

# HUSTISFORD SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Hustisford School District  
Hustisford, 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 Hustisford 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 Hustisford School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the budgetary comparison information, the schedules of the District's proportionate share of the net pension liability (asset) and district pension contributions, and the schedules of changes in total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 Hustisford School District's basic financial statements. The combining and individual non-major fund financial statements and the schedule of changes in assets and liabilities - student activity funds, as listed in the table of contents as other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Wisconsin Department of Public Instruction and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the Hustisford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hustisford School District's internal control over financial reporting and compliance.

*Huberty & Associates, S.C.*

Ripon, Wisconsin  
November 30, 2018

## **BASIC FINANCIAL STATEMENTS**

HUSTISFORD SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

<u>ASSETS</u>		
Cash and investments		\$ 1,450,722
Taxes receivable		814,645
Accounts receivable		15,987
Prepaid expenses		82,616
Due from other governments		58,062
Capital assets:		
Non-depreciable capital assets		40,700
Depreciable capital assets, net		1,965,226
Total Assets		<u>4,427,958</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension sources		902,236
<u>LIABILITIES</u>		
Accounts payable		96,295
Accrued interest		465
Accrued salaries and wages		342,143
Accrued payroll liabilities		178,907
Health benefits payable		2,054
Noncurrent Liabilities:		
Due within one year		48,531
Due in more than one year		243,416
Total Liabilities		<u>911,811</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unavailable revenue		29,134
Pension sources		1,107,339
Total Deferred Inflows of Resources		<u>1,136,473</u>
<u>NET POSITION</u>		
Net investment in capital assets		2,005,926
Restricted for:		
Capital projects		11,417
Debt service		3,883
Pension benefits		347,203
Unrestricted		<u>913,481</u>
Total Net Position		<u>\$ 3,281,910</u>

The accompanying notes are an integral part of these financial statements.

HUSTISFORD SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 2,540,353	\$ 579,886	\$ 70,445	\$ (1,890,022)
Vocational	254,698	-	-	(254,698)
Special education	496,377	-	268,128	(228,249)
Other	353,954	21,696	-	(332,258)
Total Instruction	3,645,382	601,582	338,573	(2,705,227)
Support Services:				
Pupil services	183,130	-	-	(183,130)
Instructional staff services	145,794	-	21,514	(124,280)
General administration services	228,102	-	-	(228,102)
School administration services	293,937	-	-	(293,937)
Business services	203,220	-	-	(203,220)
Operations and maintenance	553,053	-	-	(553,053)
Pupil transportation	281,893	-	19,409	(262,484)
Central services	225,865	-	-	(225,865)
Insurance	43,061	-	-	(43,061)
Other support services	96,014	-	-	(96,014)
Food service	184,360	95,237	92,611	3,488
Community service	68,536	33,274	-	(35,262)
Interest and principal	8,963	-	-	(8,963)
Depreciation - unallocated	149,431	-	-	(149,431)
Total Support Services	2,665,359	128,511	133,534	(2,403,314)
<b>Total Governmental Activities</b>	<b>\$ 6,310,741</b>	<b>\$ 730,093</b>	<b>\$ 472,107</b>	<b>(5,108,541)</b>
<b>General Revenues:</b>				
Taxes				
Property taxes, levied for general purposes				2,961,386
Property taxes, levied for debt service				23,321
Property taxes, levied for community service				39,663
Federal and state aid not restricted to specific purposes				
General				2,083,363
Interest and investment earnings				4,645
Miscellaneous				139,117
Loss on disposal of capital assets				(1,138)
<b>Changes in Net Position</b>				<b>141,816</b>
<b>Net Position:</b>				
Beginning of year, as restated				3,140,094
End of year				<b>\$ 3,281,910</b>

HUSTISFORD SCHOOL DISTRICT  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,251,059	\$ 199,663	\$ 1,450,722
Taxes receivable	814,645	-	814,645
Accounts receivable	6,098	9,889	15,987
Prepaid expenses	82,616	-	82,616
Due from other governments	58,062	-	58,062
Due from other funds	-	1	1
Total Assets	<u>\$ 2,212,480</u>	<u>\$ 209,553</u>	<u>\$ 2,422,033</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 73,158	\$ 23,137	\$ 96,295
Accrued salaries and wages	334,047	8,096	342,143
Accrued payroll liabilities	175,333	3,574	178,907
Health benefits payable	2,054	-	2,054
Other deferred revenue	29,134	-	29,134
Due to other funds	1	-	1
Total Liabilities	<u>613,727</u>	<u>34,807</u>	<u>648,534</u>
<b><u>FUND BALANCES</u></b>			
Nonspendable:			
Prepaid expenses	82,616	-	82,616
Restricted for:			
Capital projects	-	11,417	11,417
Debt service	-	3,883	3,883
Pension benefits	347,203	-	347,203
Assigned	1,168,934	159,446	1,328,380
Total Fund Balances	<u>1,598,753</u>	<u>174,746</u>	<u>1,773,499</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 2,212,480</u></u>	<u><u>\$ 209,553</u></u>	

Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:

Capital assets used in governmental 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	\$ 9,118,834	
Governmental accumulated depreciation	<u>(7,112,908)</u>	2,005,926

Deferred outflows of resources (related to pensions) 902,236

Deferred inflows of resources (related to pensions) (1,107,339)

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:

General obligation debt	(197,028)	
Accrued interest on general obligation debt	(465)	
Vested employee benefits	<u>(94,919)</u>	(292,412)
Total Net Position - Governmental Activities		<u><u>\$ 3,281,910</u></u>

HUSTISFORD SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018

	General	Other Governmental	Total Governmental
<b>REVENUES:</b>			
Property taxes	\$ 2,961,386	\$ 62,984	\$ 3,024,370
Other local sources	101,622	128,852	230,474
Interdistrict sources	504,218	-	504,218
Intermediate sources	4,616	-	4,616
State sources	2,267,325	4,391	2,271,716
Federal sources	190,918	88,220	279,138
Other	97,181	41,979	139,160
<b>Total Revenues</b>	<b>6,127,266</b>	<b>326,426</b>	<b>6,453,692</b>
<b>EXPENDITURES:</b>			
Instruction:			
Regular	2,497,866	-	2,497,866
Vocational	251,597	-	251,597
Special	488,409	-	488,409
Other	346,711	-	346,711
Total Instruction	3,584,583	-	3,584,583
Support Service:			
Pupil services	181,890	-	181,890
Instructional staff services	144,462	-	144,462
General administration services	225,725	-	225,725
School administration services	289,428	-	289,428
Business services	201,218	-	201,218
Operations and maintenance	541,940	190,103	732,043
Pupil transportation	281,893	-	281,893
Central services	199,915	-	199,915
Insurance	43,061	-	43,061
Food service	-	176,997	176,997
Community service	-	74,483	74,483
Principal and interest	62,414	53,506	115,920
Other	94,671	-	94,671
Total Support Services	2,266,617	495,089	2,761,706
<b>Total Expenditures</b>	<b>5,851,200</b>	<b>495,089</b>	<b>6,346,289</b>
Excess of Revenues Over (Under) Expenditures	276,066	(168,663)	107,403
<b>Other Financing Sources (Uses):</b>			
Transfer from general operations	-	30,185	30,185
Transfer to debt service fund	(30,185)	-	(30,185)
<b>Total Other Financing Sources</b>	<b>(30,185)</b>	<b>30,185</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>245,881</b>	<b>(138,478)</b>	<b>107,403</b>
<b>Fund Balances:</b>			
Beginning of year	1,352,872	313,224	1,666,096
End of year	<u>\$ 1,598,753</u>	<u>\$ 174,746</u>	<u>\$ 1,773,499</u>

The accompanying notes are an integral part of these financial statements.

**HUSTISFORD SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds \$ 107,403

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	\$ 195,837	
Depreciation expense reported in the statement of activities	<u>(207,287)</u>	(11,450)

The district disposed of capital assets resulting in a reduction of captial assets and recapture of prior year depreciation expense reported on the statement of net position as a net loss and has no affect on the governmental funds balance sheet.

The value of capital assets disposed of during the year was:	(17,297)	
The amount of depreciation recapture of the year was:	<u>16,159</u>	
The difference in the value of assets net of recaptured depreciation creates a loss of:		(1,138)

Changes in net pension liability (asset) and related pension sources deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds.

Pension benefits paid in current year	188,450	
Pension benefits earned in current year	<u>(255,867)</u>	(67,417)

Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

Employee benefits paid in current year	89,516	
Employee benefits earned in current year	<u>(82,057)</u>	7,459

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal on long-term obligations is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

Long-term debt principal payments in the current year		47,148
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Capital leases are reported in governmental funds as other financing sources, but are reported as an increase in outstanding long-term obligations in the statement of net position and do not affect the statement of activities. Lease payments are reported in the governmental funds as an expenditure but are reported as a reduction in long-term obligations in the statement of net position and do not affect the statement of activities:

Lease payments in the current year		59,695
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In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as it accrues.

The amount of interest paid during the current period	9,076	
The amount of interest accrued during the period.	<u>(8,960)</u>	<u>116</u>

Change in Net Position - Governmental Activities		<u><u>\$ 141,816</u></u>
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HUSTISFORD SCHOOL DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	<u>\$ 89,316</u>
<b><u>LIABILITIES</u></b>	
Due to student groups	<u>\$ 89,316</u>

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hustisford School District (the "District") have been prepared in conformity with generally accepted accounting principles (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:

**Reporting Entity**

The Hustisford School District is organized as a common school district governed by a seven member elected school board. The District operates grades kindergarten through 12 and is comprised of all or parts of six taxing districts.

This report includes all funds of the District. The reporting entity for the District consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization or 2) there is a potential for the organization to provide specific financial benefits or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. These financial statements do not contain any component units.

**Basis of Presentation**

*District-wide Statements:*

The statement of net position and the statement of activities reports financial information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties. The District does not operate any business type activities.

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –Continued

**Basis of Presentation** –Continued

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

The fund statements provide information about the District’s funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. Funds are organized as major funds or nonmajor funds within the governmental fund statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria

1. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
2. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

The District reports the following major governmental funds:

General fund. This is the District’s primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund. The general fund includes all activity of the special education fund.

The District’s non-major governmental funds include the debt service, capital projects, food service, and community service funds.

The District reports the following fiduciary funds (not included in the District-wide statements):

Agency fund. This fund accounts for assets held as an agent for various student and parent organizations.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Measurement Focus and Basis of Accounting**

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

State general and categorical aids are recognized as revenue in the entitlement year. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenues.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred if expected to be collected in the subsequent year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net positions 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.

**Cash and Investments**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Cash and Investments – Continued**

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 that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, local professional stadium district, or local cultural arts district created under subchapter II, III, IV or V of chapter 229 of the Wisconsin statutes, or bonds issued by the University of Wisconsin Hospitals or Clinics Authority or the Wisconsin Aerospace Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is limited to bonds issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government or repurchase agreements fully collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

**Property Tax Levy**

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town and village treasurers or clerks who then make proportional settlement with the school District and county treasurer for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlements with the city, town, village and school districts before retaining any for county purposes.

The District's property taxes are levied on or before October 31<sup>st</sup> on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two installments with the first installment payable the subsequent January 31<sup>st</sup>, and a final payment no later than July 31<sup>st</sup>. The District is paid by the collecting municipality its appropriate share of tax collections received through the last day of the preceding month on or before January 15<sup>th</sup>, and by the 20<sup>th</sup> of each subsequent month thereafter. On or before August 20<sup>th</sup>, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2017 tax levy is used to finance operations of the District's fiscal year ended June 30, 2018. All property taxes are considered due on January 1<sup>st</sup>, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30<sup>th</sup> and are available to pay current liabilities.

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Accounts Receivable**

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of probable losses determined principally on the basis of historical experience. All accounts or portions thereof deemed to be uncollectable are written off to the allowance for doubtful accounts. As of June 30, 2018, there was no allowance for doubtful accounts.

**Prepaid Items**

Certain payments to vendors reflect costs that will benefit future accounting periods and are recorded as prepaid items and are accounted for on the consumption method. Prepaid items of government fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**Internal Receivables and Payables**

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 "advanced from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

**Fair Value Measurements**

Fair value is defined as the exchange price (an exit price) that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Capital Assets**

*District-wide Statements:*

In the district-wide financial statements, property and equipment are accounted for as capital assets. All property and equipment are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation for all exhaustible capital assets is recorded as an allocated and unallocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

The District has adopted a policy to capitalize fixed assets with a cost of \$1,000 or greater. Depreciation is calculated using the straight-line method. Capital assets are depreciated over the following useful lives:

Buildings	10 - 50 years
Furniture and equipment	5 - 25 years

*Fund Financial Statements:*

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

**Vested Employee Benefits**

Retirement Plans. District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

Compensated Absences. The District's policy allows classified personnel to earn varying amounts of sick pay for each year employed, accumulating to a maximum vested amount of 112 days. Upon retirement or termination of employment, the employee is entitled to be paid for unused accumulated sick leave to a maximum of \$560. The District's policy allows teachers varying amounts of sick pay that can accumulate to a maximum vested amount of 100 days. Upon retirement or a teacher with ten years of employment leaving the District, the teacher is entitled to be paid for unused accumulated sick leave to a maximum of \$1,000.

**Long-Term Obligations**

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

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Long-Term Obligations - Continued**

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

**Pensions**

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

**Post-employment Benefits Other than Pensions (OPEB)**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the District's OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the District's OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at cost.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Equity Classifications**

*District-wide Statements:*

Equity is classified as net position and displayed in three components. Resources are used in the following order: restricted and unrestricted.

Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position - Net position that is neither classified as "restricted" nor as "net investment in capital assets."

*Fund Financial Statements:*

The District reports its fund balance classifications in five components. Resources are used in the following order: restricted, committed, assigned and unassigned. Assigned fund balance is established by the Board of Education or District Administrator through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets or for other purposes).

Nonspendable - Amounts that cannot be spent because of their form or because they must be maintained intact.

Restricted - Amounts with limitations placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Committed - Amounts with limitations imposed prior to the end of the period by the highest level of decision making and would require formal action at the same level to remove.

Assigned - Amounts intended to be used and established by the highest level of decision making, a body designated for that purpose, or by an official designated for that purpose.

Unassigned - All other amounts that do not meet the definition of nonspendable, restricted, committed or assigned.

The District adopted a fund balance policy that strives to maintain a fund balance in the General Fund that is equivalent to at least 15% of the anticipated General Fund expenditure budget for the subsequent fiscal year.

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Equity Classifications** - Continued

The minimum fund balance amount is calculated as follows:

Actual 2017-2018 General Fund Expenditures	\$ 5,851,200
Minimum Fund Balance %	<u>15%</u>
Minimum Fund Balance Amount	<u>\$ 877,680</u>

The District's assigned general fund balance of \$1,598,753 is above minimum fund balance amount.

**Risk Management**

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

**Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Prior Period Adjustment**

During the year ended June 30, 2018, the District obtained a new actuarial study of other post-employment benefits (OPEB). The actuarial study implemented Statements No. 74/75 which produced a higher total OPEB liability as of June 30, 2017. The District's net position was restated by \$481,963 to reflect the new actuarial study.

**New GASB Pronouncements**

During the year ended June 30, 2018, the District implemented the following statements of financial accounting standards issued by the Governmental Accounting Standards Board:

*Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Statement No. 75 replaces Statement No. 45. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. See Note I for additional information regarding the adoption.

HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**New GASB Pronouncements - Continued**

Statement 81, *Irrevocable Split Interest Agreements*. This Statement provides recognition and measurement guidance for governments that are a beneficiary of a split-interest agreement. The Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. Management has determined the impact of this Statement is not material to the financial statements.

Statement 85, *Omnibus 2017*. The Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). Management has determined the impact of this Statement is not material to the financial statements.

Statement 86, *Certain Debt Extinguishment Issues*. The Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Management has determined the impact of this Statement is not material to the financial statements.

Additionally, GASB has also issued the following standards which will be effective in subsequent years:

Statement 83, *Certain Asset Retirement Obligations*, effective for the year ended June 30, 2019.

Statement 84, *Fiduciary Activities*, effective for the year ended June 30, 2020.

Statement 87, *Leases*, effective for the year ended June 30, 2021.

Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ended June 30, 2019.

Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the year ended June 30, 2021.

Statement 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, effective for the year ended June 30, 2020.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE B - CASH AND INVESTMENTS

The District's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the District or its agent in the District's name. Category 2 includes deposits collateralized with securities held by the pledging institution's trust department or agent in the District's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the District's name.

	Category			Total	Carrying Amount
	1	2	3		
Financial institutions	\$368,716	\$582,649	\$649,737	\$ 1,601,102	\$ 1,527,621
Wisconsin Local Government Investment Pool					12,417
Total deposits and investments					<u>\$ 1,540,038</u>
Per statement of net position:					
Cash and investments					\$ 1,450,722
Per statement of net position - fiduciary funds:					
Agency					89,316
Total					<u>\$ 1,540,038</u>

The District had no significant type of investments during the year not included in the above schedule.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for all time and savings deposit accounts and \$250,000 for demand deposit accounts, both interest-bearing and noninterest bearing. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. 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 not be significant to individual organizations. This coverage has not been considered in computing the amounts of category 1 above.

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. 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 were substantially equal to the amount reported above.

Investments in the LGIP are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the Pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by FDIC and State of Wisconsin Guarantee Fund Insurance.

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE B – CASH AND INVESTMENTS – Continued

Fluctuating cash flows during the year due to tax collections, receipt of state aids, and borrowings may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date.

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

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. The District’s policies are designed to maximize investment earnings while protecting the security of principal and providing adequate liquidity, in accordance to state statute as listed previously. At June 30, 2018, the District held no investments in government securities. The District does invest in the state investment pool which is not rated.

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

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

Information about the sensitivity of the fair value of the District’s investments to market interest rate fluctuations is provided in the following table, based on maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>0-1 Years</u>	<u>1-5 Years</u>
Certificates of deposits	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>

NOTE C – INTERFUND BALANCES AND ACTIVITY

At June 30, 2018, there is \$1 due to debt service fund from the general fund for payment on long-term debt.

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

<u>Transfer from:</u>	<u>Purpose</u>	<u>Transfer to:</u>
		<u>Debt Service</u>
General fund	Payment on long-term debt	<u>\$ 30,185</u>

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

**NOTE D - FAIR VALUE MEASUREMENTS**

Following is a description of the valuation methodologies used for assets measured at fair value.

Local government investment pool fund is valued at amortized cost of the underlying assets for purposes of calculating income to participants.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the District's investments at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Local government investment pool	\$ -	\$ 12,417	\$ -	\$ 12,417

**NOTE E - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Sites (land)	\$ 40,700	\$ -	\$ -	\$ 40,700
Capital assets being depreciated:				
Buildings	7,001,734	145,268	-	7,147,002
Furniture and equipment	1,897,860	50,569	17,297	1,931,132
Total capital assets being depreciated	<u>8,899,594</u>	<u>195,837</u>	<u>17,297</u>	<u>9,078,134</u>
Less accumulated depreciation for:				
Buildings	(5,250,105)	(149,341)	-	(5,399,446)
Furniture and equipment	(1,671,675)	(57,946)	16,159	(1,713,462)
Total accumulated depreciation	<u>(6,921,780)</u>	<u>(207,287)</u>	<u>16,159</u>	<u>(7,112,908)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>1,977,814</u>	<u>(11,450)</u>	<u>1,138</u>	<u>1,965,226</u>
<b>Total Governmental Activities</b>	<u>\$ 2,018,514</u>	<u>\$ (11,450)</u>	<u>\$ 1,138</u>	<u>\$ 2,005,926</u>

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE E - CAPITAL ASSETS - Continued

The District's capital assets are shared by many governmental functions. Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 14,131
Special education instruction	1,747
Other instruction	2,484
Instructional staff services	134
Operations and maintenance	4,746
Food service	6,004
Community service	1,955
Central services	25,950
School administration services	705
Depreciation not charged to a specific function	149,431
<b>Total Depreciation for Governmental Activities</b>	<u><u>\$ 207,287</u></u>

Assets acquired through capital leases are furniture and equipment. The balance of furniture and equipment is \$106,391, and the accumulated depreciation is \$78,747.

NOTE F - SHORT-TERM NOTES PAYABLE

The District borrows funds on an as needed basis to meet the needs of the District between tax payments. During the year ended June 30, 2018, the District did not utilize any short-term debt.

NOTE G - LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>General Obligation Debt:</b>					
Bonds and notes payable	\$ 244,176	\$ -	\$ 47,148	\$ 197,028	\$ 48,531
Total General Obligation Debt	244,176	-	47,148	197,028	48,531
<b>Other Liabilities:</b>					
Capital lease	59,695	-	59,695	-	-
Vested employee benefits:					
Vacation and sick pay	21,610	-	472	21,138	-
Net pension liability (asset)	151,868	902,236	1,606,410	(552,306)	-
Early retirement benefits	633,074	82,057	89,044	626,087	-
Total Other Liabilities	866,247	984,293	1,755,621	94,919	-
<b>Total Long-Term Liabilities</b>	<u><u>\$ 1,110,423</u></u>	<u><u>\$ 984,293</u></u>	<u><u>\$ 1,802,769</u></u>	<u><u>\$ 291,947</u></u>	<u><u>\$ 48,531</u></u>

All general obligation bonds notes and loans payable are backed by the full faith and credit of the District. Bonds, notes and loans in the governmental funds will be retired by future property tax levies.

Total interest expense of long-term obligations for the year totaled \$8,960. Interest paid was \$9,076.

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE G - LONG-TERM OBLIGATIONS - Continued

	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance 06/30/2018
Promissory Note	1/1/2014	1/1/2024	2.75%	\$ 203,047	\$ 119,857
Promissory Note	2/1/2016	2/1/2021	3.00%	\$ 140,000	77,171
Totals General Obligation Debt					<u>\$ 197,028</u>

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$317,518,870. The legal debt limit and margin of indebtedness as of June 30, 2018 in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Debt limit (10% of \$317,518,870)	\$ 31,751,887
Deduct long-term debt applicable to debt margin	<u>197,028</u>
Margin of indebtedness	<u>\$ 31,554,859</u>

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

Governmental Activities Year Ended June 30	Principal	Interest	Total
2019	\$ 48,531	\$ 4,974	\$ 53,505
2020	49,956	3,551	53,507
2021	41,231	2,214	43,445
2022	22,021	1,300	23,321
2023	22,634	685	23,319
2024-2025	12,655	108	12,763
Total	<u>\$ 197,028</u>	<u>\$ 12,832</u>	<u>\$ 209,860</u>

NOTE H- 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, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE H - PENSION PLAN - Continued

**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.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	(2.1%)	(42.0%)
2010	(1.3%)	22.0%
2011	(1.2%)	11.0%
2012	(7.0%)	(7.0%)
2013	(9.6%)	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	(5.0%)
2017	2.0%	4.0%

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE H - PENSION PLAN - Continued

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

During the reporting period, January 1 through December 31, 2017, the WRS recognized \$185,495 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

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

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.** At June 30, 2018, the District reported a liability (asset) of (\$552,306) 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 (asset) 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 0.01860171%, which was an increase of 0.00017648% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$255,867

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE H - PENSION PLAN - Continued

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 701,719	\$ (328,241)
Net differences between projected and actual earnings on pension plan investments	-	(759,095)
Changes in assumptions	109,125	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(20,003)
Employer contributions subsequent to the measurement date	91,392	-
	<u>\$ 902,236</u>	<u>\$ (1,107,339)</u>

\$91,392 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
2018	\$ 560,698	\$ (508,287)
2019	496,090	(507,687)
2020	177,949	(371,819)
2021	165,910	(310,661)
Thereafter	1,325	(10)

**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.

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE H - 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:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global equities	50.0%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8.0%	6.5%	3.6%
Private equity/debt	8.0%	9.4%	6.5%
Multi-asset	4.0%	6.5%	3.6%
Total Core Fund	110.0%	7.3%	4.4%
<u>Variable Fund Asset Class</u>			
US equities	70.0%	7.5%	4.6%
International equities	30.0%	7.8%	4.9%
Total Variable Fund	100.0%	7.9%	5.0%

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

Asset allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

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

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE H - PENSION PLAN - Continued

**Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, 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%) or 1-percentage-point higher (8.20%) than the current rate:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
District's proportionate share of the net pension liability (asset)	\$ 1,429,006	\$ (552,306)	\$ (2,058,166)

**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>.

NOTE I - OTHER POST EMPLOYMENT BENEFITS

**Plan description.** In addition to providing pension benefits, the District provides certain post-employment benefits for medical and dental care premium payments to qualifying retired employees and their eligible dependents or survivors pursuant to collective bargaining agreements and Board resolutions.

**Benefits provided.** Retiring teachers are allowed to continue to obtain health insurance coverage through the District after retirement. Teachers retiring after the attainment of age 55 with 20 years of service are eligible for coverage. The District will annually pay a maximum of \$6,250 for single coverage and \$12,500 for family coverage, or cash-in-lieu of health insurance, for a maximum of four years, but not past age 65. If a retiree dies while receiving retirement benefits, the surviving spouse will be eligible to receive any remaining benefits that would have been payable to the retired employee, had they survived, for a maximum of one year.

**Employees covered by benefit terms.** Plan membership consisted of the following as of July 1, 2017, the date of the latest actuarial valuation:

Retirees receiving health benefits	5
Active plan members	<u>36</u>
Total	<u><u>41</u></u>

**Total OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB.** At June 30, 2018, the District reported a total OPEB liability of \$626,087. The total OPEB liability was measured as of June 30, 2018, determined by an actuarial valuation as of that date. For the year ended June 30, 2018, the District recognized OPEB expense of \$82,057. At June 30, 2018, the District reported no deferred outflows of resources nor deferred inflows of resources related to the OPEB liability.

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE I - OTHER POST EMPLOYMENT BENEFITS - Continued

The contributions for retirees and beneficiaries have been funded on a pay-as-you-go basis, which are allocated among functions based on the proportionate amount of payroll cost. For the year ended June 30, 2018, medical and dental care premium expenditures on the pay-as-you-go basis amounted to \$82,057. As of June 30, 2018, the Board of Education has decided not to establish a trust fund for funding the OPEB liability.

*Changes in the OPEB liability.*

	Total OPEB Liability
Balance at beginning of year	\$ 633,074
Changes for the year:	
Service cost	54,552
Interest cost	27,505
Benefit payments	(89,044)
Net changes	(6,987)
Balance at end of year	<u>\$ 626,087</u>

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

Actuarial valuation date	July 1, 2017
Measurement date of OPEB liability	June 30, 2018
Actuarial cost method	Entry Age Normal (level percent of salary)
Asset valuation method	Fair market value
Discount rate	4.0% (20-year AA municipal bond rate)
Health care trend	6.8% increasing to 7.5%, then decreasing by .5% per year down to 5.0%
Salary increase	2.0%
Mortality	Wisconsin Retirement System 2012-2014 Experience Study Table

The actuarial assumptions were based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

**Sensitivity of the District's total OPEB liability to changes in the discount rate.** The following presents the District's total OPEB liability calculated using the discount rate of 4.00%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.00%) or 1-percentage-point higher (5.00%) than the current rate as of June 30, 2018:

	1% Decrease to Discount Rate: (3.0%)	Current Discount Rate: (4.0%)	1% Increase to Discount Rate: (5.0%)
OPEB liability	\$ 671,565	\$ 626,087	\$ 584,530

HUSTISFORD SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2018

NOTE I - OTHER POST EMPLOYMENT BENEFITS - Continued

**Sensitivity of the District's total OPEB liability to changes in the healthcare cost trend rate.** The following presents the District's total OPEB liability calculated using the discount rate of 6.80%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	<b>1% Decrease to Discount Rate: (5.8%)</b>	<b>Healthcare Current Trend Rate: (6.8%)</b>	<b>1% Increase to Discount Rate: (7.8%)</b>
OPEB liability	\$ 564,076	\$ 626,087	\$ 701,552

NOTE J - CAPITAL LEASES

The District acquired technology equipment under a capital lease. The lease agreement is for a 36-month period beginning July 2014 with annual payments of \$62,470. Upon completion of the lease, the District will own the equipment. The lease ended in June 2018.

NOTE K - OPERATING LEASES

The District, as lessee, leases office equipment. The agreement required monthly payments of \$885 for 60 months. Lease expense for the year ended June 30, 2018 was \$10,620.

Future minimum lease payments are as follows:

2019	<u>\$ 9,735</u>
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NOTE L - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

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

Capital Projects Fund	<u>\$ 49,879</u>
Community Service Fund	<u>\$ 2,719</u>

NOTE M - COMMITMENTS AND CONTINGENCIES

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

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**NOTE M - COMMITMENTS AND CONTINGENCIES - Continued**

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

**NOTE N - LIMITATION ON SCHOOL DISTRICT REVENUES**

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that is determined by the State legislature. The limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

**NOTE O - SUBSEQUENT EVENTS**

The District has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 30, 2018, the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

HUSTISFORD SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET  
AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2018

	General Operations				Special Education				Total	
	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)	Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final			Original	Final				
<b>REVENUES:</b>										
Property taxes	\$ 2,961,386	\$ 2,961,386	\$ 2,961,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,961,386	\$ -
Other local sources	88,320	88,320	101,622	13,302	-	-	-	-	101,622	13,302
Interdistrict sources	490,972	490,972	504,218	13,246	-	-	-	-	504,218	13,246
Intermediate sources	2,022	2,022	3,422	1,400	-	-	1,194	1,194	4,616	2,594
State sources	2,116,353	2,116,353	2,130,650	14,297	139,547	139,547	136,675	(2,872)	2,267,325	11,425
Federal sources	52,334	52,334	60,658	8,324	133,143	133,143	130,260	(2,883)	190,918	5,441
Other	33,321	33,321	97,181	63,860	-	-	-	-	97,181	63,860
<b>Total Revenues</b>	<b>5,744,708</b>	<b>5,744,708</b>	<b>5,859,137</b>	<b>114,429</b>	<b>272,690</b>	<b>272,690</b>	<b>268,129</b>	<b>(4,561)</b>	<b>6,127,266</b>	<b>109,868</b>
<b>EXPENDITURES:</b>										
Instruction:										
Regular	2,528,915	2,528,915	2,497,866	31,049	-	-	-	-	2,497,866	31,049
Vocational	230,376	230,376	251,597	(21,221)	-	-	-	-	251,597	(21,221)
Special	-	-	-	-	505,944	505,944	488,409	17,535	488,409	17,535
Other	357,405	357,405	346,711	10,694	-	-	-	-	346,711	10,694
Total Instruction	3,116,696	3,116,696	3,096,174	20,522	505,944	505,944	488,409	17,535	3,584,583	38,057
Support Services:										
Pupil services	141,261	141,261	117,420	23,841	64,274	64,274	64,470	(196)	181,890	23,645
Instructional staff services	61,405	61,405	54,279	7,126	112,121	112,121	90,183	21,938	144,462	29,064
General administration services	245,513	245,513	225,725	19,788	-	-	-	-	225,725	19,788
School administration services	299,187	299,187	289,428	9,759	-	-	-	-	289,428	9,759
Business services	223,747	223,747	201,218	22,529	-	-	-	-	201,218	22,529
Operations and maintenance	575,462	575,462	536,235	39,227	550	550	5,705	(5,155)	541,940	34,072
Pupil transportation	280,968	280,968	279,600	1,368	13,200	13,200	2,293	10,907	281,893	12,275
Central services	211,604	211,604	199,915	11,689	-	-	-	-	199,915	11,689
Insurance	41,500	41,500	43,061	(1,561)	-	-	-	-	43,061	(1,561)
Principal and interest	62,914	62,914	62,414	500	-	-	-	-	62,414	500
Other support services	90,781	90,781	94,671	(3,890)	-	-	-	-	94,671	(3,890)
Adjustments and refunds	2,500	2,500	-	2,500	-	-	-	-	-	2,500
Total Support Services	2,236,842	2,236,842	2,103,966	132,876	190,145	190,145	162,651	27,494	2,266,617	160,370
<b>Total Expenditures</b>	<b>5,353,538</b>	<b>5,353,538</b>	<b>5,200,140</b>	<b>153,398</b>	<b>696,089</b>	<b>696,089</b>	<b>651,060</b>	<b>45,029</b>	<b>5,851,200</b>	<b>198,427</b>
Excess of Revenues Over (Under) Expenditures	391,170	391,170	658,997	267,827	(423,399)	(423,399)	(382,931)	40,468	276,066	308,295
<b>Other Financing Sources (Uses):</b>										
Transfer to special education	(423,399)	(423,399)	(382,931)	40,468	-	-	-	-	(382,931)	40,468
Transfer from general operations	-	-	-	-	423,399	423,399	382,931	(40,468)	382,931	(40,468)
Transfer to debt service	(30,185)	(30,185)	(30,185)	-	-	-	-	-	(30,185)	-
<b>Net Other Financing Sources (Uses)</b>	<b>(453,584)</b>	<b>(453,584)</b>	<b>(413,116)</b>	<b>40,468</b>	<b>423,399</b>	<b>423,399</b>	<b>382,931</b>	<b>(40,468)</b>	<b>(30,185)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(62,414)</b>	<b>(62,414)</b>	<b>245,881</b>	<b>308,295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245,881</b>	<b>308,295</b>
<b>Fund Balances:</b>										
Beginning of year	1,352,872	1,352,872	1,352,872	-	-	-	-	-	1,352,872	-
End of year	\$ 1,290,458	\$ 1,290,458	\$ 1,598,753	\$ 308,295	\$ -	\$ -	\$ -	\$ -	\$ 1,598,753	\$ 308,295

The accompanying notes are an integral part of these financial statements.

HUSTISFORD SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
 LAST 10 FISCAL YEARS\*  
 YEAR ENDED JUNE 30, 2018

	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 54,552
Interest cost	27,505
Benefit payments	(89,044)
Net change in total OPEB liability	<u>(6,987)</u>
Total OPEB liability - beginning	633,074
<b>Total OPEB liability - ending</b>	<u><u>\$ 626,087</u></u>
Covered-employee payroll	\$ 2,880,824
OPEB liability as a percentage of covered-employee payroll	21.73%

\* This schedule is presented to illustrate the requirements to show information for 10 years. Information prior to June 30, 2018 is not available.

**HUSTISFORD SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
WISCONSIN RETIREMENT SYSTEM-LAST 10 FISCAL YEARS\*  
JUNE 30, 2018 \*\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.01860171%	0.01842523%	0.01777896%	0.01733356%
District's proportionate share of the net pension liability (asset)	\$ (552,306)	\$ 151,868	\$ 288,905	\$ (425,760)
District's covered-employee payroll	\$ 2,727,895	\$ 2,740,572	\$ 2,627,283	\$ 2,493,820
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(20.25%)	5.54%	11.00%	(17.07%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.93%	99.12%	98.20%	102.74%

\* This schedule is presented to illustrate the requirements to show information for 10 years. Information prior to June 30, 2015 is not available.

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

**HUSTISFORD SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
WISCONSIN RETIREMENT SYSTEM - LAST 10 FISCAL YEARS\*  
JUNE 30, 2018 \*\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 185,495	\$ 180,878	\$ 178,655	\$ 174,781
Contributions in relation to the contractually required contributions	(185,495)	(180,878)	(178,655)	(174,781)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,727,895	\$ 2,740,572	\$ 2,627,283	\$ 2,493,820
Contributons as a percentage of covered-employee payroll	6.80%	6.60%	6.80%	7.01%

\* This schedule is presented to illustrate the requirements to show information for 10 years. Information prior to June 30, 2015 is not available.

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

HUSTISFORD SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018

**NOTE A - SUMMARY OF CHANGES**

**Changes of benefit terms** - There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

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

**NOTE B - SUMMARY OF OPEB CHANGES**

**Changes of benefit terms.** Previously, all employees were eligible to receive other post-employment benefits. Benefits were based on years of service. Benefits were changed with the new actuarial study to only offer benefits to eligible employees with 20 years of service and who have reached age 55

**Changes of assumptions.** Changes of assumptions and other inputs reflect the effects of changes in the health care trend rate each period. The following are the health care trend rate used in each period:

2018	6.80%
2017	8.00%

**OTHER SUPPLEMENTARY INFORMATION**

HUSTISFORD SCHOOL DISTRICT  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Total Non-Major Governmental</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 3,882	\$ 11,417	\$ 70,036	\$ 114,328	\$ 199,663
Accounts receivable	-	-	-	9,889	9,889
Due from other funds	1	-	-	-	1
Total Assets	<u>\$ 3,883</u>	<u>\$ 11,417</u>	<u>\$ 70,036</u>	<u>\$ 124,217</u>	<u>\$ 209,553</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ -	\$ -	\$ 3,638	\$ 19,499	\$ 23,137
Accrued salaries and wages	-	-	8,096	-	8,096
Accrued payroll liabilities	-	-	3,490	84	3,574
Total Liabilities	<u>-</u>	<u>-</u>	<u>15,224</u>	<u>19,583</u>	<u>34,807</u>
<b><u>FUND BALANCES</u></b>					
Fund Balances:					
Restricted	3,883	11,417	-	-	15,300
Assigned	-	-	54,812	104,634	159,446
Total Fund Balances	<u>3,883</u>	<u>11,417</u>	<u>54,812</u>	<u>104,634</u>	<u>174,746</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,883</u>	<u>\$ 11,417</u>	<u>\$ 70,036</u>	<u>\$ 124,217</u>	<u>\$ 209,553</u>

HUSTISFORD SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2018

	Debt Service	Capital Projects	Food Service	Community Service	Total Non-major Governmental
<b>REVENUES:</b>					
Property taxes	\$ 23,321	\$ -	\$ -	\$ 39,663	\$ 62,984
Other local sources	-	387	95,191	33,274	128,852
State sources	-	-	4,391	-	4,391
Federal sources	-	-	88,220	-	88,220
Other revenues	-	41,933	46	-	41,979
Total Revenues	<u>23,321</u>	<u>42,320</u>	<u>187,848</u>	<u>72,937</u>	<u>326,426</u>
<b>EXPENDITURES:</b>					
Support Service:					
Operations and maintenance	-	190,103	-	-	190,103
Community service	-	-	-	74,483	74,483
Food service	-	-	176,997	-	176,997
Principal and Interest	53,506	-	-	-	53,506
Total Support Services	<u>53,506</u>	<u>190,103</u>	<u>176,997</u>	<u>74,483</u>	<u>495,089</u>
<b>Total Expenditures</b>	<u>53,506</u>	<u>190,103</u>	<u>176,997</u>	<u>74,483</u>	<u>495,089</u>
Excess of Revenues Over (Under) Expenditures	(30,185)	(147,783)	10,851	(1,546)	(168,663)
<b>Other Financing Sources (Uses):</b>					
Transfer from general operations	30,185	-	-	-	30,185
Total Other Financing Sources	<u>30,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,185</u>
<b>Net Change in Fund Balance</b>	-	(147,783)	10,851	(1,546)	(138,478)
<b>Fund Balances:</b>					
Beginning of year	3,883	159,200	43,961	106,180	313,224
End of year	<u>\$ 3,883</u>	<u>\$ 11,417</u>	<u>\$ 54,812</u>	<u>\$ 104,634</u>	<u>\$ 174,746</u>

HUSTISFORD SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - STUDENT ACTIVITY FUNDS  
 YEAR ENDED JUNE 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>ASSETS</u></b>				
Cash and investments	\$ 89,749	\$ 153,500	\$ 153,933	\$ 89,316
<b><u>LIABILITIES</u></b>				
Due to student organizations	\$ 89,749	\$ 153,500	\$ 153,933	\$ 89,316

HUSTISFORD SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2018

<u>Federal or State Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA/ State Id Number</u>	<u>Pass - Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Disbursements/ Expenditures</u>
<b>Federal Programs:</b>				
U.S. Department of Agriculture				
Passed through Wisconsin Department of Public Instruction				
Child Nutrition Cluster				
School Breakfast Program	10.553	546	\$ -	\$ 11,419
Food Donation Program	10.555	547	-	15,597
National School Lunch Program	10.555	547	-	61,204
Total Child Nutrition Cluster			<u>-</u>	<u>88,220</u>
U.S. Department of Education				
Passed through Wisconsin Department of Public Instruction				
Title I, Part A Grants to Local Education Agencies	84.010	141	-	39,968
Title II, Part A, Grants to Local Education Agencies	84.367	365	-	3,986
Title IV, Part A, Student Support and Academic Enrichment	84.424	381	-	1,723
Special Education Cluster				
Special Education Grants to States	84.027	341	-	100,724
Special Education Preschool Grants	84.173	347	-	5,113
Total Special Education Cluster			<u>-</u>	<u>105,837</u>
Passed through CESA #6				
Career and Technical Education Basic Grants to States	84.048	29-217	-	2,022
U.S. Department of Health & Human Services				
Passed through Wisconsin Forward Health				
Medical Assistance Program-School Based Services *	93.778	**	-	39,404
<b>Total Federal Awards</b>			<u>\$ -</u>	<u>\$ 281,160</u>
<b>State Programs:</b>				
Wisconsin Department of Public Instruction				
Special Education and School age Parents	255.101	N/A	\$ -	\$ 136,674
State School Lunch Aid	255.102	N/A	-	2,178
Common School Fund Library Aid	255.103	N/A	-	21,514
General Transportation Aid	255.107	N/A	-	9,972
Wisconsin School Day Milk Program	255.115	N/A	-	1,211
General Equalization Aid	255.201	N/A	-	1,754,234
Sparsity Aid	255.212	N/A	-	131,656
School Breakfast Program	255.344	N/A	-	1,002
Educator Effectiveness Grant	255.940	N/A	-	3,280
Per Pupil Aid	255.945	N/A	-	193,500
High Cost Transportation Aid	255.947	N/A	-	9,437
Career and Technical Education	255.950	N/A	-	2,534
Assessments of Reading Readiness	255.956	N/A	-	551
Passed through CESA #6				
Special Education and School Age Parents	255.101	N/A	-	1,194
Wisconsin Department of Revenue				
Computer Aid	**	N/A	-	3,973
Wisconsin Department of Workforce Development				
Passed through CESA #6				
Local Youth Apprenticeship	445.112	N/A	-	1,400
<b>Total State Assistance</b>			<u>\$ -</u>	<u>\$ 2,274,310</u>

\* Cash reimbursement received during the year ended June 30, 2018 totaled \$38,908

\*\* Information not provided.

**HUSTISFORD SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED JUNE 30, 2018**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (schedule) include the federal and state grant activity of the District under programs of the federal and state government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Wisconsin Department of Public Instruction. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the *Wisconsin Public School District Audit Manual*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM**

The 2017 - 2018 eligible costs and estimated aid reimbursement under the State Special Education Program are \$592,997 and \$154,179, respectively.

**NOTE D - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the District had food commodities totaling \$15,597.

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

To the Board of Education  
Hustisford School District  
Hustisford, 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 Hustisford 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 and have issued our report thereon dated November 30, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying summary of auditor's results that we consider to be significant deficiencies as items 2018-001 and 2018-002.

## 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*.

## Hustisford School District's Response to Findings

We noted certain matters that we reported to management of the District in a separate letter dated November 30, 2018.

The Hustisford School District's response to the findings identified in our audit is described in the accompanying summary of auditor's results. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of 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.

*Herbert & Associates, S.C.*

Ripon, Wisconsin  
November 30, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR STATE PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY  
THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

To the Board of Education  
Hustisford School District  
Hustisford, Wisconsin

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

We have audited the Hustisford School District (District's) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2018. The District's major state programs are identified in the accompanying summary of auditor's results.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements 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 the major state programs 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 state program. However, our audit does not provide a legal determination on the District's compliance.

**Opinion on Each Major State Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major 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 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 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 state program and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, 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 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 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 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. We consider the deficiency in internal control over compliance described in the accompanying summary of auditor's results as item 2018-001 to be a significant deficiency.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### District's Response to Findings

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying summary of auditor's results. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Purpose of this Report

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 testing based on requirements of the *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

*Huberty & Associates, S.C.*

HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over major state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness?	Yes
Noncompliance material to the financial statements noted?	No

**State Awards**

Type of auditor's report issued on compliance for major state programs	Unmodified
Internal control over major state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>Wisconsin Public School District Audit Manual</i> ?	No

Identification of major state programs:

<u>State I.D. Number</u>	<u>Name of State Program</u>
255.201	General Equalization Aid

Dollar threshold used to distinguish between Type A and Type B programs	\$250,000
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**Other State Awards with Limited Required Procedures**

Internal control over programs with limited required procedures:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>Wisconsin Public School District Audit Manual</i> ?	No

Identification of other programs with limited required Procedures:

<u>State I.D. Number</u>	<u>Name of State Program of Cluster</u>
255.101	Special Education and School Age Parents

HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 - Segregation of Duties

**Criteria:**

The District should segregate accounting duties, at a minimum to separate the asset and the recordkeeping function, to minimize the opportunity for misstatements caused by error or fraud to occur and go undetected within a timely period by employees in the normal course of performing their assigned functions.

**Condition:**

The District does not have adequate segregation of duties in its accounting functions. Specifically, one individual is responsible for the entire payroll process. Also, one individual has the ability to cut checks, print the automatic signatures on the checks, and performs the bank reconciliations.

**Cause:**

A small number of individuals within the District's administration perform substantially all accounting functions and have control over both records and assets.

**Effect or Potential Effect:**

The lack of segregation of accounting duties could create an opportunity for misstatements caused by error or fraud to occur and go undetected within a timely period by employees in the normal course of performing their assigned functions.

**Recommendation:**

Due to the size of the District, it is not practical to hire additional individuals in order to adequately segregate accounting duties; therefore, we recommend that the Administrator's and Board of Education's close supervision, review of accounting information and knowledge of matters relating to the District's financial operations provide an effective means of preventing and detecting errors and irregularities.

**Views of Responsible Officials and Planned Corrective Actions:**

We agree and the Finance Committee and Administration will continue to provide supervision and monitor accounting information and operations including obtaining explanations for variances from unexpected results and work to increase segregation of duties. Administration will continue to review and sign off on monthly bank reconciliations. The Finance Committee and Administration will continue to review a detailed check register monthly.

HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

2018-002 - Preparation of Financial Statements

**Criteria:**

The Administrators and Board of Education share responsibility for the District's internal control system including controls over financial reporting under generally accepted accounting principles (GAAP). Although we assist the District in drafting the financial statements and disclosures and management takes responsibility for the statements, we cannot be considered part of the internal control over GAAP financial statement preparation.

**Condition:**

The preparation of GAAP financial statements and footnote disclosures requires extensive knowledge of constantly changing accounting pronouncements. While the District's personnel have a thorough understanding of their operations, no one in the District has the accounting background sufficient to prepare the District's GAAP financial statements with complete disclosures, to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

**Cause:**

Although District management has a thorough understanding of its operations, management has not monitored recent accounting developments.

**Effect or Potential Effect:**

Financial statements and related disclosures could be prepared without a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

**Recommendation:**

As part of its internal control over the preparation of its financial statements, including disclosures, the District should implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of generally accepted accounting principles and knowledge of the District's activities and operations.

**Views of Responsible Officials and Planned Corrective Actions:**

The District Administrator and Board of Education acknowledge their responsibility for financial reporting under generally accepted accounting principles (GAAP). While District management has determined it is not cost effective to implement the infrastructure to prepare the financial statements, the Board of Education Treasurer, the Administrator, and Financial Coordinator will review the financial statements utilizing a GAAP disclosure checklist.

HUSTISFORD SCHOOL DISTRICT  
SUMMARY OF AUDITOR'S RESULTS  
YEAR ENDED JUNE 30, 2018

SECTION III - STATE AWARD FINDINGS

2018-001 - Segregation of Duties

See finding 2018-001 in Section II - Financial Statement findings.