



CEDARBURG SCHOOL DISTRICT
FINANCIAL STATEMENTS
Including Independent Auditor's Report
As of and for the year ended June 30, 2018

Johnson Block and Company, Inc.
Certified Public Accountants
2500 Business Park Road
Mineral Point, WI 53565
(608) 987-2206

Cedarburg School District
Table of Contents
June 30, 2018

Independent Auditor’s Report 1

Basic Financial Statements

District-Wide Financial Statements:

Exhibit A-1 Statement of Net Position 4

Exhibit A-2 Statement of Activities 5

Fund Financial Statements:

Exhibit A-3 Balance Sheet – Governmental Funds 6

Exhibit A-4 Reconciliation of the Governmental Funds Balance Sheet with the
Statement of Net Position 7

Exhibit A-5 Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds 8

Exhibit A-6 Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities 9

Exhibit A-7 Statement of Net Position – Fiduciary Funds 10

Exhibit A-8 Statement of Changes in Fiduciary Net Position 11

Notes to the Basic Financial Statements 12

Required Supplementary Information:

Exhibit B-1 Budgetary Comparison Schedule for the General Fund 47

Exhibit B-2 Budgetary Comparison Schedule for the Special Education Fund 48

Exhibit B-3 District Net OPEB Liability Schedules 49

Exhibit B-4 District Supplemental Pension Plan Schedules 51

Exhibit B-5 Local Retiree Life Insurance Fund Schedules 52

Exhibit B-6 Wisconsin Retirement System Schedules 53

Notes to the Required Supplementary Information 54

Cedarburg School District
Table of Contents (Continued)
June 30, 2018

Supplementary Information:

Exhibit C-1	Combining Balance Sheet – Nonmajor Governmental Funds	57
Exhibit C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances -Nonmajor Governmental Funds.....	58
Exhibit C-3	Schedule of Changes in Assets and Liabilities – Pupil Activity Fund.....	59
Exhibit C-4	Schedule of Expenditures of Federal Awards.....	60
Exhibit C-5	Schedule of Expenditures of State Awards.....	61
	Notes to the Schedules of Expenditures of Federal and State Awards	62
	Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government <i>Auditing Standards</i>	63
	Independent Auditor’s 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.....	65
	Schedule of Findings and Questioned Costs.....	67
	Schedule of Prior Year Findings and Questioned Costs.....	70



INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2017, the Cedarburg School District adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, District net OPEB liability schedules, District supplemental pension plan schedules, local retiree life insurance fund schedules, and Wisconsin Retirement System schedules on pages 47-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cedarburg School District's basic financial statements. The combining nonmajor fund financial statements and schedule of changes to assets and liabilities-pupil activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements.

The combining non-major fund financial statements, schedule of changes to assets and liabilities-pupil activity funds, and 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 combining non-major fund financial statements, schedule of changes to assets and liabilities-pupil activity funds, and schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
November 14, 2018

BASIC FINANCIAL STATEMENTS

Exhibit A-1
Cedarburg School District
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 4,509,704
Restricted cash	3,038,875
Taxes receivable	4,341,564
Accounts receivable	118,149
Prepays	405,805
Due from other fiduciary funds	438
Due from other governmental units	299,894
Total current assets	12,714,429
Noncurrent assets:	
Capital assets	
Capital assets	56,569,739
Less: accumulated depreciation	(26,524,529)
Net book value of capital assets	30,045,210
Net pension asset - restricted	3,574,453
Total noncurrent assets	33,619,663
Total assets	46,334,092
DEFERRED OUTFLOWS OF RESOURCES	
WRS Pension outflows	6,051,314
District Supplemental pension outflows	49,318
OPEB - District health insurance plan outflows	643,076
OPEB - group life insurance plan outflows	121,286
Unamortized loss on refunding	199,543
Total deferred outflows	7,064,537
Total assets and deferred outflows of resources	\$ 53,398,629
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 454,774
Unearned revenue	14,557
Payroll taxes and withholdings	466,554
Accrued interest payable	39,350
Current portion of long-term obligations	1,815,000
Total current liabilities	2,790,235
Noncurrent liabilities:	
General obligation debt	9,600,000
Net OPEB - District health insurance plan	3,861,565
Net OPEB - group life insurance plan	876,523
Supplemental pension	400,316
Less: current portion	(1,815,000)
Total noncurrent liabilities	12,923,404
Total liabilities	15,713,639
DEFERRED INFLOWS OF RESOURCES	
WRS Pension inflows	7,037,085
District Supplemental pension inflows	20,562
OPEB - District health insurance plan inflows	1,515,405
OPEB - group life insurance plan inflows	12,350
Total deferred inflows	8,585,402
NET POSITION	
Net investment in capital assets	23,683,628
Restricted	1,238,982
Unrestricted	4,176,978
Total net position	29,099,588
Total liabilities, deferred inflows of resources, and net position	\$ 53,398,629

Exhibit A-2
Cedarburg School District
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<u>Governmental activities:</u>					
<u>Instruction:</u>					
Regular instruction	\$ 12,477,430	\$ 1,922,130	\$ 427,321	\$	\$ (10,127,979)
Vocational instruction	701,287				(701,287)
Special instruction	2,941,624		1,293,544		(1,648,080)
Other instruction	1,352,586	96,300	63,413	109,633	(1,083,240)
Total instruction	<u>17,472,927</u>	<u>2,018,430</u>	<u>1,784,278</u>	<u>109,633</u>	<u>(13,560,586)</u>
<u>Support services:</u>					
Pupil services	1,274,208		4,697		(1,269,511)
Instructional staff services	1,972,879		223,831		(1,749,048)
General administration services	841,683				(841,683)
Building administration services	1,391,616				(1,391,616)
Business services	5,192,199	99,159	40,829		(5,052,211)
Central services	998,142				(998,142)
Community services	26,936	66,858			39,922
Insurance and judgments	360,828				(360,828)
Other support services	9,551		909		(8,642)
Food service	936,212	803,570	164,539		31,897
Interest, amortization, other charges	423,082				(423,082)
Depreciation - unallocated	1,179,435				(1,179,435)
Total support services	<u>14,606,771</u>	<u>969,587</u>	<u>434,805</u>		<u>(13,202,379)</u>
<u>Non-program transactions:</u>					
Purchased instructional services	1,128,671		233,814		(894,857)
Other non-program transactions	53,357				(53,357)
Total non-program transactions	<u>1,182,028</u>		<u>233,814</u>		<u>(948,214)</u>
Total governmental activities	<u>\$ 33,261,726</u>	<u>\$ 2,988,017</u>	<u>\$ 2,452,897</u>	<u>\$ 109,633</u>	<u>(27,711,179)</u>
<u>General Revenues:</u>					
Property taxes:					
General purposes					
					18,375,681
Debt services					
					3,187,188
Community services					
					80,000
Federal and state aid not restricted for specific purposes					
General					
					10,942,193
Interest and investment earnings					
					103,473
(Loss) on disposal of fixed assets					
					(58,629)
Miscellaneous					
					120,696
Total general revenues					
					<u>32,750,602</u>
Change in net position					
					<u>5,039,423</u>
Net position - beginning, as previously reported					
					31,967,365
Prior period adjustment - implementation of GASB Statement No. 75					
					(7,907,200)
Net position - beginning of the year, restated					
					<u>24,060,165</u>
Net position - ending					
					<u>\$ 29,099,588</u>

Exhibit A-3
Cedarburg School District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,277,235	\$ 332,211	\$ 900,258	\$ 4,509,704
Restricted cash		3,038,875		3,038,875
Taxes receivable	4,341,564			4,341,564
Accounts receivable	7,781	25,398	84,970	118,149
Prepays	400,046		5,759	405,805
Due from other governments	295,002		4,892	299,894
Due from other funds	215,438			215,438
Total assets	<u>\$ 8,537,066</u>	<u>\$ 3,396,484</u>	<u>\$ 995,879</u>	<u>\$ 12,929,429</u>
LIABILITIES				
Accounts payable	\$ 381,178		\$ 73,596	\$ 454,774
Due to other funds		215,000		215,000
Payroll taxes and withholdings	466,222		332	466,554
Unearned revenue	13,329		1,228	14,557
Total liabilities	<u>860,729</u>	<u>215,000</u>	<u>75,156</u>	<u>1,150,885</u>
FUND BALANCES				
Nonspendable	615,046		5,759	620,805
Restricted		3,396,484	914,964	4,311,448
Committed	20,000			20,000
Unassigned (deficit)	7,041,291	(215,000)		6,826,291
Total fund balances	<u>7,676,337</u>	<u>3,181,484</u>	<u>920,723</u>	<u>11,778,544</u>
Total liabilities and fund balances	<u>\$ 8,537,066</u>	<u>\$ 3,396,484</u>	<u>\$ 995,879</u>	<u>\$ 12,929,429</u>

Exhibit A-4
 Cedarburg School District
 Reconciliation of the Governmental Funds Balance Sheet
 with the Statement of Net Position
 June 30, 2018

Total fund balances - governmental funds:		\$ 11,778,544
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:		
Governmental capital assets	56,569,739	
Governmental accumulated depreciation	<u>(26,524,529)</u>	30,045,210
The net pension asset is not a current financial resource and is, therefore, not reported in the fund statements.		
		3,574,453
Pension, OPEB, and Supplemental Pension deferred outflows and inflows of resources are actuarially determined by the plans. These items are reflected in the statement of net position and are being amortized with pension, OPEB, and supplemental pension expense in the statement of activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.		
Deferred outflows of resources		6,864,994
Deferred inflows of resources		<u>(8,585,402)</u>
Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:		
Bonds and notes payable	(9,600,000)	
Accrued interest on general obligation debt	(39,350)	
Unamortized loss on refunding	199,543	
Net OPEB - District health insurance plan	(3,861,565)	
Net OPEB - group life insurance plan	(876,523)	
Supplemental pension	<u>(400,316)</u>	<u>(14,578,211)</u>
Total net position - governmental activities		<u>\$ 29,099,588</u>

Exhibit A-5
 Cedarburg School District
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 18,375,681		\$ 3,267,188	\$ 21,642,869
Other local sources	730,182	57,509	1,050,354	1,838,045
Interdistrict sources	1,432,453			1,432,453
Intermediate sources	15,172			15,172
State sources	12,382,830		6,694	12,389,524
Federal sources	657,727		153,670	811,397
Other sources	118,687			118,687
Total revenues	33,712,732	57,509	4,477,906	38,248,147
EXPENDITURES				
Instruction:				
Regular instruction	13,903,593		44,388	13,947,981
Vocational instruction	753,296		31,256	784,552
Special instruction	3,213,534			3,213,534
Other instruction	1,461,675		52,654	1,514,329
Total instruction	19,332,098		128,298	19,460,396
Support Services:				
Pupil services	1,498,386			1,498,386
Instructional staff services	2,077,607		1,000	2,078,607
General administration services	833,386		8,027	841,413
Building administration services	1,628,752			1,628,752
Business services	6,210,431	1,926,125	1,097,854	9,234,410
Central services	1,074,145		2	1,074,147
Community services			26,437	26,437
Insurance	360,828			360,828
Principal and interest	15,408		3,827,576	3,842,984
Other support services	57,095			57,095
Total support services	13,756,038	1,926,125	4,960,896	20,643,059
Non-Program Transactions:				
Purchased instructional services	1,128,672			1,128,672
Other non-program transactions	53,247		110	53,357
Total non-program transactions	1,181,919		110	1,182,029
Total expenditures	34,270,055	1,926,125	5,089,304	41,285,484
Excess (deficiency) of revenues over expenditures	(557,323)	(1,868,616)	(611,398)	(3,037,337)
OTHER FINANCING SOURCES (USES)				
Transfer from other funds		300,000		300,000
Transfer to other funds	(300,000)			(300,000)
Sale of capital assets	1,400			1,400
Long-term debt proceeds		4,965,000		4,965,000
Net premium on debt issued			81,768	81,768
Total other financing sources (uses)	(298,600)	5,265,000	81,768	5,048,168
Net change in fund balances	(855,923)	3,396,384	(529,630)	2,010,831
Fund balance - beginning	8,532,260	(214,900)	1,450,353	9,767,713
Fund balance - ending	\$ 7,676,337	\$ 3,181,484	\$ 920,723	\$ 11,778,544

Exhibit A-6
Cedarburg School District
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances-total governmental funds		\$ 2,010,831
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements and donated capital assets	3,336,522	
Depreciation expenses reported in the statement of activities	(1,179,435)	
Amount by which capital outlays are greater (less) than depreciation in the current period.		2,157,087
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, and disposals) is to increase/(decrease) net position		
		(60,029)
Long-term proceeds, including capital leases, provide current financial resources to governmental funds but issuing long-term debt increases long-term liabilities in the statement of net position. Repayment of principal on long-term debt is reported in governmental funds as an expenditure but is reported as a reduction in long-term debt in the statement of activities.		
The amount of long-term debt repayments were		3,600,000
The amount of long-term proceeds were		(4,965,000)
Amortization reduces the balance of the unamortized loss on refunding. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.		
The amount of amortization on the unamortized loss on refunding in the current period is		(268,316)
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the statement of activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability from the prior year to the current year, with some adjustments.		
Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension liability between years, with adjustments.		(489,431)
Vested employee benefits, OPEB, and the supplemental pension liability are reported in the governmental funds when amounts are paid. The statement of activities reports values of benefits earned during the year.		
Change in Net OPEB - group life insurance plan liability and related deferred outflows and inflows of resources		(89,985)
Change in Net OPEB - District health insurance plan liability and related deferred outflows and inflows of resources		3,029,165
Change in supplemental pension liability and related deferred outflows and inflows of resources		107,871
Change in compensated absences		779
In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid on long-term debt during the current period	226,376	
The amount of interest accrued on long-term debt during the current period	(219,925)	
Interest paid is greater (less) than interest expensed by		6,451
Change in net position-governmental activities		<u>\$ 5,039,423</u>

Exhibit A-7
 Cedarburg School District
 Statement of Net Position
 Fiduciary Funds
 June 30, 2018

	Private Purpose Trusts	Employee Benefit Trust Fund	Agency Fund	Total
ASSETS				
Cash and investments	\$ 45,546	\$ 696,167	\$ 300,773	\$ 1,042,486
Accounts receivable			596	596
Total assets	\$ 45,546	\$ 696,167	\$ 301,369	\$ 1,043,082
LIABILITIES				
Due to other funds	\$	\$	\$ 438	\$ 438
Due to student groups			300,931	300,931
Total liabilities			301,369	301,369
NET POSITION				
Restricted	45,546	696,167		741,713
Total liabilities and net position	\$ 45,546	\$ 696,167	\$ 301,369	\$ 1,043,082

Exhibit A-8
 Cedarburg School District
 Statement of Changes in Fiduciary Net Position
 For the Year Ended June 30, 2018

	Private Purpose Trust	Employee Benefit Trust Fund	Total
ADDITIONS			
Contributions to employee benefit trust	\$	\$ 679,317	\$ 679,317
Gifts	53,626		53,626
Interest	111	1,181	1,292
Total additions	53,737	680,498	734,235
DEDUCTIONS			
Trust fund disbursements		606,694	606,694
Scholarships awarded	43,955		43,955
Total deductions	43,955	606,694	650,649
Change in net position	9,782	73,804	83,586
Net position - beginning	35,764	622,363	658,127
Net position - ending	\$ 45,546	\$ 696,167	\$ 741,713

NOTES TO THE BASIC FINANCIAL STATEMENTS

Cedarburg School District
 June 30, 2018
 Index to the Notes to the Financial Statements

	<u>PAGE</u>
Note 1. <u>Summary of Significant Accounting Policies</u>	
A. Reporting Entity	12
B. Basis of Presentation	12 – 14
C. Basis of Accounting	15 – 16
D. Measurement Focus.....	16
E. Cash and Cash Equivalents/Investments	17
F. Receivables	17
G. Prepaids.....	17
H. Capital Assets	18
I. Compensated Absences and Other Employee Benefit Amounts	18 – 19
J. Long-Term Obligations.....	19
K. Claims and Judgments.....	19
L. Interfund Transactions.....	20
M. Equity Classifications.....	20 – 21
N. Change in Accounting Principle	21
O. Pensions	21
P. Deferred Outflows and Inflows of Resources	22
Note 2. <u>Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements</u>	22
Note 3. <u>Cash and Cash Equivalents/Investments</u>	23 – 26
Note 4. <u>Capital Assets</u>	26 – 27
Note 5. <u>Short-Term and Long-Term Obligations</u>	27 – 28
Note 6. <u>Operating Leases</u>	29
Note 7. <u>Defined Benefit Pension Plan</u>	29 – 33
Note 8. <u>Risk Management</u>	33
Note 9. <u>Limitation of School District Revenues</u>	33
Note 10. <u>Governmental Fund Balances</u>	34
Note 11. <u>Governmental Activities Net Position</u>	35
Note 12. <u>Other Postemployment Benefits – Single Employer Health Insurance Plan</u>	35 – 39
Note 13. <u>Other Postemployment Benefits – Multiple-Employer Life Insurance Plan</u>	39 – 42
Note 14. <u>Supplemental Pension Plan</u>	43 – 45
Note 15. <u>Interfund Receivables/Payables</u>	45
Note 16. <u>Commitments/Subsequent Events</u>	45
Note 17. <u>Effect of New Accounting Standards on Current Financial Statements</u>	45
Note 18. <u>Prior Period Adjustments</u>	46

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cedarburg School District (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 Cedarburg School District is organized as a unified school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The accompanying financial statements present the activities of the Cedarburg School District. The District is not a component unit of another reporting entity nor does it have any component units.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards Board. The financial reporting entity consists of (a) organizations for which the standalone government is financially accountable and (b) the standalone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the standalone government.

B. Basis of Presentation

District-wide Financial Statements

The statement of net position and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

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

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Governmental Activities

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

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

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

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Permanent Funds - Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Fiduciary Funds (Not included in district-wide statements)

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

Employee Benefit Trust Fund - Resources legally held in trust for the District's post-retirement benefits.

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

Major Funds

The District reports the following major governmental funds:

General Fund

Capital Projects Fund

Non-Major Funds

The District reports the following non-major funds:

Special Revenue Funds –

Community Service – accounts for activities associated with providing recreational and enrichment programs to the community.

Special Revenue Trust – accounts for trust funds that can be used for District operations. The source of such funds is gifts and donations from private parties.

Food Service – accounts for the activities of the District's food service, generally the school hot lunch program.

Debt Service

Fiduciary Funds

The District reports the following fiduciary funds:

Private- Purpose Trust Funds –

Scholarship Fund – accounts for assets that are accumulated to provide scholarships.

Agency Funds –

Student Activity – accounts for assets held as an agent for various student organizations.

Employee Benefit Trust Fund –

Postemployment benefits – accounts for assets and liabilities held for payment of postemployment benefits for District employees.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

The district-wide statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenues are recognized as revenue in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment. Full receipt of the entire levy is assured within sixty days of the school's fiscal year-end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with U.S. generally accepted accounting principles applicable to governmental entities.

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

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

Property tax calendar – 2017 tax roll:

Lien date	December, 2017
Levy date	December, 2017
Tax bills mailed	December, 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (continued)

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

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

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.

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

For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the deferred inflows of resources is removed from the balance sheet and revenue is recognized.

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

D. Measurement Focus

On the district-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the district-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents/Investments

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

All deposits of the District are made in board designated official depositories and are secured as required by State Statute. The District may designate, as an official depository, any bank or savings association. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. Cash balances for individual funds are pooled unless maintained in segregated accounts.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices. In accordance with State law, the District has invested in securities which are callable and may provide for periodic interest rate increases in specific increments until maturity; these and all other investments are stated at fair value.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Adjustments necessary to record investments at fair value are recorded in the statement of activities, statement of revenues, expenditures and changes in fund balances and statement of changes in fiduciary net position as increases or decreases in investment income.

Investment balances for individual funds are pooled unless maintained in segregated accounts.

F. Receivables

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

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

G. Prepays

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extend beyond June 30th and have not yet been earned by the recipient.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

District-Wide Statements

In the District-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at acquisition value.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 25,000	Straight-line	20 - 50 years
Equipment and furniture	5,000	Straight-line	5 - 20 year

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

I. Compensated Absences and Other Employee Benefit Amounts

Vacation

The District's policy grants full-time twelve-month employees up to four weeks paid vacation per year. The number of vacation weeks an employee is eligible for depends on years of full-time service. Vacation days may not accumulate from year to year.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences and Other Employee Benefit Amounts (continued)

Sick Leave

Teachers are granted ten paid sick days per year, cumulative to seventy-five days. Non-teachers are granted up to ten sick days per year, cumulative to seventy-five days. Unused sick pay is not paid out upon retirement or termination of employment.

Other Postemployment Benefits

District health insurance plan

As provided in applicable negotiated contracts or employee handbooks, qualified employees meeting minimum age and length of service requirements are or may be eligible for certain other postemployment benefits directly from the District.

For purposes of measuring the District's 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 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. Investments are reported at fair value.

Group life insurance plan

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

J. Long-Term Obligations

All long-term debt to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term debt consists primarily of notes, bonds or loans payable, and capital leases.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

K. Claims and Judgments

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

M. Equity Classifications

District-wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable – includes amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by the Board of Education, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts the Board of Education intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Equity Classifications (continued)

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The Director of Business Services is authorized to assign fund balance to the extent such assignment does not create a negative unassigned fund balance.

The Cedarburg School District Board recognizes the need to maintain an operating reserve in the general fund for the following purposes:

1. To provide adequate working capital sufficient to meet the cash flow requirements of the District thus minimizing cashflow (temporary) borrowing needs
2. To serve as a safeguard against unanticipated expenditures and unrealized revenues
3. To maintain or improve the District's favorable credit rating

In recognition of these needs, the Board shall support and continually strive to develop conservative operating budgets that will add and/or maintain sufficient funds to achieve a minimum of 15-20% of total actual operating expenses in the general fund balance as measured at fiscal yearend (June 30th).

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

N. Change in Accounting Principle

Effective July 1, 2017, the District adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Implementation of GASB Statement No. 75 required net position in governmental activities to be decreased by \$7,907,200.

O. Pensions

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has items that qualify for reporting in this category. The deferred outflows of resources are for the WRS pension system, OPEB plans, and other pension benefits.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has items that qualify for reporting in this category. The deferred inflows of resources are related to the WRS pension system, OPEB plans, and other pension benefits.

NOTE 2 EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities in the basic financial statements represent:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities.
- b. Capital related differences include (1) the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 3

CASH AND CASH EQUIVALENTS/INVESTMENTS

As previously discussed, cash for all District funds is pooled for investment purposes with the exception of a separate checking account for debt service, fiduciary, and capital projects uses. At June 30, 2018, the cash and investments included the following:

Petty cash/cash on hand	\$	1,430
Deposits with financial institutions		3,759,094
Wisconsin LGIP		1,336,448
Wisconsin investment series coop (WISC)		3,494,093
Total cash and investments		\$ 8,591,065

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position		
Cash and investments	\$	4,509,704
Restricted cash		3,038,875
Fiduciary Funds		
Cash and investments		1,042,486
Total cash and investments		\$ 8,591,065

The WISC investments consist of the following:

Money market accounts	\$	1,019,093
Certificates of deposit		2,475,000
		\$ 3,494,093

Investments Authorized by Wisconsin State Statutes

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

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local arts district.
- Bonds issued by the Wisconsin Aerospace Authority.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 3

CASH AND CASH EQUIVALENTS/INVESTMENTS (CONTINUED)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk. All investments have a maturity date of less than one year.

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. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy minimizes credit risk by limiting investments to the safest type of securities. The District's policy states that all investment transactions shall be planned to avoid loss of capital from credit risk. The District's investment in WISC has an AAA rating as of 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, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of its investment of collateral securities that are in possession of another party. The District does not have an investment policy for custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) Insurance

The insurance coverage of public unit accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts and money market deposit accounts but does not include interest bearing demand deposit accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

Collateralization of Public Unit Deposits

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the unlikely event of the failure of an insured bank.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 3

CASH AND CASH EQUIVALENTS/INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 above the amount of FDIC insurance at each public depository. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

At June 30, 2018, \$2,975,000 of the District's deposits with financial institutions were insured by FDIC. \$4,874,821 was insured by collateral at the financial institution, and none of the District's deposits were in excess of FDIC and pledged collateral.

Fluctuating cash flows during the year due to collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances during the year significantly exceeding insured amounts.

Wisconsin Local Government Investment Pool

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the District.

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

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 3 CASH AND CASH EQUIVALENTS/INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

Wisconsin Investment Series Cooperative

The District has investments in WISC consisting of the Investment Series Fund (IS). The IS are pooled funds investing in U.S. government obligations, agencies and commercial paper. The IS requires a 14-day minimum investment period and one business day withdrawal notice. The average weighted maturity of the investments in WISC ranges from 234 to 293 days. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental Cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law. Investment income is distributed to participants based on their relative participation during the period. Participants in WISC have the right to withdraw their funds in total on one day's notice.

A separate financial report for WISC is prepared in accordance with GASB. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.

WISC and LGIP are exempt from fair value disclosure due to investments being valued at amortized cost.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

NOTE 4 CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Sites	\$ 339,600	\$	\$	\$ 339,600
Construction work in progress	439,912	1,628,225	(439,912)	1,628,225
Total capital assets, not being depreciated	<u>779,512</u>	<u>1,628,225</u>	<u>(439,912)</u>	<u>1,967,825</u>
Capital assets, being depreciated:				
Buildings and improvements	47,885,310	1,724,430	(81,225)	49,528,515
Equipment	4,784,245	423,779	(134,625)	5,073,399
Total capital assets, being depreciated	52,669,555	2,148,209	(215,850)	54,601,914
Less accumulated depreciation:	<u>(25,560,944)</u>	<u>(1,179,435)</u>	<u>215,850</u>	<u>(26,524,529)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>27,108,611</u>	<u>968,774</u>	<u></u>	<u>28,077,385</u>
Capital assets, net of accumulated depreciation	<u>\$ 27,888,123</u>	<u>\$ 2,596,999</u>	<u>\$ (439,912)</u>	<u>\$ 30,045,210</u>

All depreciation expense was charged to unallocated depreciation.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital outlay was charged to governmental functions as follows:

Regular instruction	\$	69,418
Vocational instruction		5,300
Other instruction		56,718
General administration services		11,010
Business services		3,183,394
Central services		10,682
Total capital outlay	\$	<u><u>3,336,522</u></u>

NOTE 5 SHORT-TERM AND LONG-TERM OBLIGATIONS

A. Short-term Notes Payable

Short-term obligations of the District are as follows:

Beginning Balance	Additions	Removals	Ending Balance
\$	\$ 2,200,000	\$(2,200,000)	\$

The note was dated November 3, 2017 and due March 29, 2018, with an interest rate of 1.50%. The note was for general district operation. Subsequent to year end, the District approved entering into a new note in the amount of \$3,250,000, with an interest rate of 2.50%.

B. Long-term Liabilities

Long-term liability balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities					
General obligation debt	\$ 8,235,000	\$ 4,965,000	\$ (3,600,000)	\$ 9,600,000	\$ 1,815,000
Other liabilities					
Compensated absences	779		(779)		
Total - governmental activities	<u>\$ 8,235,779</u>	<u>\$ 4,965,000</u>	<u>\$ (3,600,779)</u>	<u>\$ 9,600,000</u>	<u>\$ 1,815,000</u>

The compensated absences are being liquidated in the General Fund.

Total interest paid and accrued during the year:

	Expense	Paid
Long-term debt	\$ 219,925	\$ 226,376
Short-term debt	13,383	13,383
Total	<u>\$ 233,308</u>	<u>\$ 239,759</u>

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 5 SHORT-TERM AND LONG-TERM OBLIGATIONS (CONTINUED)

Long-Term General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund. General obligation debt at June 30, 2018 is comprised of the following individual issues:

Description	Issue Dates	Interest Rates	Dates of Maturity	Balance 6/30/2018
Bonds payable	12/4/2012	1.45-2.85%	3/1/2025	\$ 4,635,000
Notes payable	7/12/2017	2.0-3.0%	3/1/2027	4,965,000
Total				\$ 9,600,000

The 2017 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$2,378,660,978. The legal debt limit and margin of indebtedness as of June 30, 2018 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,378,660,978)	\$ 237,866,098
Deduct long-term debt applicable to debt margin	(9,600,000)
Margin of indebtedness	\$ 228,266,098

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

Year Ended June 30,	Principal	Interest	Total
2019	\$ 1,815,000	\$ 201,406	\$ 2,016,406
2020	1,710,000	175,088	1,885,088
2021	210,000	145,162	355,162
2022	990,000	140,962	1,130,962
2023	1,015,000	120,732	1,135,732
2024-2027	3,860,000	225,140	4,085,140
	\$ 9,600,000	\$ 1,008,490	\$10,608,490

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 6

OPERATING LEASES

The District leases multiple equipment items. Payments on these leases for the year ended June 30, 2018 totaled \$91,701. Future minimum payments under these leases are as follows:

<u>Years Ended June 30,</u>	
2019	\$ 76,038
2020	23,703
2021	5,268
2022	439
Total	<u>\$ 105,448</u>

NOTE 7

DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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
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	(5.0)
2017	2.0	4.0

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

During the reporting period, the WRS recognized \$1,203,002 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

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

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

At June 30, 2018, the District reported a liability (asset) of (\$3,574,453) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.12038770%, which was a decrease of 0.00146512% from its proportion measured as of December 31, 2016.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2018, the District's recognized pension expense of \$1,579,288.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,541,432	\$ 2,124,331
Changes of assumptions	706,242	
Net differences between projected and actual earnings on pension plan investments		4,912,754
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,425	
Employer contributions subsequent to the measurement date	735,215	
	\$ 6,051,314	\$ 7,037,085

\$735,215 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Net Outflows (Inflows) of Resources
2019	\$ 415,529
2020	(7,761)
2021	(1,212,143)
2022	(925,200)
2023	8,589
Total	\$ (1,720,986)

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

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

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

Asset Allocation Targets and Expected Returns			
As of December 31, 2017			
Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%			
Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations			

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 7

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District’s proportionate share of the net pension liability (asset)	\$9,248,332	(\$3,574,453)	(\$13,320,167)

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>.

Payables to the Pension Plan. Payables to the pension plan at June 30, 2018 were \$447,220. This represents contributions earned as of June 30, 2018, but for which payment was not remitted to the pension plan until subsequent to year end.

NOTE 8

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; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9

LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts are permitted to derive from general state aids and property taxes unless a higher amount is approved by a referendum of the taxpayers. This limitation does not apply to revenues needed for the repayment of any general obligation debt (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or a referendum prior to August 12, 1993, (b) a referendum on or after August 12, 1993.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 10

GOVERNMENTAL FUND BALANCES

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

	Nonspendable	Restricted	Committed
General fund:			
Prepaid expense	\$ 400,046	\$	\$
Strategic wellness program			20,000
Booster club amounts yet to be received	215,000		
Special revenue trust - future costs		96,796	
Food service:			
Prepaid expense	5,308		
Food service program - future costs		582,045	
Debt service - future costs		124,376	
Capital projects:			
Long-term capital projects		301,493	
Energy efficiency projects		3,094,991	
Community service:			
Prepaid expense	451		
Community service program - future costs		111,747	
Total	\$ 620,805	\$ 4,311,448	\$ 20,000

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 11 GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2018 includes the following:

Governmental Activities:	
Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 30,045,210
Less: related long-term debt outstanding	(9,600,000)
Add: unamortized loss on refunding	199,543
Add: unspent bond proceeds	3,038,875
Total net investment in capital assets	23,683,628
Restricted	
Capital projects	357,609
Community service	112,198
Special revenue trust	96,796
Food service	587,353
Debt service	85,026
Total restricted	1,238,982
Unrestricted	
Total governmental activities net position	\$ 29,099,588

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN

The Cedarburg School District implemented GASB Statement No. 75, “Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions” for the fiscal year ended June 30, 2018. This superseded GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This implementation allows the District to report its liability for other post-employment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description – The Cedarburg School District operates a single-employer retiree benefit plan that provides postemployment health, dental, and vision insurance benefits to eligible employees and their spouses. There are 250 active and 35 retired members in the plan. Benefits and eligibility are established and amended by the governing body. The plan does not issue stand-alone financial statements. Current approved benefits are as follows:

Superintendent and administrators: If at least age 55 with a minimum of 7 years of service in the District at the time of retirement, the District shall contribute 87.4% of the medical and dental premiums and 95% of the vision premiums on behalf of the retiree. The District’s contributions shall continue in this manner until such time that the retiree reaches Medicare-eligibility.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

Teachers:

- Retired prior to 6/30/13: The District shall contribute towards a retiree’s medical and dental insurance at the rate frozen in effect at the time of retirement until Medicare eligibility, obtains coverage from another employer, (or a maximum of 8 years if retired between 7/1/11 and 6/30/13), whichever occurs first.
- Hired prior to 10/1/11 who reach age 55 and 15 years of service by 8/31/2024: At least 55 with a minimum of 15 years of full-time service in the District, the District shall contribute towards a retiree’s medical and dental insurance at the rate frozen in effect at the time of retirement and the retiree must contribute at least the premium share contribution in effect at retirement for a maximum of 6 years, until Medicare eligibility or obtains coverage from another employer, whichever should occur first.

Note: Teachers that do not meet the qualifications for the above grandfathered benefit are not eligible for a post-employment benefit. Rather they received a permanent salary increase based on the eligibility (Tier 1 or 2).

Contributions and Payments – Premiums under the Plan for post-employment healthcare benefits are funded by retirees desiring such coverage via co-pays paid to the District in accordance with rates established by the District and by the District itself from assets accumulated in the trust and appropriate governmental funds. For the year ended, June 30, 2018, plan members receiving benefits contributed \$49,761 and the District contributed \$629,556 to the plan.

For fiscal year 2018, the District paid \$454,620 to eligible retirees. In addition, the District had an implicit rate subsidy that it “funded” for fiscal year 2018 in the amount of \$152,074.

Employees covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	35
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	250
	285

Net OPEB Liability – The District’s net OPEB Liability of \$3,861,565 was measured at June 30, 2017, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs – The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	2.5 percent
Discount rate	3.5 percent
Healthcare cost trend rates	Actual increases in the first year then 7.50% decreasing by .050% per year down to 6.50%, then down by 0.10% per year down to 5.0%, and level thereafter

Retirees' share of benefit-related costs
Retirees' are responsible for the difference between the total premium costs and the district's premium.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

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

Since assets are held solely as cash and cash-equivalents, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefits to determine the total OPEB liability.

Mortality rates were based on the Wisconsin 2012 mortality table.

The actuarial assumptions used in the June 30, 2017 valuation were based on a study conducted in 2015 using the Wisconsin Retirement System (WRS) experience from 2012-2014.

Changes in the Net OPEB Liability:

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2016	\$ 9,018,846	\$ 540,936	\$ 8,477,910
Changes for the year:			
Service cost	586,692		586,692
Interest	269,856		269,856
Changes of benefit terms	(3,090,556)		(3,090,556)
Differences between expected and actual experience	(1,314,447)		(1,314,447)
Changes in assumptions or other input	(352,498)		(352,498)
Contributions - Employer		714,851	(714,851)
Net investment income		541	(541)
Benefit payments	(633,965)	(633,965)	-
Administrative expense		-	-
Net Changes	(4,534,918)	81,427	(4,616,345)
Balances at 6/30/2017	\$ 4,483,928	\$ 622,363	\$ 3,861,565

The Plan's benefit terms have changed since the prior valuation, therefore a change in benefit terms was calculated that resulted in a decrease in the Net OPEB Liability. Since the prior valuation, the District has tiered off their benefits to a select group of grandfathered individuals, while those not meeting the qualifications to be grandfathered are receiving benefits during active years of service.

Differences between expected and actual experience resulted in a decrease in the Net OPEB Liability. Changes of assumptions or other inputs also resulted in a decrease in the Net OPEB Liability. These changes included updated WRS decrement assumptions, assumed discount rate, updated age-graded factors used to determine Implicit Rate Subsidy and participation assumption changes.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	\$ 4,635,162	\$ 4,483,928	\$ 4,334,146
Fiduciary Net Position	622,363	622,363	622,363
Net OPEB Liability 6/30/2017	\$ 4,012,799	\$ 3,861,565	\$ 3,711,783

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates

The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	\$ 4,315,532	\$ 4,483,928	\$ 4,662,940
Fiduciary Net Position	622,363	622,363	622,363
Net OPEB Liability 6/30/2017	\$ 3,693,169	\$ 3,861,565	\$ 4,040,577

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 (\$2,399,609). 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
Differences between expected and actual experiences	\$ -	\$ 1,194,592
Changes of assumptions or other inputs	-	320,453
Net difference between projected and actual earnings on OPEB plan investments	13,520	-
Contributions after the measurement date	629,556	-
Total	\$ 643,076	\$ 1,515,045

\$629,556 reported as deferred outflows of resources related to OPEB resulting from the Cedarburg School District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

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

Year Ended June 30:	
2019	\$ (148,160)
2020	(148,160)
2021	(148,160)
2022	(148,160)
2023	(151,540)
Thereafter	<u>(757,705)</u>
Total	<u>\$ (1,501,885)</u>

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE EMPLOYER LIFE INSURANCE PLAN

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

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

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

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

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

Contribution rates as of June 30, 2018 are:

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS - MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

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

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

During the reporting period, the LRLIF recognized \$5,532 in contributions from the employer.

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

At June 30, 2018, the LRLIF Employer reported a liability (asset) of \$876,523 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.291341%, which was an increase of 0.010125% from its proportion measured as of December 31, 2016.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS - MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

For the year ended June 30, 2018, the District recognized OPEB expense of \$96,016.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 12,350
Changes of assumptions	84,700	
Net differences between projected and actual earnings on OPEB plan investments	10,093	
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,317	
Employer contributions subsequent to the measurement date	5,176	
Totals	\$ 121,286	\$ 12,350

\$5,176 reported as deferred outflows related to OPEB resulting from the District employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Net Outflows (Inflows) of Resources
Year ended June 30:	
2019	\$ 16,868
2020	16,868
2021	16,868
2022	16,868
2023	14,344
Thereafter	21,945
Total	\$ 103,760

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

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS - MULTIPLE EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

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

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

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

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

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

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
District's proportionate share of the net OPEB liability (asset)	\$1,238,860	\$876,523	\$598,467

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 14

SUPPLEMENTAL PENSION PLAN

Plan Description – The District administers a single-employer defined benefit supplemental pension plan to eligible teachers. Eligible retirees shall receive a retirement stipend in the amount of \$1,000 for each year of full-time service capped at the amount earned as of June 30, 2011. This total amount is divided into six equal payments and contributed to the retiree’s WEA TSA over a three-year period. Teachers hired after October 1, 2011 are not eligible for this benefit. Contribution requirements are established through personnel policy guidelines and may be amended by action of the governing board.

There are 43 active and 7 retired employees in the plan as of June 30, 2017.

Funding Policy – Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions – For the year ended June 30, 2018, the District recognized pension expense of (\$60,204).

Below is a schedule of changes in the total pension liability for the current reporting period:

	Total Pension Liability
Balances at 6/30/2016	\$ 513,098
Changes for the year:	
Service cost	26,021
Interest	15,278
Changes of benefit terms	(96,775)
Differences between expected and actual experience	(25,703)
Changes of assumptions or other input	2,064
Benefit payments	(33,667)
Net changes	(112,782)
Balances at 6/30/2017	\$ 400,316

The Plan’s benefit terms have changed since the prior valuation, therefore a change in benefit terms was calculated that resulted in a decrease in the Total Pension Liability. Since the prior valuation, the District has tiered off their benefits to a select group of grandfathered individuals, while those not meeting the qualifications to be grandfathered are receiving benefits during active years of service.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 14

SUPPLEMENTAL PENSION PLAN (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ 20,562
Changes of assumptions or other inputs	1,651	-
District contributions subsequent to the measurement date	47,667	-
Total	\$ 49,318	\$ 20,562

\$47,667 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$ (4,728)
2020	(4,728)
2021	(4,728)
2022	(4,727)
Total	\$ (18,911)

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

Actuarial Valuation Date:	June 30, 2017
Measurement Date of Net Pension Liability	June 30, 2017
Discount Rate:	3.50% - Implicit in this rate is 2.50% assured rate of inflation. 3.50% based upon a municipal bond rate on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement period.

Mortality, disability and retirement rates are based on those used to value the Wisconsin Retirement System pension plan for public schools.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012-2014.

Single Discount rate. A single discount rate of 3.50% was used to measure the total pension liability. This single discount rate was based on municipal bond rates.

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 14 SUPPLEMENTAL PENSION PLAN (CONTINUED)

Sensitivity of the District's net pension liability to changes in the discount rate. The following presents the District's net pension liability calculated using the discount rate of 3.50 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point (2.50 percent) or 1-percentage point higher (4.50 percent) than the current rate:

1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
\$413,183	\$400,316	\$387,361

NOTE 15 INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at June 30, 2018:

Receivable Fund	Payable Fund	Amount
General	Agency	\$ 438
General	Capital projects	215,000
	Total	\$ 215,438

The interfund balance between the general fund and agency fund relates to operating costs yet to be reimbursed.

The interfund balance between the general fund and capital projects fund relate to the funding of athletic capital projects that have not been reimbursed. The District expects to receive contributions from booster clubs. Once those funds are received, the interfund balance will be repaid. The \$215,000 balance is not expected to be repaid within one year.

For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Purpose
Capital projects	General	\$ 300,000	Long-term capital improvements

Funds transferred for long-term capital improvements may only be accessed five years after the establishment of the "trust" fund.

NOTE 16 COMMITMENTS/SUBSEQUENT EVENTS

During the 2017-2018 year, the District began work on an energy efficiency HVAC and boiler project in the amount of \$4,965,000. Approximately \$3,061,850 of contract work remains to be completed as of June 30, 2018.

On November 6, 2018, a \$59.8 million District referendum passed for improvements to facilities.

NOTE 17 EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT FINANCIAL STATEMENTS

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

Cedarburg School District
Notes to the Basic Financial Statements
June 30, 2018

NOTE 18

PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been recorded effective July 1, 2017, as follows:

		<u>Governmental Activities</u>
Total net position as previously reported		\$ 31,967,365
Cumulative effect of change in accounting principle (GASB Statement No. 75)		
OPEB - group life insurance plan	(677,602)	
OPEB - District health insurance plan	<u>(7,229,598)</u>	<u>(7,907,200)</u>
Net position, July 1, as restated		<u><u>\$ 24,060,165</u></u>

Implementation of GASB Statement No. 75 required net position in the governmental activities to be decreased. The decrease in net position was to reflect the OPEB liability balance as of July 1, 2017 and beginning deferred outflows of resources for District contributions to the OPEB plans after the actuarial measurement dates. Included in the cumulative effective is the removal of the June 30, 2017 OPEB liability for the District's health and dental insurance plan that had previously been accrued using GASB Statement No 45.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1
Required Supplementary Information
Cedarburg School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Property taxes	\$ 18,361,532	\$ 18,375,681	\$ 18,375,681	\$ 14,149	\$
Other local sources	738,800	735,072	730,182	(8,618)	(4,890)
Interdistrict sources	1,447,426	1,447,426	1,432,453	(14,973)	(14,973)
Intermediate sources	13,800	12,617	12,617	(1,183)	
State sources	11,311,902	11,312,860	11,341,718	29,816	28,858
Federal sources	175,024	145,068	112,470	(62,554)	(32,598)
Other sources	57,000	110,735	113,281	56,281	2,546
Total revenues	<u>32,105,484</u>	<u>32,139,459</u>	<u>32,118,402</u>	<u>12,918</u>	<u>(21,057)</u>
EXPENDITURES					
Instruction:					
Undifferentiated curriculum	7,896,051	7,890,702	7,765,330	130,721	125,372
Regular instruction	6,333,817	6,303,977	6,138,263	195,554	165,714
Vocational instruction	765,040	751,655	753,296	11,744	(1,641)
Physical curriculum	744,576	743,546	722,319	22,257	21,227
Co-curricular activities	504,017	508,432	579,449	(75,432)	(71,017)
Other special needs	164,368	159,141	157,372	6,996	1,769
Total instruction	<u>16,407,869</u>	<u>16,357,453</u>	<u>16,116,029</u>	<u>291,840</u>	<u>241,424</u>
Support services:					
Pupil services	772,579	772,541	797,828	(25,249)	(25,287)
Instructional staff services	1,932,006	1,917,775	1,796,144	135,862	121,631
General administration services	831,352	831,352	833,386	(2,034)	(2,034)
Building administration services	1,619,292	1,619,925	1,628,752	(9,460)	(8,827)
Business services	5,670,265	5,949,335	5,971,770	(301,505)	(22,435)
Central services	1,039,592	1,039,592	1,074,145	(34,553)	(34,553)
Insurance	358,283	358,283	360,828	(2,545)	(2,545)
Principal and interest	14,000	14,000	15,408	(1,408)	(1,408)
Other support services	60,798	62,763	57,095	3,703	5,668
Total support services	<u>12,298,167</u>	<u>12,565,566</u>	<u>12,535,356</u>	<u>(237,189)</u>	<u>30,210</u>
Non-program transactions:					
Purchased instructional services	674,989	732,110	821,704	(146,715)	(89,594)
Other non-program transactions	2,000	2,000	48,127	(46,127)	(46,127)
Total non-program transactions	<u>676,989</u>	<u>734,110</u>	<u>869,831</u>	<u>(192,842)</u>	<u>(135,721)</u>
Total expenditures	<u>29,383,025</u>	<u>29,657,129</u>	<u>29,521,216</u>	<u>(138,191)</u>	<u>135,913</u>
Excess (deficiency) of revenues over expenditures	<u>2,722,459</u>	<u>2,482,330</u>	<u>2,597,186</u>	<u>(125,273)</u>	<u>114,856</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	10,000	10,000	1,400	(8,600)	(8,600)
Transfer to other funds	(3,448,120)	(3,423,268)	(3,454,509)	(6,389)	(31,241)
Total other financing sources (uses)	<u>(3,438,120)</u>	<u>(3,413,268)</u>	<u>(3,453,109)</u>	<u>(14,989)</u>	<u>(39,841)</u>
Net change in fund balances	(715,661)	(930,938)	(855,923)	(140,262)	75,015
Fund balance - beginning	8,532,260	8,532,260	8,532,260		
Fund balance - ending	<u>\$ 7,816,599</u>	<u>\$ 7,601,322</u>	<u>\$ 7,676,337</u>	<u>\$ (140,262)</u>	<u>\$ 75,015</u>

Exhibit B-2
Required Supplementary Information
Cedarburg School District
Budgetary Comparison Schedule for the Special Education Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
REVENUES					
Intermediate sources	\$ 7,000	\$ 7,500	\$ 2,555	\$ (4,445)	\$ (4,945)
State sources	1,067,000	1,067,000	1,041,112	(25,888)	(25,888)
Federal sources	723,829	760,081	545,257	(178,572)	(214,824)
Other sources			5,406	5,406	5,406
Total revenues	<u>1,797,829</u>	<u>1,834,581</u>	<u>1,594,330</u>	<u>(203,499)</u>	<u>(240,251)</u>
EXPENDITURES					
Instruction:					
Special instruction	3,368,655	3,370,555	3,213,534	155,121	157,021
Other instruction	2,289	2,289	2,535	(246)	(246)
Total instruction	<u>3,370,944</u>	<u>3,372,844</u>	<u>3,216,069</u>	<u>154,875</u>	<u>156,775</u>
Support services:					
Pupil services	670,090	670,990	700,558	(30,468)	(29,568)
Instructional staff services	339,415	339,415	281,463	57,952	57,952
Business services	193,500	193,500	238,661	(45,161)	(45,161)
Total support services	<u>1,203,005</u>	<u>1,203,905</u>	<u>1,220,682</u>	<u>(17,677)</u>	<u>(16,777)</u>
Non-program transactions:					
Purchased instructional services	372,000	381,100	306,968	65,032	74,132
Other non-program transactions			5,120	(5,120)	(5,120)
Total non-program transactions	<u>372,000</u>	<u>381,100</u>	<u>312,088</u>	<u>59,912</u>	<u>69,012</u>
Total expenditures	<u>4,945,949</u>	<u>4,957,849</u>	<u>4,748,839</u>	<u>197,110</u>	<u>209,010</u>
Excess (deficiency) of revenues over expenditures	<u>(3,148,120)</u>	<u>(3,123,268)</u>	<u>(3,154,509)</u>	<u>(6,389)</u>	<u>(31,241)</u>
OTHER FINANCING SOURCES (USES)					
Transfer from other funds	<u>3,148,120</u>	<u>3,123,268</u>	<u>3,154,509</u>	<u>6,389</u>	<u>31,241</u>
Total other financing sources (uses)	<u>3,148,120</u>	<u>3,123,268</u>	<u>3,154,509</u>	<u>6,389</u>	<u>31,241</u>
Net change in fund balances					
Fund balance - beginning					
Fund balance - ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Exhibit B-3
Required Supplementary Information
Cedarburg School District
District Net OPEB Liability Schedules
June 30, 2018

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios
as of the Measurement Date**

	Year Ended June 30	
	<u>2016</u>	<u>2017</u>
<u>Total OPEB Liability</u>		
Service cost	\$ 586,692	\$ 586,692
Interest	266,169	269,856
Changes in benefit terms	-	(3,090,556)
Differences between expected and actual experience	-	(1,314,447)
Changes of assumptions or other input	-	(352,498)
Benefit payments	(825,907)	(633,965)
Net change in total OPEB liability	\$ 26,954	\$ (4,534,918)
Total OPEB liability - beginning	8,991,892	9,018,846
Total OPEB liability - ending (a)	\$ 9,018,846	\$ 4,483,928
<u>Fiduciary Net Position</u>		
Contributions - Employer	\$ 920,112	\$ 714,851
Net investment income	443	541
Benefit payments	(825,907)	(633,965)
Administrative expense	-	-
Net change in fiduciary net position	\$ 94,648	\$ 81,427
Fiduciary net position - beginning	446,288	540,936
Fiduciary net position - ending (b)	\$ 540,936	\$ 622,363
<u>Net OPEB Liability</u>		
Net OPEB liability - ending (a) - (b)	\$ 8,477,910	\$ 3,861,565
Fiduciary net position as a percentage of the total OPEB liability	6.00%	13.88%
Covered payroll	\$ 10,455,926	\$ 14,851,772
Net OPEB liability as a percentage of covered payroll	81.08%	26.00%

Exhibit B-3 (Continued)
 Required Supplementary Information
 Cedarburg School District
 District Net OPEB Liability Schedules (Continued)
 For the Year Ended June 30, 2018

**Schedule of District Contributions
 Last 10 Fiscal Years**

	2016	2017
Actuarially Determined Contribution (ADC)	968,363	968,363
Contributions in Relation to ADC	920,112	714,851
Contribution Deficiency/(Excess)	48,251	253,512
 Covered-Employee Payroll	 10,455,926	 14,851,772
 Contributions as a percentage of Covered-Employee Payroll	 8.80%	 4.81%

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	30 year Level \$
Discount rate	5.00%
Inflation	3.00%

Exhibit B-4
Cedarburg School District
District Supplemental Pension Plan Schedules
June 30, 2018

SCHEDULE OF CHANGES IN PENSION LIABILITY AND RELATED RATIOS
AS OF THE MEASUREMENT DATE
Last 10 Years**

	Year Ended June 30	
	2016	2017
Changes for the Year		
Service costs	\$ 26,021	\$ 26,021
Interest	16,307	15,278
Changes of benefit terms	-	(96,775)
Differences between expected and actual experiences	-	(25,703)
Change of assumptions or other inputs	-	2,064
Benefit payments	(119,585)	(33,667)
Net change in total pension liability	\$ (77,257)	\$ (112,782)
Total pension liability- beginning	590,355	513,098
Total pension liability- ending	<u>\$ 513,098</u>	<u>\$ 400,316</u>
Covered payroll	\$ 7,329,397	\$ 3,021,722
Total pension liability as a percentage of covered payroll	7.00%	13.25%

**The pension information presented above for each year is based on information that occurred as of the year ended 12 months prior to the financial reporting period.

Exhibit B-5
 Cedarburg School District
 Local Retiree Life Insurance Fund Schedules
 June 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Last 10 Calendar Years*

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered- employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2017	0.29134100%	\$ 876,523	\$ 12,251,722	7.15%	44.81%

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

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years**

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 9,341	(9,341)		\$ 15,091,438	0.06%

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

Exhibit B-6
Cedarburg School District
Wisconsin Retirement System Schedules
June 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Calendar Years*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2017	(0.12038770%)	\$ (3,574,453)	\$ 17,691,998	(20.20%)	(102.93%)
2016	0.12185282%	1,004,358	17,409,909	5.77%	99.12%
2015	0.12413160%	2,017,114	17,227,425	11.71%	98.20%
2014	(0.12580000%)	(3,089,553)	17,081,788	(18.09%)	(102.74%)

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

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years**

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2018	\$ 1,217,399	\$ (1,217,399)		\$ 18,064,278	6.74%
2017	1,173,530	(1,173,530)		17,399,927	6.74%
2016	1,166,237	(1,166,237)		17,460,439	6.68%
2015	1,143,700	(1,143,700)		16,632,987	6.88%

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

Cedarburg School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

NOTE 1

BUDGET SCHEDULE

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

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

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

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

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

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following functions had an excess of actual expenditures over budget for the year ended June 30, 2018:

Individual Fund	Excess Expenditures
General	
Non-program transactions	\$ 135,721

Cedarburg School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

NOTE 3

EXPLANATIONS OF DIFFERENCES BETWEEN BUDGETARY
INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

	<u>General Fund</u>	<u>Special Education Fund</u>
A) Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "total revenues" from the budgetary comparison schedules	\$ 32,118,402	\$ 1,594,330
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	<u>1,594,330</u>	<u>(1,594,330)</u>
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 33,712,732</u>	<u>\$ _____</u>
B) Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedules	\$ 29,521,216	\$ 4,748,839
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	<u>4,748,839</u>	<u>(4,748,839)</u>
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 34,270,055</u>	<u>\$ _____</u>

NOTE 4

OTHER POSTEMPLOYMENT BENEFITS PLAN – DISTRICT HEALTH INSURANCE PLAN

Governmental Accounting Standards Board requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

Changes of benefit terms. The Plan's benefit terms have changed since the prior valuation, therefore a change in benefit terms was calculated that resulted in a decrease in the Net OPEB Liability. Since the prior valuation, the District has tiered off their benefits to a select group of grandfathered individuals, while those not meeting the qualifications to be grandfathered are receiving benefits during active years of service.

Changes of assumptions. Differences between expected and actual experience resulted in a decrease in the Net OPEB Liability. Changes of assumptions or other inputs also resulted in a decrease in the Net OPEB Liability. These changes included updated WRS decrement assumptions, assumed discount rate, updated age-graded factors used to determine Implicit Rate Subsidy and participation assumption changes.

Cedarburg School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

NOTE 5

SUPPLEMENTAL PENSION PLAN SCHEDULES

Governmental Accounting Standards Board requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

Changes of benefit terms. The Plan's benefit terms have changed since the prior valuation, therefore a change in benefit terms was calculated that resulted in a decrease in the Total Pension Liability. Since the prior valuation, the District has tiered off their benefits to a select group of grandfathered individuals, while those not meeting the qualifications to be grandfathered are receiving benefits during active years of service.

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

Assets. There are no assets accumulated in a trust that meet the criteria in Governmental Accounting Standards to pay related benefits.

NOTE 6

LOCAL RETIREE LIFE INSURANCE SCHEDULES

Governmental Accounting Standards Board requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 9 preceding years.

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

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

NOTE 7

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 6 preceding years.

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

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

SUPPLEMENTARY INFORMATION

Exhibit C-1
Cedarburg School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	Community Service Fund	Special Revenue Trust	Food Service Fund		
ASSETS					
Cash and investments	\$ 120,689	\$ 82,444	\$ 571,999	\$ 125,126	\$ 900,258
Accounts receivable		15,246	69,724		84,970
Due from other governments			4,892		4,892
Prepays	451		5,308		5,759
Total assets	\$ 121,140	\$ 97,690	\$ 651,923	\$ 125,126	\$ 995,879
LIABILITIES					
Accounts payable	\$ 7,382	\$ 894	\$ 64,570	\$ 750	\$ 73,596
Payroll taxes and withholdings	332				332
Unearned revenue	1,228				1,228
Total liabilities	8,942	894	64,570	750	75,156
FUND BALANCES					
Nonspendable	451		5,308		5,759
Restricted	111,747	96,796	582,045	124,376	914,964
Total fund balances	112,198	96,796	587,353	124,376	920,723
Total liabilities and fund balances	\$ 121,140	\$ 97,690	\$ 651,923	\$ 125,126	\$ 995,879

Exhibit C-2
 Cedarburg School District
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Community Service Fund	Special Revenue Trust	Food Service Fund	Debt Service Fund	
REVENUES					
Property taxes	\$ 80,000			\$ 3,187,188	\$ 3,267,188
Other local sources	67,286	166,731	809,428	6,909	1,050,354
State sources			6,694		6,694
Federal sources			153,670		153,670
Total revenues	<u>147,286</u>	<u>166,731</u>	<u>969,792</u>	<u>3,194,097</u>	<u>4,477,906</u>
EXPENDITURES					
Instruction:					
Regular instruction		44,388			44,388
Vocational instruction		31,256			31,256
Other instruction		52,654			52,654
Total instruction		<u>128,298</u>			<u>128,298</u>
Support Services:					
Instructional staff services		1,000			1,000
General administration	8,027				8,027
Business administration	81,201	69,121	947,532		1,097,854
Central services		2			2
Community services	26,437				26,437
Principal and interest				3,827,576	3,827,576
Total support services	<u>115,665</u>	<u>70,123</u>	<u>947,532</u>	<u>3,827,576</u>	<u>4,960,896</u>
Non-Program Transactions:					
Other non-program transactions			110		110
Total expenditures	<u>115,665</u>	<u>198,421</u>	<u>947,642</u>	<u>3,827,576</u>	<u>5,089,304</u>
Excess (deficiency) of revenues over expenditures	<u>31,621</u>	<u>(31,690)</u>	<u>22,150</u>	<u>(633,479)</u>	<u>(611,398)</u>
OTHER FINANCING SOURCES (USES)					
Net premium on debt issued				81,768	81,768
Total other financing sources (uses)				<u>81,768</u>	<u>81,768</u>
Net change in fund balances	31,621	(31,690)	22,150	(551,711)	(529,630)
Fund balances - beginning	<u>80,577</u>	<u>128,486</u>	<u>565,203</u>	<u>676,087</u>	<u>1,450,353</u>
Fund balances - ending	<u>\$ 112,198</u>	<u>\$ 96,796</u>	<u>\$ 587,353</u>	<u>\$ 124,376</u>	<u>\$ 920,723</u>

Exhibit C-3
 Cedarburg School District
 Schedule of Changes in Assets and Liabilities
 Pupil Activity Funds
 For the Year Ended June 30, 2018

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
ASSETS				
Cash and investments	\$ 308,483	\$ 737,034	\$ (744,744)	\$ 300,773
Accounts receivable		596		596
Due from other funds	1,088		(1,088)	
Total assets	\$ 309,571	\$ 737,630	\$ (745,832)	\$ 301,369
LIABILITIES				
Due to student organizations:				
Cedarburg High School	\$ 238,855	\$ 604,340	\$ (611,678)	\$ 231,517
Webster Middle School	70,716	132,852	(134,154)	69,414
Due to other funds		438		438
Total liabilities	\$ 309,571	\$ 737,630	\$ (745,832)	\$ 301,369

Exhibit C-4
Cedarburg School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Awarding Agency	Federal	Pass-Through	(Accrued) or		Federal	(Accrued) or	
Pass-Through Agency	Catalog	I.D.	Deferred		Disbursements/	Deferred	
<u>Award Description</u>	<u>Number</u>	<u>Number</u>	<u>Revenue at</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue at</u>	
			<u>7/1/2017</u>			<u>6/30/2018</u>	
U.S. Department of Agriculture							
Passed through Wisconsin Department of Public Instruction:							
<i>Child Nutrition Cluster:</i>							
Donated Commodities - noncash	10.555	Not available	\$ -	\$ 43,513	\$ 43,513	\$ -	
Food Service Aid - Lunch	10.555	2018-451015-NSL-547	(2,208)	107,474	110,157	4,892	
<i>Total Child Nutrition Cluster</i>			(2,208)	150,987	153,670	4,892	
Total U.S. Department of Agriculture			(2,208)	150,987	153,670	4,892	
U.S. Department of Education							
Passed through Wisconsin Department of Public Instruction:							
Title I-A Basic	84.010	2018-451015-Title I-141	(10,709)	50,544	53,930	14,094	
Title II-A Teacher Principal Training	84.367	2018-451015-Title II-365	(10,088)	36,120	27,322	1,290	
<i>Special Education Cluster</i>							
IDEA Preschool Entitlement	84.173	2018-451015-Pre-S-347	(4,557)	10,787	6,978	747	
High Cost Special Education	84.027	2018-451015-IDEA-341	-	4,407	4,407	-	
IDEA Flow Through	84.027	2018-451015-IDEA-341	(48,192)	428,486	398,213	17,919	
<i>Total Special Education Cluster</i>			(52,749)	443,681	409,598	18,666	
Passed through CESA #1:							
Title III Immigrant Children and Youth	84.365	2018-749901-Immigrant-391	-	3,414	3,414	-	
Carl Perkins	84.048	2018-749901-CP-CTE-400	-	9,203	9,203	-	
Transition Improvement Grant	84.027	2018-451015-IDEA-341	-	500	500	-	
Total U.S. Department of Education			(73,546)	543,462	503,967	34,051	
U.S. Department of Health and Human Services							
Passed through Wisconsin Department of Health Services:							
Medical Assistance program	93.778	Not available	(32,623)	129,447	160,098	63,274	
Total Awards			<u>\$ (108,378)</u>	<u>\$ 823,896</u>	<u>\$ 817,734</u>	<u>\$ 102,216</u>	

Exhibit C-5
 Cedarburg School District
 Schedule of Expenditures of State Awards
 For the Year Ended June 30, 2018

Awarding Agency			(Accrued) or			(Accrued) or
Pass-Through Agency	State	Pass-Through	Deferred		State	Deferred
<u>Award Description</u>	<u>I.D.</u>	<u>I.D.</u>	<u>Revenue at</u>	<u>Receipts</u>	<u>Disbursements/</u>	<u>Revenue at</u>
	<u>Number</u>	<u>Number</u>	<u>7/1/2017</u>		<u>Expenditures</u>	<u>6/30/2018</u>
Wisconsin Department of Public Instruction						
Special education and school age parents **	255.101	451015-100	\$ -	\$ 1,024,112	\$ 1,024,112	\$ -
Passed through CESA 1:						
Transit special ed school age parents	255.101	749901-100	(1,693)	2,929	2,055	819
State school lunch	255.102	451015-107	-	6,694	6,694	-
Common school fund library aid	255.103	451015-104	-	118,779	118,779	-
Pupil transportation	255.107	451015-102	-	40,276	40,276	-
Equalization aids	255.201	451015-116	(145,333)	9,603,289	9,613,494	155,538
Per pupil adjustment aid	255.945	451015-113	-	1,294,200	1,294,200	-
High cost special education	255.210	451015-119	-	17,000	17,000	-
Four year old kindergarten grant	255.360	451015-153	-	219,000	219,000	-
Educator effectiveness grant	255.940	451015-154	-	17,760	17,760	-
Assessment of reading readiness grant	255.956	451015-166	-	1,040	1,040	-
Robotics lead participation grant	255.959	451015-167	-	2,670	2,670	-
Passed through Hamilton School District:						
Peer review and mentoring	255.301	672420-141	(11,911)	11,911		
Total Wisconsin Department of Public Instruction			(158,937)	12,359,659	12,357,079	156,357
Wisconsin Department of Workforce Development						
Passed through Port Washington-Saukville School District:						
Youth apprenticeship grant	445.112	Not available	(1,445)	1,445		
Total state assistance			\$ (160,382)	\$ 12,361,104	\$ 12,357,079	\$ 156,357

** total DPI aidable expenditures for the year ended June 30, 2018 were \$4,335,260.

Cedarburg School District
Notes to the Schedule 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 includes the federal and state grant activity of the Cedarburg School District and is presented on the accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2

INDIRECT COST RATE

The District does not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3

SUBRECIPIENTS

No federal or state awards were passed through to subrecipients.



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

Board of Education
Cedarburg School District
Cedarburg, 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 Cedarburg School District (“District”), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Cedarburg School District’s basic financial statements, and have issued our report thereon dated November 14, 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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Cedarburg School District's Response to Finding

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

Purpose of this Report

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

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
November 14, 2018



INDEPENDENT AUDITOR’S 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

Board of Education
Cedarburg School District
Cedarburg, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the Cedarburg School District (“District”)’s compliance with the types of compliance requirements described in the *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 auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal and 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, the Uniform Guidance, and the State Single Audit Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and 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 Cedarburg School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

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 and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Guidelines, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a material weakness. However, material weaknesses may exist that have not been identified.

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

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
Mineral Point, Wisconsin
November 14, 2018

Cedarburg School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified
 Internal control over financial reporting:
 -Material weakness(es) identified? _____ Yes X No
 -Significant deficiency(ies) identified? X Yes _____ None Reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:
 -Material weakness(es) identified? _____ Yes X No
 -Significant deficiency(ies) identified? _____ Yes X None Reported
 Type of auditor’s report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education – Grants to States Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000
 Auditee qualified as low-risk auditee? X Yes _____ No

State Awards

Internal Control over major programs:
 -Material weakness(es) identified? _____ Yes X No
 -Significant deficiency(ies) identified? _____ Yes X None Reported
 Type of auditor’s report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Guidelines? _____ Yes X No

Identification of major programs:

<u>State Number(s)</u>	<u>Name of State Program or Cluster</u>
255.201	General Aids
255.101	Special Education and school age parents

Dollar threshold used to distinguish between type A and type B programs: \$250,000

Cedarburg School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Section IV – State Award Findings and Questioned Costs

No matters were reported.

Section V – Other Programs with Required Procedures

No matters were reported.


Section VI – Other Issues

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

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

Department of Health Services	No
Department of Public Instruction	Yes
Department of Workforce Development	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 
Jay Bennett, CPA

5. Date of report: November 14, 2018

Cedarburg School District
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018

There were no prior audit findings.