

School District of Beloit
Beloit, Wisconsin

ANNUAL FINANCIAL REPORT

June 30, 2018

School District of Beloit

Beloit, Wisconsin

JUNE 30, 2018

Table of Contents

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements	
Balance Sheet - Governmental Funds	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9
Statement of Net Position - Fiduciary Funds	11
Statement of Changes in Net Position - Fiduciary Funds	12
Notes to Basic Financial Statements	13
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund - Budgetary Basis	34
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - Special Education Special Revenue Fund - Budgetary Basis	35
Schedule of Changes in Net OPEB Liability and Related Ratios	36
Schedule of Employer Contributions - Other Postemployment Benefit Plan	37
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	38
Schedule of Contributions - Wisconsin Retirement System	38
Notes to Required Supplementary Information	39
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	44
Schedule of Changes in Assets and Liabilities - Pupil Activity Funds	46

School District of Beloit

Beloit, Wisconsin

JUNE 30, 2018

ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47
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FEDERAL AND STATE AWARDS

Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	49
Schedule of Expenditures of Federal Awards	51
Schedule of Expenditures of State Awards	52
Notes to the Schedules of Expenditures of Federal and State Awards	53
Schedule of Findings and Questioned Costs	54
Schedule of Prior Year Audit Findings and Corrective Action Plan	57

Independent auditors' report

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

REPORT ON THE FINANCIAL STATEMENTS

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4, and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 34 through 38 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

REPORT ON SUMMARIZED FINANCIAL INFORMATION

We have previously audited the District's 2017 financial statements, and our report dated November 28, 2017, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
November 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

SCHOOL DISTRICT OF BELOIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The discussion and analysis of the financial performance of the School District of Beloit (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 \$85,136,046 from \$76,798,438 or 10.9% at June 30, 2018. The District's share of the WRS pension liability changed from a liability of \$2,355,073 to a net pension asset of \$8,225,997 due to favorable investment returns of the WRS.
- Total revenues increased to \$102,900,946 in fiscal year 2018, up from \$101,609,443 in fiscal year 2017, an increase of approximately 1.27%.
- Total expenses increased to \$94,563,338 in fiscal year 2018, up from \$93,290,249 in the year ended June 30, 2017, an increase of 1.36%.

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

The general fund had a net increase of \$978,216 (per DPI). The district savings was contributed to savings from the district self-funded health insurance plan.

The debt service funds had a net increase of \$166,069. The fund balance of debt service will fluctuate each year to due Internal Service Revenue credits on qualified bonds.

The food service fund had a net increase of \$567,976. This is due to the revenues exceeding the expenditures.

The fund balance for all governmental funds at June 30, 2018 was \$29,102,982. Of this amount, \$223,587 was nonspendable; \$12,322,534 was restricted for self insurance, debt service, nutrition services and special revenues; and \$16,556,861 remains unassigned. Unassigned fund balance is maintained for adequate reserves primarily for working capital for cash flow purposes.

Total governmental funds expenditures were \$101,648,271 including \$47,460,162 for direct instruction.

Consistent with current state statutes and regulations an original budget is adopted in October following determination of official enrollment and certification of state aids. To balance the district's budget in 2017-18 the district implemented the following additional program initiatives or cost savings measures.

Program or cost initiatives that increased the district budget for 2017-18 fiscal year totaled \$2,093,655 and are as follows:

- Employee Compensation increase of 1.26%
- Intermediate School Playground Equipment
- School Age Parent Coordinator
- Additional Pupil Services Staff for Intermediate and Elementary (5 FTE)
- Dual Language expansion (5th grade)
- Additional days to staff calendar for Professional Development

Cost saving initiatives that reduced the district budget for the 2017-18 fiscal year totaled \$1,191,845 and are as follows:

- Closing Wellness Clinic
- OPEB Benefit Savings
- District-wide Print Management System
- Elimination of Resonate Marketing Contract
- Elimination of Bassett Mechanical Contract
- Class size flexibility
- Administrative Department budget reductions
- Capital Projects

The District invested \$3,260,077 on energy efficiency projects. These projects included heating and air conditioning conversions, lighting upgrades and a new roof at Converse, window and door replacement at Robinson, upgrading air handling units and pneumatic to DDC upgrades at Gaston. The District anticipates an estimated annual energy savings of approximately be \$259,761. These savings are in utility, operational and capital cost avoidance.

BASIC FINANCIAL STATEMENTS

School District of Beloit

Beloit, Wisconsin

STATEMENT OF NET POSITION

JUNE 30, 2018

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2017

	Governmental Activities	
	2018	2017
ASSETS		
Cash and investments	\$ 32,616,885	\$ 27,296,795
Receivables		
Taxes	3,284,952	2,726,117
Accounts	78,509	80,383
Due from other governments	3,530,018	2,918,551
Inventories and prepaid items	223,587	168,562
Net pension asset	8,225,997	-
Capital assets		
Nondepreciable	6,990,731	6,788,583
Depreciable	113,386,076	111,955,250
Total assets	168,336,755	151,934,241
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	14,088,824	16,837,140
Other postemployment related amounts	17,148	-
Total deferred outflows of resources	14,105,972	16,837,140
LIABILITIES		
Accounts payable	1,824,300	2,568,658
Accrued and other current liabilities	6,071,553	5,881,435
Accrued interest payable	552,261	459,697
Unearned revenues	9,334	14,289
Deposits payable	1,426,248	1,351,463
Health and dental claims payable	1,299,534	1,198,330
Long-term obligations		
Due in one year	5,068,941	4,757,278
Due in more than one year	62,608,062	61,893,125
Other postemployment benefits liability	2,249,491	4,087,094
Net pension liability	-	2,355,073
Total liabilities	81,109,724	84,566,442
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	16,196,957	7,406,501
NET POSITION		
Net investment in capital assets	57,997,981	52,408,868
Restricted	6,591,875	4,041,629
Unrestricted	20,546,190	20,347,941
Total net position	\$ 85,136,046	\$ 76,798,438

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

School District of Beloit

Beloit, Wisconsin

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2018	2017
GOVERNMENTAL ACTIVITIES					
Instruction					
Regular instruction	\$ 30,524,490	\$ 1,348,461	\$ 5,957,018	\$ (23,219,011)	\$ (24,458,943)
Vocational instruction	1,766,809	13,727	94,132	(1,658,950)	(1,620,190)
Special education instruction	8,587,448	-	4,050,315	(4,537,133)	(4,679,692)
Other instruction	6,033,271	436,258	98,312	(5,498,701)	(5,314,833)
Total instruction	46,912,018	1,798,446	10,199,777	(34,913,795)	(36,073,658)
Support services					
Pupil services	6,015,334	-	695,641	(5,319,693)	(5,130,608)
Instructional staff services	4,823,927	294	1,446,858	(3,376,775)	(3,133,635)
General administration services	1,532,615	-	-	(1,532,615)	(1,566,300)
School administration services	4,018,582	-	4,287	(4,014,295)	(4,183,064)
Business services	1,106,754	-	-	(1,106,754)	(1,146,707)
Operations and maintenance of plant	10,926,364	120	721	(10,925,523)	(9,140,628)
Pupil transportation services	2,362,703	48,667	1,045,494	(1,268,542)	(1,235,996)
Food services	4,527,255	51,785	5,140,627	665,157	828,719
Central services	3,246,065	5,099	-	(3,240,966)	(3,023,704)
Insurance	502,426	-	-	(502,426)	(589,519)
Other support services	54,809	-	15,690	(39,119)	(189,433)
Total support services	39,116,834	105,965	8,349,318	(30,661,551)	(28,510,875)
Non-program					
General tuition payments	5,276,361	-	2,369	(5,273,992)	(4,729,838)
Special education tuition payments	663,359	-	653,759	(9,600)	1
Voucher payments	507,639	-	-	(507,639)	(331,688)
Adjustments and refunds	22,734	-	-	(22,734)	(11,900)
Total non-program	6,470,093	-	656,128	(5,813,965)	(5,073,425)
Interest and fiscal charges	2,064,393	-	89,895	(1,974,498)	(1,732,217)
Total governmental activities	\$ 94,563,338	\$ 1,904,411	\$ 19,295,118	(73,363,809)	(71,390,175)
General revenues					
Property taxes				16,026,232	13,211,221
Other taxes				22,011	20,609
State and federal aids not restricted to specific functions				65,127,427	66,055,821
Interest and investment earnings				289,645	114,693
Gain on disposal of capital assets				26,191	54,274
Miscellaneous				209,911	252,751
Total general revenues				81,701,417	79,709,369
Change in net position				8,337,608	8,319,194
Net position - July 1				76,798,438	68,479,244
Net position - June 30				\$ 85,136,046	\$ 76,798,438

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

School District of Beloit

Beloit, Wisconsin

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	General	Capital Projects	Other Governmental Funds	Totals	
				2018	2017
ASSETS					
Cash and investments	\$ 22,899,233	\$ 5,188,217	\$ 4,529,435	\$ 32,616,885	\$ 27,296,795
Receivables					
Taxes	3,284,952	-	-	3,284,952	2,726,117
Accounts	68,923	-	9,586	78,509	80,383
Due from other funds	5,966	-	-	5,966	282,041
Due from other governments	2,790,034	-	739,984	3,530,018	2,918,551
Inventories and prepaid items	193,527	-	30,060	223,587	168,562
Total assets	<u>\$ 29,242,635</u>	<u>\$ 5,188,217</u>	<u>\$ 5,309,065</u>	<u>\$ 39,739,917</u>	<u>\$ 33,472,449</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,788,643	\$ 9,819	\$ 25,838	\$ 1,824,300	\$ 2,568,658
Accrued and other current liabilities	6,071,553	-	-	6,071,553	5,881,436
Due to other funds	-	-	5,966	5,966	282,041
Unearned revenues	3,534	-	5,800	9,334	14,289
Deposits payable	1,426,248	-	-	1,426,248	1,351,462
Health and dental claims payable	1,299,534	-	-	1,299,534	1,198,330
Total liabilities	<u>10,589,512</u>	<u>9,819</u>	<u>37,604</u>	<u>10,636,935</u>	<u>11,296,216</u>
Fund balances					
Nonspendable	193,527	-	30,060	223,587	168,562
Restricted	1,902,735	5,178,398	5,241,401	12,322,534	4,453,952
Unassigned	16,556,861	-	-	16,556,861	17,553,719
Total fund balances	<u>18,653,123</u>	<u>5,178,398</u>	<u>5,271,461</u>	<u>29,102,982</u>	<u>22,176,233</u>
Total liabilities and fund balances	<u>\$ 29,242,635</u>	<u>\$ 5,188,217</u>	<u>\$ 5,309,065</u>	<u>\$ 39,739,917</u>	<u>\$ 33,472,449</u>

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

School District of Beloit

Beloit, Wisconsin

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 29,102,982	\$ 22,176,233
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	120,376,807	118,743,833
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	14,088,824	16,837,140
Deferred inflows related to pensions	(16,196,957)	(7,406,501)
Deferred outflows related to other postemployment benefits	17,148	-
Long-term asset are not considered available; therefore, are not reported in the funds:		
Net pension asset	8,225,997	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(64,388,857)	(62,495,105)
Capital leases payable	(2,070,891)	(3,078,712)
Premium on debt	(1,097,295)	(970,745)
Compensated absences	(119,960)	(105,841)
Other postemployment benefits liability	(2,249,491)	(4,087,094)
Net pension liability	-	(2,355,073)
Accrued interest on long-term obligations	(552,261)	(459,697)
Net position of governmental activities as reported on the statement of net position (see page 5)	<u>\$ 85,136,046</u>	<u>\$ 76,798,438</u>

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

School District of Beloit

Beloit, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

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

	General	Capital Projects	Other Governmental Funds	Totals	
				2018	2017
REVENUES					
Property taxes	\$ 10,554,081	\$ -	\$ 5,472,151	\$ 16,026,232	\$ 13,211,221
Other local sources	506,277	32,569	619,307	1,158,153	1,476,753
Interdistrict sources	1,129,850	-	40,918	1,170,768	1,194,299
Intermediate sources	-	-	5,861	5,861	11,599
State sources	71,597,102	-	99,335	71,696,437	72,845,655
Federal sources	7,471,107	-	5,041,292	12,512,399	12,446,843
Other sources	214,950	-	60,930	275,880	315,095
Total revenues	91,473,367	32,569	11,339,794	102,845,730	101,501,465
EXPENDITURES					
Instruction					
Regular instruction	30,848,420	-	28,166	30,876,586	31,094,891
Vocational instruction	1,737,432	-	12,951	1,750,383	1,690,527
Special education instruction	8,727,878	-	-	8,727,878	8,503,327
Other instruction	5,763,616	-	341,699	6,105,315	5,801,146
Total instruction	47,077,346	-	382,816	47,460,162	47,089,891
Support services					
Pupil services	6,122,950	-	-	6,122,950	5,753,754
Instructional staff services	4,852,193	-	10,419	4,862,612	4,651,980
General administration services	1,532,161	-	-	1,532,161	1,521,143
School administration services	4,039,266	-	-	4,039,266	4,064,302
Business services	1,093,208	-	15,212	1,108,420	1,127,270
Operations and maintenance of plant	12,967,702	348,519	53,782	13,370,003	10,521,677
Pupil transportation services	2,333,994	-	28,699	2,362,693	2,240,942
Food services	-	-	4,706,344	4,706,344	4,349,311
Central services	2,422,474	-	-	2,422,474	2,147,118
Insurance	502,426	-	-	502,426	589,519
Other support services	55,245	-	-	55,245	213,076
Total support services	35,921,619	348,519	4,814,456	41,084,594	37,180,092
Debt service					
Principal	1,007,821	-	3,577,223	4,585,044	5,307,536
Interest and fiscal charges	23,037	5,652	2,019,689	2,048,378	1,980,500
Total debt service	1,030,858	5,652	5,596,912	6,633,422	7,288,036
Non-program					
General tuition payments	5,276,361	-	-	5,276,361	4,733,107
Special education tuition payments	663,359	-	-	663,359	376,057
Adjustments and refunds	17,253	-	5,481	22,734	11,900
Voucher payments	507,639	-	-	507,639	331,688
Total non-program	6,464,612	-	5,481	6,470,093	5,452,752
Total expenditures	90,494,435	354,171	10,799,665	101,648,271	97,010,771
Excess of revenues over (under) expenditures	978,932	(321,602)	540,129	1,197,459	4,490,694
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	5,500,000	-	5,500,000	-
Capital lease issued	-	-	-	-	161,815
Premium on debt issued	-	-	203,099	203,099	-
Proceeds from sale of capital assets	14,359	-	11,832	26,191	54,274
Transfers in	-	-	15,075	15,075	16,452
Transfers out	(15,075)	-	-	(15,075)	(16,452)
Total other financing sources (uses)	(716)	5,500,000	230,006	5,729,290	216,089
Net change in fund balances	978,216	5,178,398	770,135	6,926,749	4,706,783
Fund balances - July 1	17,674,907	-	4,501,326	22,176,233	17,469,450
Fund balances - June 30	\$ 18,653,123	\$ 5,178,398	\$ 5,271,461	\$ 29,102,982	\$ 22,176,233

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

School District of Beloit

Beloit, Wisconsin

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

	2018	2017
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 6,926,749	\$ 4,706,783
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay reported in governmental fund statements	5,949,785	4,071,654
Depreciation expense reported in the statement of activities	(4,197,009)	(3,986,313)
Net book value of disposals	(119,802)	(426,227)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	(5,500,000)	-
Capital leases issued	-	(161,815)
Premium on debt issued	(203,099)	-
Principal repaid	3,577,223	3,567,054
Capital leases paid	1,007,821	1,740,482
Accretion of escrow for debt retirement	29,025	53,704
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	(92,564)	23,380
Amortization of premiums	76,549	66,394
Compensated absences	(14,119)	(24,686)
Net pension asset	8,225,997	-
Net pension liability	2,355,073	2,482,821
Deferred outflows of resources related to pensions	(2,748,316)	(8,638,798)
Deferred inflows of resources related to pensions	(8,790,456)	2,774,765
Other postemployment benefits	1,837,603	2,069,996
Deferred outflows of resources related to other postemployment benefits	17,148	-
Change in net position of governmental activities as reported in the statement of activities (see page 6)	<u>\$ 8,337,608</u>	<u>\$ 8,319,194</u>

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

School District of Beloit

Beloit, Wisconsin

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	Private Purpose Trust	Employee Benefit Trust	Agency Pupil Activity	Totals	
				2018	2017
ASSETS					
Cash and investments	\$ 872	\$ 4,283,611	\$ 94,127	\$ 4,378,610	\$ 3,497,728
LIABILITIES					
Accounts payable	-	-	6,553	6,553	9,685
Due to student organizations	-	-	87,574	87,574	81,714
Total liabilities	-	-	94,127	94,127	91,399
NET POSITION					
Restricted	\$ 872	\$ 4,283,611	\$ -	\$ 4,284,483	\$ 3,406,329

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

School District of Beloit

Beloit, Wisconsin

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

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

	Private Purpose Trust	Employee Benefit Trust	Totals	
			2018	2017
ADDITIONS				
Contributions				
Employer	\$ -	\$ 1,973,944	\$ 1,973,944	\$ 2,280,080
Plan members	-	44,291	44,291	47,563
Investment earnings	250	118,760	119,010	115,907
Total additions	<u>250</u>	<u>2,136,995</u>	<u>2,137,245</u>	<u>2,443,550</u>
DEDUCTIONS				
Trust fund disbursements	8,000	1,241,716	1,249,716	2,007,962
Administrative expenditures	-	9,375	9,375	8,611
Total deductions	<u>8,000</u>	<u>1,251,091</u>	<u>1,259,091</u>	<u>2,016,573</u>
Change in net position	(7,750)	885,904	878,154	426,977
Net position - July 1	<u>8,622</u>	<u>3,397,707</u>	<u>3,406,329</u>	<u>2,979,352</u>
Net position - June 30	<u>\$ 872</u>	<u>\$ 4,283,611</u>	<u>\$ 4,284,483</u>	<u>\$ 3,406,329</u>

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

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The District has no business-type activities.

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

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

The District reports the following major governmental funds:

General Fund

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

Capital Projects Fund

This fund accounts for the acquisition or construction of major capital facilities.

Additionally, the District reports the following fund types:

- ▶ The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.
- ▶ The *employee benefit trust fund* is used to account for resources legally held in trust for other postemployment benefits.
- ▶ The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

2. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

3. Accounts Receivable

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

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

5. Inventories

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

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

6. Prepaid Items

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

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

7. Capital Assets

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

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

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

<u>Assets</u>	<u>Governmental Activities</u>
	<u>Years</u>
Buildings and improvements	20 - 65
Furniture and equipment	5 - 30

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

9. Deferred Outflows/Inflows of Resources

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

10. Long-term Obligations

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

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

11. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net 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.

12. 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 "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

13. Fund Equity

Governmental Fund Financial Statements

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

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

District-wide Financial Statements

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

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

E. USE OF ESTIMATES

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

F. PRIOR YEAR INFORMATION

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

G. RECLASSIFICATIONS

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

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

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

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$36,995,495 on June 30, 2018 as summarized below:

Deposits with financial institutions	\$ 35,628,403
Investments	
Money market mutual funds	44,038
Equities exchange traded funds	672,684
Fixed income exchange traded funds	645,796
Repurchase agreements	4,574
	<u>\$ 36,995,495</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 32,616,885
Fiduciary fund statement of net position	
Private purpose trust	872
Employee benefit trust	4,283,611
Agency fund	94,127
	<u>\$ 36,995,495</u>

Fair Value Measurements

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

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Money market mutual funds	\$ 44,038	\$ -	\$ -
Exchange traded funds - equity	672,984	-	-
Exchange traded funds - fixed income	645,796	-	-
	<u>\$ 1,362,818</u>	<u>\$ -</u>	<u>\$ -</u>

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

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Custodial Credit Risk

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

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

As of June 30, 2018, \$3,886,828 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. These bank deposits were fully collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

On June 30, 2018, the District held repurchase agreement investments of \$4,574 of which the underlying securities are held by the investment's counterparty, not in the name of the District.

Credit Risk

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

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Money market mutual funds	\$ 44,038	\$ -	\$ 44,038	\$ -	\$ -
Exchange traded funds - fixed income	645,796	-	-	-	645,796
Totals	<u>\$ 689,834</u>	<u>\$ -</u>	<u>\$ 44,038</u>	<u>\$ -</u>	<u>\$ 645,796</u>

Concentration of Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Money market mutual funds	\$ 44,038	\$ 44,038	\$ -	\$ -	\$ -
Exchange traded funds - fixed income	645,796	645,796	-	-	-
Repurchase agreements	4,574	4,574	-	-	-
Totals	<u>\$ 694,408</u>	<u>\$ 694,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 6,429,118	\$ -	\$ -	\$ 6,429,118
Construction in progress	359,465	561,613	359,465	561,613
Total capital assets, nondepreciable	<u>6,788,583</u>	<u>561,613</u>	<u>359,465</u>	<u>6,990,731</u>
Capital assets, depreciable:				
Buildings and improvements	137,374,774	4,416,062	-	141,790,836
Furniture and equipment	17,701,271	1,331,575	148,920	18,883,926
Subtotals	<u>155,076,045</u>	<u>5,747,637</u>	<u>148,920</u>	<u>160,674,762</u>
Less accumulated depreciation:	<u>43,120,795</u>	<u>4,197,009</u>	<u>29,118</u>	<u>47,288,686</u>
Total capital assets, depreciable, net	<u>111,955,250</u>	<u>1,550,628</u>	<u>119,802</u>	<u>113,386,076</u>
Governmental activities capital assets, net	<u>\$ 118,743,833</u>	<u>\$ 2,112,241</u>	<u>\$ 479,267</u>	<u>120,376,807</u>
Less: Capital related debt				<u>62,378,826</u>
Net investment in capital assets				<u>\$ 57,997,981</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities	
Instruction	\$ 237,468
Support services	3,959,541
Total depreciation expense - governmental activities	<u>\$ 4,197,009</u>

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2018 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary cash advances to finance operating cash deficits		
Governmental funds		
General	\$ 5,966	\$ -
Co-operative program	-	5,966
Totals	<u>\$ 5,966</u>	<u>\$ 5,966</u>

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

Funds	Transfer In	Transfer Out
General	\$ -	\$ 15,075
Nonmajor governmental funds		
Co-operative program	14,975	-
Long-term capital improvement trust fund	100	-
	<u>\$ 15,075</u>	<u>\$ 15,075</u>

Interfund transfers were made for the following purposes:

Finance program expenditures	\$ 14,975
Establish long-term capital improvement trust	100
	<u>\$ 15,075</u>

D. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$ 59,020,000	\$ 5,500,000	\$ 3,365,000	\$ 61,155,000	\$ 3,645,000
Qualified zone academy bonds	1,097,099	-	201,320	895,779	178,875
Qualified zone academy lease	163,006	-	39,928	123,078	33,348
Qualified energy conservation bonds	2,215,000	-	-	2,215,000	-
Total general obligation debt	62,495,105	5,500,000	3,606,248	64,388,857	3,857,223
Debt premium	970,745	203,099	76,549	1,097,295	76,549
Capital leases	3,078,712	-	1,007,821	2,070,891	1,015,209
Compensated absences	105,841	119,960	105,841	119,960	119,960
Governmental activities					
Long-term obligations	<u>\$ 66,650,403</u>	<u>\$ 5,823,059</u>	<u>\$ 4,796,459</u>	<u>\$ 67,677,003</u>	<u>\$ 5,068,941</u>

Total interest paid during the year on long-term debt totaled \$1,863,295.

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/18
General obligation refunding bonds	09/17/12	04/01/29	2.00 - 3.00%	\$ 10,000,000	\$ 7,225,000
General obligation refunding bonds	03/08/10	10/01/28	2.65 - 5.90%	6,270,000	5,105,000
Qualified zone academy bonds	08/23/04	08/23/18	0.00%	1,000,000	62,779
Qualified zone academy bonds	12/28/09	09/15/04	0.00%	1,785,000	833,000
Qualified zone academy lease	12/28/05	12/28/20	0.00%	574,000	123,078
Qualified energy conservation bonds	09/16/12	04/01/32	4.75%	2,215,000	2,215,000
General obligation school improvement bonds	01/07/13	04/01/32	2.00 - 3.00%	57,785,000	43,325,000
General obligation school improvement bonds	10/18/17	10/11/37	3.00 - 4.00%	5,500,000	5,500,000

Total outstanding general obligation debt \$ 64,388,857

Annual principal and interest maturities of the outstanding general obligation debt of \$64,388,857 on June 30, 2018 are detailed below:

Year Ended June 30,	Governmental Activities			Totals	
	Principal	Escrow	Interest	Principal	Interest
2019	\$ 3,857,223	\$ 11,821	\$ 2,011,913	\$ 3,869,044	\$ 2,011,913
2020	3,847,348	9,561	1,820,510	3,856,909	1,820,510
2021	3,957,348	4,557	1,703,239	3,961,905	1,703,239
2022	4,054,000	-	1,581,633	4,054,000	1,581,633
2023	4,169,000	-	1,455,158	4,169,000	1,455,158
2024 - 2028	22,718,000	-	5,514,318	22,718,000	5,514,318
2029 - 2033	19,850,000	-	2,024,963	19,850,000	2,024,963
2034 - 2037	1,910,000	-	-	1,910,000	-
	<u>\$ 64,362,918</u>	<u>\$ 25,939</u>	<u>\$ 16,111,734</u>	<u>\$ 64,388,857</u>	<u>\$ 16,111,734</u>

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

Qualified Zone Academy Bond and Lease

The District has a \$1,000,000 Qualified Zone Academy Bond which requires annual payments of \$59,875 through August 23, 2018 to be deposited with an escrow agent. The District records the payment as a principal retirement in its financial statements, since the escrow account is irrevocable, and removes the liability from the District's financial statements. Total payments of \$838,250, plus interest earned on the escrow account, will be sufficient to retire the bond at August 23, 2018. At June 30, 2018, the escrow account has a balance of \$937,822.

The District has a \$574,000 Qualified Zone Academy Lease which requires annual payments of \$33,348 through December 28, 2020 to be deposited with an escrow agent. The District records the payment as a principal retirement in its financial statements, since the escrow account is irrevocable, and removes the liability from the District's financial statements. Total payments of \$500,214, plus interest earned on the escrow will be sufficient to retire the bond on December 28, 2020. At June 30, 2018, the escrow account has a balance of \$450,604.

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

The District records the earnings on the escrow accounts over the life of the bond and lease as interest income and debt retirement.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2018 was \$75,265,008 as follows:

Equalized valuation of the District		\$ 1,388,724,242
Statutory limitation percentage		(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		138,872,424
Total outstanding general obligation debt applicable to debt limitation	\$ 64,388,857	
Less: Amounts available for financing general obligation debt		
Debt service fund	781,441	
Net outstanding general obligation debt applicable to debt limitation		63,607,416
Legal margin for new debt		<u>\$ 75,265,008</u>

Debt service fund balance of \$1,048,900 is set aside to pay interest due in October, 2018.

Capital Lease

The District is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. The following is a schedule of the minimum lease payments under the lease agreements and the present values of the minimum lease payments at June 30, 2018:

Year Ending	Governmental Activities
2019	\$ 1,030,857
2020	1,030,857
2021	33,716
Subtotal	2,095,430
Less: Amount representing interest	24,539
Present value of future minimum lease payments	<u>\$ 2,070,891</u>

E. PENSION PLAN

WRS Pension Plan Description

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

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

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

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Employees who retire at or after age 65 are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. The factors influencing the benefit are 1) final average earnings, 2) years of creditable service, and 3) a formula factor.

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

Vested participants may retire at or after age 55 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:

Year	Core Fund Adjustment	Variable Fund Adjustment
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, and executives and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

During the reporting period ending December 31, 2017, the WRS recognized \$2,647,280 in contributions from the District.

Contribution rates for the reporting period are:

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

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 \$8,225,997 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was .27705182%, which was a decrease of .00867522% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,708,030.

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	\$ 10,451,334	\$ 4,888,787
Net differences between projected and actual earnings on pension plan investments	-	11,305,869
Changes in assumptions	1,625,296	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	308,183	2,301
Employer contributions subsequent to the measurement date	1,704,011	-
Total	<u>\$ 14,088,824</u>	<u>\$ 16,196,957</u>

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

\$1,704,011 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Expense
2018	\$ 1,029,836
2019	38,427
2020	(2,767,564)
2021	(2,132,573)
2022	19,730
Total	<u>\$ (3,812,144)</u>

Actuarial Assumptions

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

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

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

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

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Core Fund Asset Class			
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
Variable Fund Asset Class			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5.0%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 21,283,463	\$ (8,225,997)	\$ (30,654,100)

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

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$347,354 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2018.

F. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical, dental and life insurance coverage through the District's group plan. District paid medical benefits are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

Benefits Provided

	Eligibility		Maximum Years of Benefits			
			School Year Retiring			
Classification	Age	Service	2015	2016	2017 or later	Type of benefit
Administrators	57	10	5.0	4.0	None	Medical, Dental, Life
	57	11	5.5	4.0	None	Medical, Dental, Life
	57	12+	6.0	4.0	None	Medical, Dental, Life
Teachers, Educational Assistants, Secretaries	55	15	6.0	4.0	None	Medical
Instructional Support	55	15	6.0	4.0	None	Medical, Life
Administrative Assistant	55	15	6.0	4.0	None	Medical, Dental, Life

The District contributes the employer share of the premium for medical, dental and life insurance for eligible employees. The retiree remains responsible for the employee share of the premium.

Employees Covered by Benefit Terms

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

Administrators	7
All others	128
	<u>135</u>

Contributions

The District contributes a portion of the premium for medical, dental and life insurance for eligible employees as indicated by the plan that retired on or before June 30, 2016. The retiree remains responsible for the employee share of the premium.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of date.

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

Discount rate	4.0%
Salary increases:	2.0%
Investment rate of return:	4.00%
	2018,2019 - 6.5%
Healthcare cost trend rates:	2020,2021 - 6.0%
	2022 - 5.5%
Dental cost trend rates:	level at 3.0%

Mortality rates are the same as those used in the December 2014 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2017.

The long-term expected rate of return on OPEB plan investments was valued at 4.0%. A blend of expected earnings on District funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

Discount Rate. The discount rate used to measure the total OPEB liability was 4.0%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. 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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at July 1, 2017	\$ 7,484,802	\$ 3,397,708	\$ 4,087,094
Changes for the year:			
Service cost	-	-	-
Interest	299,392	-	299,392
Contributions - employer	-	1,973,944	(1,973,944)
Net investment income	-	118,760	(118,760)
Benefit payments	(1,251,092)	(1,197,426)	(53,666)
Administrative expenses	-	(9,375)	9,375
Net changes	(951,700)	885,903	(1,837,603)
Balance at June 30, 2018	\$ 6,533,102	\$ 4,283,611	\$ 2,249,491

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 (3.0%) or 1-percentage-point higher (5.0%) than the current rate:

	1% Decrease to Discount Rate (3.0%)	Current Discount Rate (4.0%)	1% Increase to Discount Rate (5.0%)
Net OPEB liability	\$ 2,397,765	\$ 2,249,491	\$ 2,107,290

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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 (5.5% decreasing to 4.5%) or 1-percentage-point higher (7.5% decreasing to 6.5%) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 4.5%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.5%)	1% Increase (7.5% decreasing to 6.5%)
Net OPEB liability	\$ 2,105,494	\$ 2,249,491	\$ 2,396,725

OPEB plan fiduciary net position. Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements.

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 \$435,300. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 17,148	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

Year Ended June 30,	Expense
2019	\$ 3,430
2020	3,430
2021	3,430
2022	3,430
2023	3,428
Total	\$ 17,148

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2018.

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

F. FUND EQUITY

Nonspendable Fund Balance

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

	General	Nonmajor
Nonspendable		
Inventories and prepaid items	\$ 193,527	\$ 30,060

Restricted Fund Balance

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

General Fund	
Restricted for self insurance	\$ 1,902,735
Special Revenue Funds	
Restricted for	
Donor restricted	247,176
Nutrition service	3,163,782
Debt Service Funds	
Restricted for debt service	
Non-referendum debt service	847,531
Referendum debt service	982,812
Capital Projects Funds	
Restricted for	
Long term capital improvement trust	100
Capital projects	5,178,398
Total restricted fund balance	<u>\$ 12,322,534</u>

Minimum General Fund Balance Policy

The District has also adopted a targeted unassigned general fund balance policy of 18% of current year actual expenditures for the General Fund. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Actual 2017-2018 General Fund expenditures	\$ 90,494,435
Minimum fund balance %	(x) 18%
Minimum fund balance amount	<u>\$ 16,288,998</u>

The District's unassigned General Fund balance of \$16,556,861 is above the targeted fund balance amount.

Restricted Fiduciary Fund Net Position

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

Fiduciary Funds	
Restricted for	
Scholarships	\$ 872
Postemployment benefits	4,283,611
Total restricted fiduciary fund net position	<u>\$ 4,284,483</u>

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Net Position

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

Governmental activities

Restricted for

Self insurance	\$ 1,902,735
Donor restricted	247,176
Nutrition service	3,163,782
Debt service	1,278,082
Long term capital improvement trust	100
Total governmental activities restricted net position	<u>\$ 6,591,875</u>

NOTE 3: OTHER INFORMATION

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

In addition to the above, the District has established separate internal service funds for the following risk management programs:

Self-funded Insurance Program

The District has a self-insured health and dental plan for its employees. The Plan administrators are responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2018.

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

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$250,000 per individual and/or 125% of the annual estimated claims as provided by the Prairie States and Restat. The District has no stop-loss coverage for dental care coverage of the plan.

At June 30, 2018, the District has reported a liability of \$1,299,534 which represents reported and unreported claims which were incurred on or before June 30, 2018, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2017 and June 30, 2018 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2018	\$ 1,198,330	\$ 10,426,421	\$ 10,325,217	\$ 1,299,534
2017	1,246,312	11,646,754	11,694,736	1,198,330

School District of Beloit

Beloit, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

B. CONTINGENCIES

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

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

C. LIMITATION ON SCHOOL DISTRICT REVENUES

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

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

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

D. UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

REQUIRED SUPPLEMENTARY INFORMATION

School District of Beloit

Beloit, Wisconsin

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

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 10,554,081	\$ 10,554,081	\$ 10,554,081	\$ -
Other local sources	363,227	371,735	506,277	134,542
Interdistrict sources	1,099,000	1,102,800	1,127,435	24,635
State sources	68,260,986	69,021,934	68,694,275	(327,659)
Federal sources	3,817,837	5,527,772	5,105,430	(422,342)
Other sources	128,390	218,390	213,466	(4,924)
Total revenues	84,223,521	86,796,712	86,200,964	(595,748)
EXPENDITURES				
Instruction				
Regular instruction	31,417,172	32,583,110	30,848,420	1,734,690
Vocational instruction	1,797,404	1,799,729	1,737,432	62,297
Other instruction	6,039,804	6,066,288	5,722,559	343,729
Total instruction	39,254,380	40,449,127	38,308,411	2,140,716
Support services				
Pupil services	3,867,941	4,097,298	3,789,140	308,158
Instructional staff services	3,791,709	4,291,287	4,139,958	151,329
General administration services	1,235,260	1,385,379	1,532,161	(146,782)
School administration services	4,048,101	4,029,561	4,039,266	(9,705)
Business services	1,062,027	1,089,525	1,093,208	(3,683)
Operations and maintenance of plant	11,966,175	11,995,562	12,966,981	(971,419)
Pupil transportation services	1,452,219	1,489,337	1,356,187	133,150
Central services	2,398,777	2,449,278	2,422,474	26,804
Insurance	503,971	503,971	502,426	1,545
Other support services	108,044	117,274	55,245	62,029
Total support services	30,434,224	31,448,472	31,897,046	(448,574)
Debt service				
Principal	1,007,821	1,007,821	1,007,821	-
Interest and fiscal charges	23,038	23,038	23,037	1
Total debt service	1,030,859	1,030,859	1,030,858	1
Non-program				
General tuition payments	4,993,903	4,991,158	5,276,361	(285,203)
Adjustments and refunds	203,838	30,000	17,253	12,747
Voucher payments	515,492	515,492	507,639	7,853
Total non-program	5,713,233	5,536,650	5,801,253	(264,603)
Total expenditures	76,432,696	78,465,108	77,037,568	1,427,540
Excess of revenues over expenditures	7,790,825	8,331,604	9,163,396	831,792
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	14,359	14,359
Transfers out	(9,190,956)	(9,190,956)	(8,199,539)	991,417
Total other financing sources (uses)	(9,190,956)	(9,190,956)	(8,185,180)	1,005,776
Net change in fund balance	(1,400,131)	(859,352)	978,216	1,837,568
Fund balance - July 1	17,674,907	17,674,907	17,674,907	-
Fund balance - June 30	\$ 16,274,776	\$ 16,815,555	\$ 18,653,123	\$ 1,837,568

See notes to required supplementary information.

School District of Beloit

Beloit, Wisconsin

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

	Budget			Variance Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interdistrict sources	\$ -	\$ -	\$ 2,415	\$ 2,415
Intermediate sources	15,000	15,000	-	(15,000)
State sources	3,025,000	3,025,000	2,902,827	(122,173)
Federal sources	2,230,221	2,480,221	2,365,677	(114,544)
Other sources	-	-	1,484	1,484
Total revenues	5,270,221	5,520,221	5,272,403	(247,818)
EXPENDITURES				
Instruction				
Special education instruction	9,667,603	9,666,417	8,727,878	938,539
Other instruction	44,978	44,978	41,057	3,921
Total instruction	9,712,581	9,711,395	8,768,935	942,460
Support services				
Pupil services	2,536,576	2,544,337	2,333,810	210,527
Instructional staff services	688,469	724,668	712,235	12,433
Operations and maintenance of plant	1,500	1,500	721	779
Pupil transportation services	934,500	954,956	977,807	(22,851)
Total support services	4,161,045	4,225,461	4,024,573	200,888
Non-program				
Special education tuition payments	571,099	757,869	663,359	94,510
Total expenditures	14,444,725	14,694,725	13,456,867	1,237,858
Excess of revenues under expenditures	(9,174,504)	(9,174,504)	(8,184,464)	990,040
OTHER FINANCING SOURCES				
Transfers in	9,174,504	9,174,504	8,184,464	(990,040)
Net change in fund balance	-	-	-	-
Fund balance - July 1	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

School District of Beloit

Beloit, Wisconsin

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

	2018	2017
Total OPEB liability		
Interest	\$ 299,392	\$ 365,438
Benefit payments	(1,251,092)	(2,016,574)
Net change in total OPEB liability	(951,700)	(1,651,136)
Total OPEB liability - beginning	7,484,802	9,135,938
Total OPEB liability - ending (a)	<u>\$ 6,533,102</u>	<u>\$ 7,484,802</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,973,944	\$ 2,319,644
Net investment income	118,760	115,790
Benefit payments	(1,197,426)	(2,016,574)
Administrative expenses	(9,375)	-
Net change in plan fiduciary net position	885,903	418,860
Plan fiduciary net position - beginning	3,397,708	2,978,848
Plan fiduciary net position - ending (b)	<u>\$ 4,283,611</u>	<u>\$ 3,397,708</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 2,249,491</u>	<u>\$ 4,087,094</u>
Plan fiduciary net position as a percentage of the total OPEB liability	66%	45%
Covered-employee payroll	\$ 39,196,906	\$ 37,546,638
District's net OPEB liability as a percentage of covered-employee payroll	6%	11%

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

See notes to required supplementary information.

School District of Beloit

Beloit, Wisconsin

SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN LAST 10 FISCAL YEARS *

	2018	2017
Actuarially determined contribution (ADC)	\$ 680,949	\$ 680,949
Contributions in relation to the ADC	1,973,944	2,319,644
Contribution deficiency (excess)	<u>\$ (1,292,995)</u>	<u>\$ (1,638,695)</u>
Covered-employee payroll	\$ 39,196,906	\$ 37,546,638
Contributions as a percentage of covered-employee payroll	5.04%	6.18%

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	8 year Level Dollar
Discount rate	4.0%
Asset earnings rate	4.0%

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

See notes to required supplementary information.

School District of Beloit

Beloit, Wisconsin

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

Plan Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.30396000%	\$ (7,465,264)	\$ 40,219,358	18.56%	102.74%
12/31/15	0.29772012%	4,837,864	42,044,113	11.51%	98.20%
12/31/16	0.28572704%	2,355,073	39,495,041	5.96%	99.12%
12/31/17	0.27705182%	(8,255,997)	39,161,065	21.08%	102.93%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/15	\$ 3,047,621	\$ 3,047,621	\$ -	\$ 44,129,556	6.91%
6/30/16	2,678,140	2,678,140	-	39,931,813	6.71%
6/30/17	2,683,717	2,683,717	-	40,080,645	6.70%
6/30/18	2,711,835	2,711,835	-	40,177,181	6.75%

See notes to required supplementary information.

School District of Beloit

Beloit, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

A. OTHER POSTEMPLOYMENT BENEFITS

There were no changes of benefit terms.

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

B. WISCONSIN RETIREMENT SYSTEM

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

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

C. BUDGETS AND BUDGETARY ACCOUNTING

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

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

- ▶ Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- ▶ The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- ▶ A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- ▶ Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- ▶ Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- ▶ Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- ▶ Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- ▶ The DPI requires the District to separate special education revenues and expenditures from other General Fund amounts.

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

School District of Beloit

Beloit, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

Budgetary Information

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

	<u>General</u>	<u>Special Education</u>
Revenues		
Actual amounts (budgetary basis)	\$ 86,200,964	\$ 5,272,403
Reclassification of special education	5,272,403	(5,272,403)
Total revenues	<u>91,473,367</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	77,037,568	13,456,867
Reclassification of special education	13,456,867	(13,456,867)
Total expenditures	<u>90,494,435</u>	<u>-</u>
Excess of revenues over (under) expenditures		
Actual amounts (budgetary basis)	9,163,396	(8,184,464)
Reclassification of special education	(8,184,464)	8,184,464
Excess of revenues over (under) expenditures	<u>978,932</u>	<u>-</u>
Other financing sources (uses)		
Actual amounts (budgetary basis)	(8,185,180)	8,184,464
Reclassification of special education	8,184,464	(8,184,464)
Total other financing sources (uses)	<u>(716)</u>	<u>-</u>
Net change in fund balance		
Actual amounts (budgetary basis)	<u>978,216</u>	<u>-</u>
Fund balance - July 1		
Actual amounts (budgetary basis)	<u>17,674,907</u>	<u>-</u>
Fund balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 18,653,123</u>	<u>\$ -</u>

School District of Beloit

Beloit, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended June 30, 2018 as follows:

Funds	Excess Expenditures
General Fund	
Support services	
General administration services	\$ 146,782
School administration services	9,705
Business services	3,683
Operations and maintenance of plant	971,419
Non-program	
General tuition payments	285,203
Special Education Fund	
Support services	
Pupil transportation services	22,851

SUPPLEMENTARY INFORMATION

School District of Beloit

Beloit, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2018

	Special Revenue		
	Special Revenue Trust	Food Service	Co-operative Program
ASSETS			
Cash and investments	\$ 261,434	\$ 2,437,558	\$ -
Receivables			
Accounts	1,750	1,536	6,300
Due from other governments	-	739,984	-
Inventories and prepaid items	17	30,043	-
Total assets	<u>\$ 263,201</u>	<u>\$ 3,209,121</u>	<u>\$ 6,300</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 16,008	\$ 9,496	\$ 334
Due to other funds	-	-	5,966
Unearned revenues	-	5,800	-
Total liabilities	<u>16,008</u>	<u>15,296</u>	<u>6,300</u>
Fund balances			
Nonspendable	17	30,043	-
Restricted	247,176	3,163,782	-
Total fund balances	<u>247,193</u>	<u>3,193,825</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 263,201</u>	<u>\$ 3,209,121</u>	<u>\$ 6,300</u>

Debt Service		Capital Projects	Total
Non-Referendum Debt Service	Referendum Debt Service	Long Term Capital Improvement Trust	Nonmajor Governmental Funds
\$ 847,531	\$ 982,812	\$ 100	\$ 4,529,435
-	-	-	9,586
-	-	-	739,984
-	-	-	30,060
<u>\$ 847,531</u>	<u>\$ 982,812</u>	<u>\$ 100</u>	<u>\$ 5,309,065</u>
\$ -	\$ -	\$ -	\$ 25,838
-	-	-	5,966
-	-	-	5,800
-	-	-	37,604
-	-	-	30,060
<u>847,531</u>	<u>982,812</u>	<u>100</u>	<u>5,241,401</u>
<u>847,531</u>	<u>982,812</u>	<u>100</u>	<u>5,271,461</u>
<u>\$ 847,531</u>	<u>\$ 982,812</u>	<u>\$ 100</u>	<u>\$ 5,309,065</u>

School District of Beloit

Beloit, Wisconsin

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

	Special Revenue		
	Special Revenue Trust	Food Service	Co-operative Program
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Other local sources	396,358	190,280	5,808
Interdistrict sources	-	-	40,918
Intermediate sources	-	-	5,861
State sources	-	99,335	-
Federal sources	-	5,041,292	-
Other sources	-	60	-
Total revenues	396,358	5,330,967	52,587
EXPENDITURES			
Instruction			
Regular instruction	28,166	-	-
Vocational instruction	5,858	-	7,093
Other instruction	287,568	-	54,131
Total instruction	321,592	-	61,224
Support services			
Instructional staff services	10,419	-	-
Business services	-	15,212	-
Operations and maintenance of plant	515	53,267	-
Pupil transportation services	22,361	-	6,338
Food services	-	4,706,344	-
Total support services	33,295	4,774,823	6,338
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total debt service	-	-	-
Non-program			
Adjustments and refunds	5,481	-	-
Total expenditures	360,368	4,774,823	67,562
Excess of revenues over (under) expenditures	35,990	556,144	(14,975)
OTHER FINANCING SOURCES			
Premium on debt issued	-	-	-
Proceeds from sale of capital assets	-	11,832	-
Transfers in	-	-	14,975
Total other financing sources	-	11,832	14,975
Net change in fund balances	35,990	567,976	-
Fund balances - July 1	211,203	2,625,849	-
Fund balances - June 30	\$ 247,193	\$ 3,193,825	\$ -

Debt Service		Capital Projects	Total
Non-Referendum Debt Service	Referendum Debt Service	Long Term Capital Improvement Trust	Nonmajor Governmental Funds
\$ 935,606	\$ 4,536,545	\$ -	\$ 5,472,151
420	26,441	-	619,307
-	-	-	40,918
-	-	-	5,861
-	-	-	99,335
-	-	-	5,041,292
-	60,870	-	60,930
936,026	4,623,856	-	11,339,794
-	-	-	28,166
-	-	-	12,951
-	-	-	341,699
-	-	-	382,816
-	-	-	10,419
-	-	-	15,212
-	-	-	53,782
-	-	-	28,699
-	-	-	4,706,344
-	-	-	4,814,456
527,223	3,050,000	-	3,577,223
429,151	1,590,538	-	2,019,689
956,374	4,640,538	-	5,596,912
-	-	-	5,481
956,374	4,640,538	-	10,799,665
(20,348)	(16,682)	-	540,129
203,099	-	-	203,099
-	-	-	11,832
-	-	100	15,075
203,099	-	100	230,006
182,751	(16,682)	100	770,135
664,780	999,494	-	4,501,326
\$ 847,531	\$ 982,812	\$ 100	\$ 5,271,461

School District of Beloit

Beloit, Wisconsin

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

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
ASSETS				
Cash	<u>\$ 91,399</u>	<u>\$ 95,776</u>	<u>\$ 93,048</u>	<u>\$ 94,127</u>
LIABILITIES				
Accounts payable	\$ 9,685	\$ 6,553	\$ 9,685	\$ 6,553
Due to student organizations				
Elementary schools	4,176	451	396	4,231
Middle schools	16,354	25,655	27,996	14,013
High school	<u>61,184</u>	<u>63,117</u>	<u>54,971</u>	<u>69,330</u>
Total liabilities	<u>\$ 91,399</u>	<u>\$ 95,776</u>	<u>\$ 93,048</u>	<u>\$ 94,127</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Beloit, Beloit, Wisconsin (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF THIS REPORT

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



Certified Public Accountants

Green Bay, Wisconsin

November 28, 2018

FEDERAL AND STATE AWARDS

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

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM

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

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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


Certified Public Accountants

Green Bay, Wisconsin
November 28, 2018

School District of Beloit

Beloit, Wisconsin

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

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/17	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2018-530413-SB-546	\$ (36,301)	\$ 1,294,362	\$ 202,916	\$ 1,460,977	\$ -
National School Lunch Program	10.555	WI DPI	2018-530413-NSL-547	(73,517)	2,569,805	400,593	2,896,881	-
Donated Commodities 17-18	10.555	WI DPI	2018-530413-NSL-Snacks-566	-	272,194	-	272,194	-
Total National School Lunch Program				<u>(73,517)</u>	<u>2,841,999</u>	<u>400,593</u>	<u>3,169,075</u>	<u>-</u>
Summer Food Service Program for Children	10.559	WI DPI	2018-530413-SFSP-586	(66,808)	174,145	78,882	186,219	-
Total Child Nutrition Cluster				<u>(176,626)</u>	<u>4,310,506</u>	<u>682,391</u>	<u>4,816,271</u>	<u>-</u>
Child and Adult Care Food Program	10.558	WI DPI	2018-530413-CCI-551	-	14,568	4,996	19,564	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2018-530413-FF&V-376	(50,975)	208,545	52,597	210,167	-
Total U.S. Department of Agriculture				<u>(227,601)</u>	<u>4,533,619</u>	<u>739,984</u>	<u>5,046,002</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-530413-Title I-141	(710,741)	2,910,754	690,079	2,890,092	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-530413-Focus-145	(1,076)	9,150	4,652	12,726	-
Total Title I Grants to Local Educational Agencies				<u>(711,817)</u>	<u>2,919,904</u>	<u>694,731</u>	<u>2,902,818</u>	<u>-</u>
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2018-530413-IDEA-341	(320,396)	1,898,494	255,232	1,833,330	-
Special Education Grants to States	84.027	WI DPI	2018-530413-IDEA-341	-	21,874	-	21,874	-
Special Education Preschool Grants	84.173	WI DPI	2018-530413-Pre-S-347	(19,024)	76,478	15,129	72,583	-
Total Special Education Cluster (IDEA)				<u>(339,420)</u>	<u>1,996,846</u>	<u>270,361</u>	<u>1,927,787</u>	<u>-</u>
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2018-530413-CP-CTE-400	(69,212)	69,549	81,629	81,966	-
Safe and Drug-Free Schools and Communities National Programs	84.184L	WI DPI	Unknown	(98,576)	349,340	76,774	327,538	-
Education for Homeless Children and Youth	84.196	WI DPI	2018-530413-Homeless-335	(21,196)	65,432	7,842	52,078	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2018-530413-CLC-367	(121,691)	670,508	57,563	606,380	-
English Language Acquisition State Grants	84.365	WI DPI	2018-530413-Title III A-391	(11,312)	51,860	11,881	52,429	-
Improving Teacher Quality State Grants	84.367	WI DPI	2018-530413-Title II-365	(133,007)	489,669	80,536	437,198	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2018-530413-Title-IV A-381	-	-	4,484	4,484	-
Total U.S. Department of Education				<u>(1,506,231)</u>	<u>6,613,108</u>	<u>1,285,801</u>	<u>6,392,678</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Center for Disease Control	93.079	WI DPI	2018-530413-WILY-334	(1,558)	5,581	-	4,023	-
Teen Parents Dropout Prevention Public Aid	93.500	WI DPI	2018-530413-InSPIRE-591	(46,906)	61,725	12,577	27,396	-
Substance Abuse and Mental Health Services	93.243	WI DPI	Unknown	-	8,000	(2,809)	5,191	-
Family Violence Prevention and Services	93.671	Domestic Abuse of WI	Unknown	-	2,679	-	2,679	-
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	44200300	(1,457)	611,212	390,099	999,854	-
Total U.S. Department of Health and Human Services				<u>(49,921)</u>	<u>689,197</u>	<u>399,867</u>	<u>1,039,143</u>	<u>-</u>
TOTAL FEDERAL AWARDS				<u>\$ (1,783,753)</u>	<u>\$ 11,835,924</u>	<u>\$ 2,425,652</u>	<u>\$ 12,477,823</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
Federal sources							\$ 12,512,399	
Federal awards included in intermediate sources							4,683	
Grants not presented on SEFA							(39,259)	
Total federal awards							<u>\$ 12,477,823</u>	

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

School District of Beloit Beloit, Wisconsin

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

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/17	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	530413-100	\$ -	\$ 2,799,453	\$ -	\$ 2,799,453	\$ -
State School Lunch Aid	255.102	Direct Program	530413-107	-	42,226	-	42,226	-
Common School Fund Library Aid	255.103	Direct Program	530413-104	-	283,667	-	283,667	-
Bilingual Bicultural Aid Lea	255.106	Direct Program	530413-111	-	175,507	-	175,507	-
General Transportation Aid	255.107	Direct Program	530413-102	-	30,481	-	30,481	-
Equalization Aids	255.201	Direct Program	530413-116	(1,083,459)	61,084,638	1,037,573	61,038,752	-
High Cost Special Education Aid	255.210	Direct Program	530413-119	-	84,374	-	84,374	-
Peer Review and Mentoring	255.301	Direct Program	530413-141	(15,425)	15,387	7,896	7,858	-
Alcohol and Other Drug Abuse	255.306	Direct Program	530413-143	-	16,256	-	16,256	-
State School Breakfast Aid	255.344	Direct Program	530413-108	-	57,109	-	57,109	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	530413-160	-	3,126,599	-	3,126,599	-
Aid for High Poverty School District	255.926	Direct Program	530413-121	-	595,100	-	595,100	-
Educator Effective Evaluation System	255.940	Direct Program	530413-154	-	46,320	-	46,320	-
Per Pupil Aid	255.945	Direct Program	530413-113	-	3,261,150	-	3,261,150	-
Career and Technical Education Incentive Grants	255.950	Direct Program	530413-171	-	39,909	-	39,909	-
Assessments of Reading Readiness	255.956	Direct Program	530413-166	-	30,738	-	30,738	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	530413-168	-	19,000	-	19,000	-
Total Wisconsin Department of Public Instruction				(1,098,884)	71,707,914	1,045,469	71,654,499	-
TOTAL STATE AWARDS				<u>\$ (1,098,884)</u>	<u>\$ 71,707,914</u>	<u>\$ 1,045,469</u>	<u>\$ 71,654,499</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
State sources							\$ 71,696,437	
Less: State sources not considered state financial assistance								
State tax computer aid							(37,919)	
Project AIU							(4,019)	
Total state awards							<u>\$ 71,654,499</u>	

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

School District of Beloit

Beloit, Wisconsin

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

NOTE 1: BASIS OF PRESENTATION

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2017 - 2018 eligible costs under the State Special Education Program as reported by the District are \$11,448,861. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4: FOOD DISTRIBUTION

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

NOTE 5: OVERSIGHT AGENCIES

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

Federal - U.S. Department of Education

State - Wisconsin Department of Public Instruction

NOTE 6: PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services

WI DPI - Wisconsin Department of Public Instruction

School District of Beloit

Beloit, Wisconsin

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

SECTION I: SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No

FEDERAL AND STATE AWARDS

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No
Identification of major federal programs:	

CFDA Number	Name of Federal Program
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

Identification of major state programs:

State ID Number	Name of State Program
255.201	Equalization Aids
255.926	Aid for High Poverty School District

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

Federal Awards	\$750,000
State Awards	\$250,000

Auditee qualified as low-risk auditee	Yes
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School District of Beloit

Beloit, Wisconsin

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

SECTION II: FINANCIAL STATEMENT FINDINGS

FINDING NO.	CONTROL DEFICIENCIES
2018-001	Preparation of Annual Financial Report
Condition:	Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.
Cause:	District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the District continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS


There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2018.

School District of Beloit

Beloit, Wisconsin

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

SECTION IV: OTHER ISSUES

- | | | |
|----|--|---|
| 1. | Does the auditor have substantial doubt as to the auditee’s ability to continue as a going concern? | No |
| 2. | Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> :
Department of Health Services
Department of Public Instruction | No
No |
| 3. | Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. | Name and signature of partner | 
David Maccoux, CPA |
| 5. | Date of report | November 28, 2018 |

School District of Beloit

Beloit, Wisconsin

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

PRIOR YEAR AUDIT FINDINGS

No findings noted in the 2017 Schedule of Findings and Questioned Costs.

CORRECTIVE ACTION PLAN

Management believes the cost for additional staff time and training to prepare year-end GASB entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance.