425,680	\$ 7,227,496
Changes for the year:			
Interest	292,111	-	292,111
Changes of assumptions or other input	(191,245)	-	(191,245)
Contributions - Employer	-	1,421,352	(1,421,352)
Net investment income	-	87,998	(87,998)
Benefit payments	(1,832,278)	(1,832,278)	-
Net changes	<u>(1,731,412)</u>	<u>(322,928)</u>	<u>(1,408,484)</u>
Balances at 6/30/2017	<u>\$ 8,921,764</u>	<u>\$ 3,102,752</u>	<u>\$ 5,819,012</u>

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Net OPEB liability	\$ 6,208,530	\$ 5,819,012	\$ 5,456,324

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

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 5,422,887	\$ 5,819,012	\$ 6,236,942

**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 \$(210,974). At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	\$ 19,768	\$ -



**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 10—OTHER POST-EMPLOYMENT BENEFITS (continued)

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 4,942	\$ -
2019	4,942	-
2020	4,942	-
2021	4,942	-
	\$ 19,768	\$ -

NOTE 11—SUPPLEMENTAL PENSION BENEFITS

**General Information about the Supplemental Pension Plan**

*Plan Description.* Qualifying Administrators and Teachers are provided with a stipend/supplemental pension. This stipend is a single employer defined benefit pension plan administered by the District. Supplemental pension benefits are funded on a pay as you go basis. There are no assets accumulated in a trust.

*Plan Membership.* At June 30, 2016, the date of the last actuarial valuation, there were approximately 79 active plan members and 28 inactive plan members currently receiving benefits.

*Benefits Provided.* The District provided eligible Tier 1 Teachers retiring by the end of 2015-2016 with 403(b) contributions upon their retirement. These contributions were based upon the retiree's highest annual salary amount less their monthly/annual expected Social Security benefit at age 62. The 403(b) contributions are paid out monthly over a number of years based on the retiree's retirement age. A Teacher who retired at age 62 or older did not receive any 403(b) payment/contribution.

Teachers in Tier 2 who are eligible to retire between the 2016-2017 and 2026-2027 school years will receive monthly 403(b) contributions from the District upon retirement in an amount and duration based upon the year they first become eligible to retire. Teachers in Tier 1 who did not retire by the end of the 2015-2016 year will automatically become eligible for the Tier 2 benefit and are guaranteed the maximum benefit amount. Teachers in Tier 2 who do not retire by 2027 are guaranteed the amount for which they were eligible had they retired in Tier 2.

*Contributions.* Contributions are determined by an annual actuarial valuation. The actuarially determined contribution is comprised of the service cost plus the portion of the net pension liability to be amortized in the valuation year. The District is not contractually required to make a contribution to the Trust. During the reporting period, the District did not make any contributions.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 11—SUPPLEMENTAL PENSION BENEFITS (continued)

**Changes in Net Supplemental Pension Liability**

	Net Supplemental Pension Liability
Balances at 6/30/2016	\$ 6,285,504
Changes for the year:	
Service Cost	320,865
Interest	186,167
Changes of assumptions or other input	(143,291)
Benefit payments	(480,765)
Net changes	(117,024)
Balances at 6/30/2017	\$ 6,168,480

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

At June 30, 2018, the District reported a net pension liability of \$6,168,480. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

For the year ended June 30, 2018, the District recognized pension expense of \$34,470. At June 30, 2018, the District reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 119,409
District contributions subsequent to the measurement date	448,680	-
Total	\$ 448,680	\$ 119,409

\$448,680 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

NOTE 11—SUPPLEMENTAL PENSION BENEFITS (continued)

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ -	\$ (23,882)
2019	-	(23,882)
2020	-	(23,882)
2021	-	(23,882)
2022	-	(23,881)
	<u>\$ -</u>	<u>\$ (119,409)</u>

*Actuarial Assumptions.* The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that the plan would continue to be funded on a pay-as-you-go basis.

Based on these assumptions, the 20-year AA municipal bond rate was applied to all periods of projected benefit payments to determine the total pension liability. The assumptions are detailed as follows:

Actuarial Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2017
Reporting Date:	June 30, 2018
Actuarial Cost Method:	Entry age normal
Discount Rate:	3.5%

*Discount Rate.* A discount rate of 3.5% was used to measure the supplemental pension liability. This discount rate was based on the Bond Buyer Go 20-year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement period.

*Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate.* The following presents the District's net pension liability calculated using the discount rate of 3.0 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Net Supplemental Pension Liability	\$ 6,455,901	\$ 6,168,480	\$ 5,885,233

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 12—GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide statement of net position at June 30, 2018 consist of the following:

Net investment in capital assets	\$ 14,244,922
Restricted	
Debt service	2,029,310
Capital projects	79,489
Donor restrictions	134,320
Nutrition services	653,315
Community Service	471,118
Pension	<u>2,776,829</u>
Total restricted	6,144,381
Unrestricted	<u>(5,378,791)</u>
Total governmental activities net position	<u><u>\$ 15,010,512</u></u>

**NOTE 13—GOVERNMENTAL FUND BALANCES**

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

Nonspendable	
Prepaid expenses	\$ 698,124
Restricted	
Debt service	2,188,386
Capital projects	79,489
Donor restricted	134,320
Nutrition services	649,609
Community service	<u>470,075</u>
Total restricted	3,521,879
Unassigned	<u>7,238,126</u>
Total Governmental Fund Balance	<u><u>\$ 11,458,129</u></u>

**NOTE 14—RISK MANAGEMENT**

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

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

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**NOTE 15—COMMITMENTS AND CONTINGENCIES**

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

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

**NOTE 17—PRIOR PERIOD ADJUSTMENT**

The Government Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB 75, the District is required to disclose the net OPEB liability and related deferred inflows and outflows related to the Local Retiree Life Insurance Fund on the statement of net position. As a result, an adjustment of \$551,505, was made to decrease the June 30, 2017 net position of the Government Activities on the statement of activities based on the net OPEB liability and related deferred outflows of resources balances as of June 30, 2017.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MONONA GROVE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND**  
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 21,329,495	\$ 21,329,495	\$ 21,329,495	\$ -
Local	633,251	633,251	681,256	48,005
Interdistrict payments	2,624,000	2,624,000	2,555,234	(68,766)
State	15,456,370	15,456,370	15,493,772	37,402
Federal	373,311	373,311	291,412	(81,899)
Other sources	185,000	185,000	185,231	231
Total revenues	40,601,427	40,601,427	40,536,400	(65,027)
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	16,010,048	16,019,226	16,577,529	(558,303)
Vocational instruction	1,066,036	1,067,108	1,076,262	(9,154)
Physical instruction	1,068,402	1,068,346	1,040,939	27,407
Other instruction	1,419,472	1,419,472	1,485,822	(66,350)
Total instruction	19,563,958	19,574,152	20,180,552	(606,400)
Support services				
Pupil services	1,065,628	1,066,636	1,034,296	32,340
Instructional staff services	1,130,957	1,123,339	1,061,783	61,556
General administrative services	881,449	881,449	912,857	(31,408)
Building administrative services	2,762,632	2,761,997	2,764,186	(2,189)
Business administrative services	6,634,567	6,632,918	6,903,363	(270,445)
Central services	2,009,273	2,007,973	1,765,640	242,333
Insurance and judgments	323,100	323,100	257,648	65,452
Other support services	1,978,205	1,978,205	1,584,354	393,851
Total support services	16,785,811	16,775,617	16,284,127	491,490
Debt service				
Interest and fees	61,500	61,500	98,466	(36,966)
Total expenditures	36,411,269	36,411,269	36,563,145	(151,876)
Excess of revenues over expenditures	4,190,158	4,190,158	3,973,255	(216,903)
Other financing sources (uses)				
Premium on issuance of debt	25,000	25,000	26,025	1,025
Proceeds from sale of assets	25,000	25,000	25,442	442
Transfers in (out)	(4,239,029)	(4,239,029)	(4,229,524)	9,505
Total other financing sources (uses)	(4,189,029)	(4,189,029)	(4,178,057)	10,972
<b>Net change in fund balances</b>	1,129	1,129	(204,802)	(205,931)
Fund balances—beginning of year	8,136,303	8,136,303	8,136,303	-
<b>Fund balances—end of year</b>	<b>\$ 8,137,432</b>	<b>\$ 8,137,432</b>	<b>\$ 7,931,501</b>	<b>\$ (205,931)</b>

See accompanying notes to required supplementary information.

**MONONA GROVE SCHOOL DISTRICT**  
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS  
AND GAAP REVENUES AND EXPENDITURES  
Year Ended June 30, 2018

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**SOURCES/ INFLOWS OF RESOURCES:**

Actual General Fund operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 40,536,400
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>2,294,563</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u>\$ 42,830,963</u>

**USES/ OUTFLOWS OF RESOURCES:**

Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 36,563,145
Reclassifications: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	<u>6,524,087</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u>\$ 43,087,232</u>

See accompanying notes to required supplementary information.



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

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
The District's proportion of the net pension liability (asset)	0.137876%	0.133030%	0.130935%	0.131065%
The District's proportionate share of the net pension liability (asset)	\$ (4,093,712)	\$ 1,096,488	\$ 2,127,664	\$ (3,219,319)
The District's covered-employee payroll	\$ 21,537,571	\$ 19,901,262	\$ 18,533,379	\$ 18,318,844
The District's proportionate share as a percentage of covered payroll	-19.01%	5.51%	11.48%	17.57%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.93%	99.12%	98.20%	103.00%

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

**SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**  
**Last 10 Fiscal Years\***

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contributions	\$ 1,464,556	\$ 1,313,488	\$ 1,261,720	\$ 1,282,542
Contributions in relation to the contractually required contributions	\$ 1,464,556	\$ 1,313,488	\$ 1,261,720	\$ 1,282,542
The District's covered-employee payroll	\$ 20,168,909	\$ 18,805,070	\$ 17,262,429	\$ 17,003,562
Contributions as a percentage of covered-employee payroll	7.26%	6.98%	7.31%	7.54%

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

See accompanying notes to required supplementary information.

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

	2017
The District's proportion of the net OPEB liability	0.250110%
The District's proportionate share of the net OPEB liability	\$ 752,476
The District's covered-employee payroll	\$ 10,517,841
Plan fiduciary net position as a percentage of the total OPEB liability	44.81%

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

See accompanying notes to required supplementary information.

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**  
Last 10 Fiscal Years\*

	2017	2016
Actuarially Determined Contribution (ADC)	\$ 1,578,157	\$ 763,715
Contributions in relation to ADC	\$ 1,421,352	\$ 1,311,256
Contribution deficiency (excess)	\$ 156,805	\$ (547,541)
The District's covered-employee payroll	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A

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

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years\*

	2017	2016
Total OPEB Liability:		
Interest	\$ 292,111	\$ 328,838
Changes in assumptions or other input	(191,245)	-
Benefit payments	(1,832,278)	(1,273,853)
Net Change in OPEB Liability	(1,731,412)	(945,015)
Total OPEB liability - beginning	10,653,176	11,598,191
Total OPEB liability - ending (a)	\$ 8,921,764	\$ 10,653,176
Total Fiduciary Net Position:		
Contributions - Employer	\$ 1,421,352	\$ 1,311,256
Net investment income	87,998	25,179
Benefit payments	(1,832,278)	(1,273,853)
Net change in fiduciary net position	(322,928)	62,582
Fiduciary net position - beginning	3,425,680	3,363,098
Fiduciary net position - ending (b)	\$ 3,102,752	\$ 3,425,680
Net OPEB liability - ending (a) - (b)	\$ 5,819,012	\$ 7,227,496
Fiduciary net position as a percentage of the total OPEB liability	34.78%	32.16%
Covered payroll	-	-
Net OPEB liability as a percentage of covered payroll	N/A	N/A

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

See accompanying notes to required supplementary information.

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF NET SUPPLEMENTAL PENSION LIABILITY**  
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>
Net supplemental pension liability	\$ 6,168,480	\$ 6,285,504
The District's covered-employee payroll	\$ 4,586,763	\$ 4,586,763
Net supplemental pension liability as a percentage of covered-employee payroll	134.48%	137.04%

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

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

	<u>2017</u>	<u>2016</u>
Net supplemental pension liability - beginning	\$ 6,285,504	\$ 6,131,022
Changes for the year:		
Service Cost	320,865	320,865
Interest	186,167	183,495
Changes of assumptions or other input	(143,291)	-
Benefit payments	<u>(480,765)</u>	<u>(349,878)</u>
Net changes	<u>(117,024)</u>	<u>154,482</u>
Net supplemental pension liability - ending	<u>\$ 6,168,480</u>	<u>\$ 6,285,504</u>

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

See accompanying notes to required supplementary information.

**MONONA GROVE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2018

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**NOTE 1—BUDGETARY INFORMATION**

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

**Excess Expenditures Over Appropriations**

The following general fund functions had an excess of actual expenditures over appropriations for the year ended June 30, 2018.

<u>Function</u>	<u>Excess Expenditures</u>
Regular instruction	558,303
Vocational instruction	9,154
Other instruction	66,350
General administrative services	31,408
Building administrative services	2,189
Business administrative services	270,445

**NOTE 2—SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**

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

*Changes of Assumptions.* There were no changes in assumptions.

**NOTE 3—SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS – LIFE INSURANCE**

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

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

**NOTE 4—SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS – HEALTH CARE**

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

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

**MONONA GROVE SCHOOL DISTRICT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018

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NOTE 5—SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Methods and assumptions used to determine OPEB contribution rates:

Actuarial Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2017
Reporting Date:	June 30, 2018
Actuarial Cost Method:	Entry age normal
Asset Valuation Method:	Fair Market Value
Discount Rate:	3.5%
Inflation:	2.5%

NOTE 6—SCHEDULE OF NET SUPPLEMENTAL PENSION LIABILITY

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

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

There are no assets accumulated in a trust.

**OTHER SUPPLEMENTARY INFORMATION**

**MONONA GROVE SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET—GENERAL GOVERNMENTAL FUNDS**  
June 30, 2018

	General Operating Fund	Special Education Fund	Total General Fund
<b>ASSETS</b>			
Cash and investments	\$ 3,855,825	\$ -	\$ 3,855,825
Accounts receivable	7,090,925	11,166	7,102,091
Due from other governments	1,468,568	628,146	2,096,714
Due from other funds	1,287,589	-	1,287,589
Prepaid expenditures	620,903	71,850	692,753
<b>Total assets</b>	<b>\$ 14,323,810</b>	<b>\$ 711,162</b>	<b>\$ 15,034,972</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Short-term notes payable	\$ 3,500,000	\$ -	\$ 3,500,000
Accounts payable	189,826	210,052	399,878
Accrued salaries and wages	1,770,194	302,352	2,072,546
Payroll taxes and withholdings	922,279	198,758	1,121,037
Unearned revenues	10,010	-	10,010
Total liabilities	6,392,309	711,162	7,103,471
<b>FUND BALANCES</b>			
Nonspendable	620,903	71,850	692,753
Unassigned	7,310,598	(71,850)	7,238,748
Total fund balances	7,931,501	-	7,931,501
<b>Total liabilities and fund balances</b>	<b>\$ 14,323,810</b>	<b>\$ 711,162</b>	<b>\$ 15,034,972</b>



**MONONA GROVE SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—GENERAL GOVERNMENTAL FUNDS**  
Year Ended June 30, 2018

	General Operating Fund	Special Education Fund	Total General Fund
<b>REVENUES</b>			
Taxes	\$ 21,329,495	\$ -	\$ 21,329,495
Local	681,256	-	681,256
Interdistrict payments	2,555,234	9,496	2,564,730
State	15,493,772	1,444,165	16,937,937
Federal	291,412	840,735	1,132,147
Other sources	185,231	167	185,398
Total revenues	40,536,400	2,294,563	42,830,963
<b>EXPENDITURES</b>			
Instruction			
Regular instruction	16,569,834	-	16,569,834
Vocational instruction	1,076,262	1,810	1,078,072
Physical instruction	1,040,939	-	1,040,939
Special education instruction	-	4,432,699	4,432,699
Other instruction	1,485,822	-	1,485,822
Total instruction	20,172,857	4,434,509	24,607,366
Support services			
Pupil services	1,034,296	949,452	1,983,748
Instructional staff services	1,061,783	395,706	1,457,489
General administrative services	912,857	-	912,857
Building administrative services	2,764,186	-	2,764,186
Business administrative services	6,824,379	437,972	7,262,351
Central services	1,765,640	11,553	1,777,193
Insurance and judgments	257,648	-	257,648
Other support services	1,584,354	294,895	1,879,249
Total support services	16,205,143	2,089,578	18,294,721
Capital Outlay	86,679	-	86,679
Debt service			
Interest and fees	98,466	-	98,466
Total expenditures	36,563,145	6,524,087	43,087,232
Excess (deficiency) of revenues over (under) expenditures	3,973,255	(4,229,524)	(256,269)
Other financing sources (uses)			
Premium on issuance of debt	26,025	-	26,025
Proceeds from sale of assets	25,442	-	25,442
Transfers in (out)	(4,229,524)	4,229,524	-
Total other financing sources (uses)	(4,178,057)	4,229,524	51,467
<b>Net change in fund balances</b>	(204,802)	-	(204,802)
Fund balances—beginning of year	8,136,303	-	8,136,303
<b>Fund balances—end of year</b>	<b>\$ 7,931,501</b>	<b>\$ -</b>	<b>\$ 7,931,501</b>

**MONONA GROVE SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2018

	Capital Project Fund	Special Revenue Funds			Co-operative Program	Total Nonmajor Governmental Funds
		Special Revenue Gift	School Nutrition Services	Community Services		
<b>ASSETS</b>						
Cash and investments	\$ 79,489	\$ 94,449	\$ 775,649	\$ 481,970	\$ 283,112	\$ 1,714,669
Accounts receivable	-	39,920	702	-	-	40,622
Due from other governments	-	-	-	-	87,130	87,130
Prepaid expenditures	-	-	3,706	1,043	622	5,371
<b>Total assets</b>	<b>\$ 79,489</b>	<b>\$ 134,369</b>	<b>\$ 780,057</b>	<b>\$ 483,013</b>	<b>\$ 370,864</b>	<b>\$ 1,847,792</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 49	\$ 2,342	\$ 5,593	\$ 13,161	\$ 21,145
Payroll taxes and withholdings	-	-	14,718	6,102	3,216	24,036
Unearned revenues	-	-	109,682	200	354,487	464,369
<b>Total liabilities</b>	<b>-</b>	<b>49</b>	<b>126,742</b>	<b>11,895</b>	<b>370,864</b>	<b>509,550</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	3,706	1,043	622	5,371
Restricted	79,489	134,320	649,609	470,075	-	1,333,493
Unassigned	-	-	-	-	(622)	(622)
<b>Total fund balances</b>	<b>79,489</b>	<b>134,320</b>	<b>653,315</b>	<b>471,118</b>	<b>-</b>	<b>1,338,242</b>
<b>Total liabilities and fund balances</b>	<b>\$ 79,489</b>	<b>\$ 134,369</b>	<b>\$ 780,057</b>	<b>\$ 483,013</b>	<b>\$ 370,864</b>	<b>\$ 1,847,792</b>

**MONONA GROVE SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2018

	Capital Project Fund	Special Revenue Funds			Co-operative Program	Total Nonmajor Governmental Funds
		Special Revenue Gift	School Nutrition Services	Community Services		
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 350,500	\$ -	\$ 350,500
Local	936	142,276	853,128	146,876	-	1,143,216
Interdistrict payments with Wisconsin	-	-	-	-	70,795	70,795
Intermediate sources	-	-	-	-	491,866	491,866
State	-	-	22,147	-	-	22,147
Federal	-	-	453,823	-	-	453,823
Other sources	-	-	2,068	6,080	14,992	23,140
<b>Total revenues</b>	<b>936</b>	<b>142,276</b>	<b>1,331,166</b>	<b>503,456</b>	<b>577,653</b>	<b>2,555,487</b>
<b>EXPENDITURES</b>						
Instruction						
Regular instruction	-	62,577	-	6,417	-	68,994
Vocational instruction	-	418	-	-	52,215	52,633
Physical Instruction	-	7,910	-	-	-	7,910
<b>Total instruction</b>	<b>-</b>	<b>70,905</b>	<b>-</b>	<b>6,417</b>	<b>52,215</b>	<b>129,537</b>
Support services						
Instructional staff services	-	1,418	-	-	467,354	468,772
General administrative services	-	-	-	4,849	650	5,499
Building administrative services	-	-	-	70,762	-	70,762
Business administrative services	5,037	9,605	1,164,549	32,622	21,107	1,232,920
Central services	-	-	-	555	948	1,503
Other support services	-	-	-	300,159	35,379	335,538
<b>Total support services</b>	<b>5,037</b>	<b>11,023</b>	<b>1,164,549</b>	<b>408,947</b>	<b>525,438</b>	<b>2,114,994</b>
Capital Outlay	1,600,000	-	14,819	-	-	1,614,819
<b>Total expenditures</b>	<b>1,605,037</b>	<b>81,928</b>	<b>1,179,368</b>	<b>415,364</b>	<b>577,653</b>	<b>3,859,350</b>
Excess (deficiency) of revenues over (under) expenditures	(1,604,101)	60,348	151,798	88,092	-	(1,303,863)
Other financing sources						
Long term debt issued	1,600,000	-	-	-	-	1,600,000
<b>Net change in fund balances</b>	<b>(4,101)</b>	<b>60,348</b>	<b>151,798</b>	<b>88,092</b>	<b>-</b>	<b>296,137</b>
Fund balances—beginning of year	83,590	73,972	501,517	383,026	-	1,042,105
<b>Fund balances—end of year</b>	<b>\$ 79,489</b>	<b>\$ 134,320</b>	<b>\$ 653,315</b>	<b>\$ 471,118</b>	<b>\$ -</b>	<b>\$ 1,338,242</b>

**MONONA GROVE SCHOOL DISTRICT**  
 AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
 Year Ended June 30, 2018

	Balance 7/1/17	Additions	Deductions	Balance 6/30/18
<b>ASSETS</b>				
Cash and investments	<u>\$ 262,696</u>	<u>\$ 661,906</u>	<u>\$ 621,693</u>	<u>\$ 302,909</u>
<b>LIABILITIES</b>				
Due to student organizations	<u>\$ 262,696</u>	<u>\$ 661,906</u>	<u>\$ 621,693</u>	<u>\$ 302,909</u>

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS**  
For the year ended June 30, 2018

Operating Activity	WUFAR Object Code	Cost
Employee Salaries	100	\$ 209,990.16
Employee Benefits	200	\$ 96,080.01
Purchased Services	300	\$ 21,026.83
Non-Capital Objects	400	\$ 14,864.28
Capital Objects	500	\$ -
Insurance and Judgements	700	\$ -
Pupil Dues and Fees	900	\$ 3,204.00
<b>TOTAL</b>		<b>\$ 345,165.28</b>

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

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Number	Passed- Through to Suprecipients	Accrued or (Deferred) Revenue at 7/1/17	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/18
<b>Department of Agriculture</b>							
Pass-through program from Wisconsin Department of Public Instruction							
Child Nutrition Cluster							
School Breakfast Program	10.553	2018-133675-SB-546	\$ -	\$ 15,452	\$ 106,763	\$ 91,311	\$ -
National School Lunch Program - Food Commodities	10.555	2018-133675-NSL-547	-	-	92,888	92,888	-
National School Lunch Program	10.555	2018-133675-NSL-547	-	41,590	311,215	269,625	-
Total Child Nutrition Cluster			-	57,042	510,866	453,824	-
<b>Total Department of Agriculture</b>			-	57,042	510,866	453,824	-
<b>U.S. Department of Labor</b>							
Pass-through program from Workforce Development Board of South Central WI							
WIA Youth Activities	17.259	573-5000	-	62,917	285,041	258,775	36,651
<b>Department of Education</b>							
Pass-through programs from Wisconsin Department of Public Instruction							
Title I Grants to Local Educational Agencies							
Title I Grants to Local Educational Agencies	84.010	2018-133675-Title I-141	-	236,665	236,665	199,548	199,548
Total Title I, Part A Cluster			-	236,665	236,665	199,548	199,548
Special Education Cluster							
Special Education--Grants to States	84.027	2018-133675-IDEA-341	-	593,768	593,768	614,577	614,577
Special Education--Preschool Grants	84.173	2018-133675-Pre-S-347	-	13,578	13,578	13,570	13,570
Total Special Education Cluster			-	607,346	607,346	628,147	628,147
ESEA Title II-A Teacher Principal Training	84.367	2018-133675-Title II-365	-	41,773	41,773	55,214	55,214
ESEA Title III-A English Language Acquisition	84.365	2018-133675-Title III A-391	-	12,646	12,646	11,177	11,177
ESEA Title IV-A	84.424A	2018-133675-Title-IV A-381	-	-	-	9,190	9,190
Carl Perkins Grant	84.048	2018-133675-CP-CTE-400	-	19,118	19,118	16,283	16,283
<b>Total Department of Education</b>			-	917,548	917,548	919,559	919,559
<b>Department of Health and Human Services</b>							
Pass-through program from Wisconsin Medicaid and Badgercare Programs							
Medical Assistance Program	93.778	44216200	-	-	212,589	212,589	-
<b>Total Federal Programs</b>			\$ -	\$ 1,037,507	\$ 1,926,044	\$ 1,844,747	\$ 956,210

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

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
Year Ended June 30, 2018

State Grantor/ Program Title	State Identifying Number	State Pass- Through Number	Passed- Through to Suprecipients	Accrued or (Deferred) Revenue at 7/1/17	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/18
<b>Wisconsin Department of Public Instruction</b>							
Special Education and School Age Parents	255.101	133675-100	\$ -	\$ -	\$ 1,444,165	\$ 1,444,165	\$ -
State School Lunch Aid	255.102	133675-107	-	-	12,319	12,319	-
Common School Fund Library Aid	255.103	133675-104	-	-	131,711	131,711	-
General Transportation Aid for Public School Pupils	255.107	133675-102	-	-	72,891	72,891	-
Equalization Aids	255.201	133675-116	-	206,533	12,938,600	12,952,549	220,482
State School Breakfast Aid	255.344	133675-108	-	-	9,829	9,829	-
Per Pupil Aid	255.945	133675-113	-	-	1,393,200	1,393,200	-
Educator effective Eval Sys Grants	255.940	133675-154	-	24,480	24,480	24,800	24,800
Financial Literacy	255.950	133675-171	-	-	12,670	12,670	-
Assessments of Reading Readiness	255.956	133675-166	-	-	1,824	1,824	-
<b>Total Wisconsin Department of Public Instruction</b>			-	231,013	16,041,687	16,055,958	245,282
<b>Wisconsin Department of Revenue</b>							
Exempt Computer Aid		N/A	-	890,563	890,563	903,654	903,654
<b>Workforce Development Board of South Central Wisconsin</b>							
Youth Apprenticeship		573-5001	-	29,590	201,052	233,091	61,629
<b>Total State Programs</b>			<b>\$ -</b>	<b>\$ 1,151,166</b>	<b>\$ 17,133,302</b>	<b>\$ 17,192,703</b>	<b>\$ 1,210,565</b>

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



**MONONA GROVE SCHOOL DISTRICT**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2018

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**NOTE 1—BASIS OF PRESENTATION**

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

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3—INDIRECT COST RATE**

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

**NOTE 4—FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, there were no food commodities in inventory at the District.

**NOTE 5—OVERSIGHT AGENCIES**

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

**NOTE 6—ELIGIBLE COSTS FOR SPECIAL EDUCATION**

Eligible costs for special education under project 011 were \$5,867,721 for the year ended June 30, 2018.

**MONONA GROVE SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2018

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No findings were noted in the prior audit.



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

To the Board of Education  
Monona Grove School District  
Monona, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monona Grove School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Monona Grove School District's basic financial statements, and have issued our report thereon dated November 16, 2018.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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## Purpose of this Report

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

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 16, 2018



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

To the Board of Education  
Monona Grove School District  
Monona, Wisconsin

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

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### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001 and 2018-002. Our opinion on the major federal program and each major state program is not modified with respect to these matters.

The Monona Grove School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Monona Grove School 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 Monona Grove School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Monona Grove School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *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 Monona Grove School District's internal control over compliance.

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

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

The Monona Grove School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Monona Grove School 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.

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

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
November 16, 2018

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2018

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

*Financial Statements*

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

*Federal Awards*

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? Yes

*State Awards*

Internal control over major state programs:

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

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



**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2018

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

Identification of major state programs:

State Identifying Number	Name of State Program
255.201	Equalization Aids
255.103	Common School Fund Library Aid
255.107	General Transportation Aid for Public School Pupils

**Section II—Financial Statement Findings**

None noted.

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

Finding 2018-001

Information on the Federal Program: Department of Education, Passed Through the Wisconsin Department of Public Instruction, Special Education Cluster, CFDA 84.027 and 84.173, Grant Number 2018-133675-IDEA-341 and 2018-133675-Pre-S-347, Year Ended June 30, 2018.

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

Condition: One of a sample of 40 disbursements tested for the major program was incorrectly coded to the grant.

Context and Questioned Costs: The District was able to correct the error on the final claim, therefore no questioned costs. When the error was extrapolated over the population, the extrapolated error was less than \$300 of the approximately \$628,000 of expended awards.

Effect: A misstatement of the financial statements could occur and not be prevented or detected by the District's internal control prior to the involvement of the independent auditor. The District may potentially lose other federal awards due to miscoding of expenditures to the grant that are not allowable.

Cause: Reviewing expenditures without careful attention.

Repeat Finding: N/A.

Recommendation: We recommend that the District office review procedures to ensure all expenditures charged to the Special Education Cluster are allowable, necessary, and reasonable for the program. We also recommend thorough and detailed review of these expenditures by program management.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and plans to review and ensure they implement the controls and procedures.

**MONONA GROVE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2018

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Finding 2018-002

Information on the Federal Program: Department of Education, Passed Through the Wisconsin Department of Public Instruction, Special Education Cluster, CFDA 84.027 and 84.173, Grant Number 2018-133675-IDEA-341 and 2018-133675-Pre-S-347, Year Ended June 30, 2018.

Criteria: Internal controls should be in place so that expenditures coded to the grant are filed in a claim on at least a quarterly basis.

Condition: During the 2017-2018, only final claims were submitted for the District's Special Education Cluster (IDEA).

Context and Questioned Costs: N/A.

Effect: Claims should be submitted on at least a quarterly basis per guidelines published by Wisconsin Department of Public Instruction.

Cause: The District did not have procedures in place to file a claim(s) quarterly for the Special Education Cluster (IDEA).

Repeat Finding: N/A.

Recommendation: The District should implement procedures to ensure that all Special Education claims are submitted on a quarterly basis.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with finding and is in the process of designing and implementing procedures to ensure all claims are submitted quarterly.

**Section IV—Other Issues**

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

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

Department of Public Instruction Yes

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

Name and signature of partner



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Scott R. Haumersen

Date of report

November 16, 2018