

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

SCHOOL DISTRICT OF WEST SALEM  
WEST SALEM, WISCONSIN

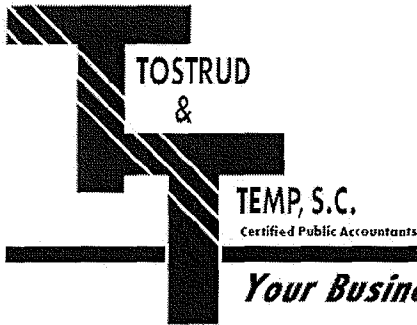
June 30, 2018

T A B L E O F C O N T E N T S

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	4
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	7
<b>FINANCIAL SECTION</b>	
STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES	10
BALANCE SHEET - GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	14
STATEMENT OF NET POSITION - FIDUCIARY FUNDS	16
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS	16
NOTES TO FINANCIAL STATEMENTS	17
<b>REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION</b>	
REQUIRED SUPPLEMENTARY INFORMATION - EMPLOYER CONTRIBUTION - POST-EMPLOYMENT BENEFIT PLANS	52
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS	53
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION LIABILITY AND RELATED RATIOS	54
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION CONTRIBUTIONS	55
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT'S NET PENION LIABILITY (ASSET) - WISCONSIN RETIREMENT SYSTEM	56
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM	56
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND - FUNDS 10 AND 27	57
RECONCILIATION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - REGULATORY BASIS TO GAAP BASIS - GENERAL FUND AND SPECIAL EDUCATION FUND	58

T A B L E O F C O N T E N T S

	Page
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND - REFERENDUM DEBT - FUND 39	59
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND - NON-REFERENDUM DEBT - FUND 38	60
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND	61
<b>OTHER SUPPLEMENTAL FINANCIAL INFORMATION</b>	
BALANCE SHEET - DEBT SERVICE FUNDS	63
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - DEBT SERVICE FUNDS	64
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	65
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS	66
PUPIL ACTIVITY FUNDS - SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES	67
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	68
SCHEDULE OF STATE FINANCIAL ASSISTANCE	70
<b>OTHER REPORTS</b>	
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 <u>GOVERNMENT AUDITING STANDARDS</u>	72
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND WISCONSIN STATE SINGLE AUDIT GUIDELINES	74
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	76
SCHEDULE OF PRIOR YEAR FINDINGS	78



609 S. 4th Street, Suite B  
La Crosse, WI 54601  
Phone: 608-784-8060  
Fax: 608-784-8167

## INDEPENDENT AUDITOR'S REPORT

Members of the School Board  
School District of West Salem  
West Salem, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of West Salem ("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 controls 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 District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

The combining statements and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, the schedule of state financial assistance, and other supporting schedules as listed in the table of contents 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, these schedules and statements 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 26, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



November 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Salem School District  
**Management's Discussion and Analysis - Continued**  
Year ended June 30, 2018

This discussion and analysis of the School District of West Salem's financial information provides an overall review of financial activities for the fiscal year. The analysis focuses on School District financial performance as a whole. Revenue and expense comparisons to fiscal year 2017 are used throughout this discussion and analysis letter. It should be read in conjunction with the Letter of Transmittal at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

Total governmental funds revenues were \$24,300,806; including \$8,047,009 of property taxes, \$12,011,988 of state aids and grants, and \$950,098 of federal grants. Total governmental fund expenditures were \$41,474,778, including \$10,953,849 for direct instruction. Other financing sources and uses included inception of capital lease of \$1,147,044, proceeds from bonds of \$5,100,000, proceeds from bond premiums of \$5,038, and proceeds from sale of fixed assets of \$284,137.

The District's total long-term liabilities increased by \$788,469. The liability for General obligation bonds increased by \$3,034,681 capital leases increased by \$653,434, supplemental pension benefits decreased by \$293,603 post-retirement health care and other benefits increased by \$72,130, and the liability for sick and vacation payable decreased by \$1,194. The District's share of the net pension liability for the Wisconsin Retirement System decreased by \$2,686,979. See page 7-9 for a discussion on proceeds from bonds for referendum approved capital projects.

The District's financial status as of June 30, 2018, as reflected by total net position, was \$25,866,030, an increase of \$1,451,973 from the July 1, 2017 net position (as restated).

**Overview of the Financial Statements**

The comprehensive annual financial report consists of three parts: management's discussion and analysis, basic financial statements including notes to the financial statements, and required and other supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Position* and *Statement of Activities* provide information on a District-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.



West Salem School District  
**Management's Discussion and Analysis - Continued**  
 Year ended June 30, 2018

Required and other supplementary information further explains and supports the financial statements by including additional schedules on pension and OPEB information and also a comparison of the District's budget data for the year.

The major features of the District's financial statements, including activities reported and the type of information contained is shown in the following table.

	District Wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, debt service, capital projects, and community services.	Assets held by the District on behalf of someone else. Students and other organizations that have funds on deposit with the District are reported here.
Required financial statements	*Statement of net position *Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balance	* Statement of fiduciary net position * Statement of changes in fiduciary net position.
Basis of accounting and measurement focus	*Accrual accounting *Economic resources focus.	*Modified accrual accounting *Current financial resources focus	* Accrual accounting * Economic resources focus
Type of asset and liability information	All assets, deferred outflows, liabilities, and deferred inflows of resources; both financial and capital, short-term and long-term.	Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets, deferred outflows, liabilities and deferred inflows, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liabilities are due and payable.	All revenues or deductions during the year, regardless of when cash is received or paid.

West Salem School District  
**Management's Discussion and Analysis - Continued**  
Year ended June 30, 2018

**District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support District activities. The two District-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities should be considered. In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, community programs, food service and administration. Property taxes and state equalization aid finance most of these activities.
- Business-type activities – Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District has no business-type activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debt) or to show that it is properly using certain revenues (such as capital project funds).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments, as is reported on the District-wide statements.

West Salem School District  
**Management's Discussion and Analysis - Continued**  
Year ended June 30, 2018

**Fund Financial Statements - Continued**

- Fiduciary funds – The District serves as a trustee, or fiduciary, for its student activity funds, scholarship funds, and employee benefit trust fund. The assets of these organizations and trust funds belong to the organization or trust and not to the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2018, compared to 2017. The District's total net position was \$25,866,030 at June 30, 2018.

	Governmental Activities		Total School District		Total % Change
	2016-2017	2017-2018	2016-2017	2017-2018	
<b>Assets</b>					
Current assets	\$ 23,316.4	\$ 13,196.1	\$ 23,316.4	\$ 13,196.1	-43.40%
Capital assets and other assets	25,655.9	43,589.7	25,655.9	43,589.7	69.90%
<b>Total assets</b>	<b>48,972.3</b>	<b>56,785.8</b>	<b>48,972.3</b>	<b>56,785.8</b>	<b>15.95%</b>
Deferred outflow s of resources	5,010.8	6,068.4	5,010.8	6,068.4	21.11%
Total assets and deferred outflow s of resources	53,983.1	62,854.2	53,983.1	62,854.2	16.43%
<b>Liabilities</b>	<b>26,765.5</b>	<b>30,487.9</b>	<b>26,765.5</b>	<b>30,487.9</b>	<b>13.91%</b>
Deferred inflow s of resources	2,728.7	6,500.3	2,728.7	6,500.3	138.22%
Total liabilities and deferred inflow s of resources	29,494.2	36,988.2	29,494.2	36,988.2	25.41%
<b>Net Position</b>					
Net investment in capital assets	19,549.1	20,955.7	19,549.1	20,955.7	7.20%
Restricted	2,252.0	2,300.4	2,252.0	2,300.4	2.15%
Unrestricted	2,687.8	2,609.9	2,687.8	2,609.9	-2.90%
<b>TOTAL NET POSITION</b>	<b>\$ 24,488.9</b>	<b>\$ 25,866.0</b>	<b>\$ 24,488.9</b>	<b>\$ 25,866.0</b>	<b>5.62%</b>

Note: Totals may not add due to rounding

For the year ended June 30, 2018, the largest portion of the District's net position is its net investment in capital assets of \$20,955,721 (e.g. land, buildings, and equipment, less accumulated depreciation and related outstanding debt used to acquire those assets). These assets are used to provide services to students and consequently are not available for

West Salem School District  
**Management's Discussion and Analysis - Continued**  
Year ended June 30, 2018

**Financial Analysis of the District as a Whole – Continued**

future spending. Restricted net position accounts for \$2,300,376 of total net position. The District is required by state statute to have available in the debt service fund an amount sufficient to make debt payments required between the beginning of the fiscal year (July 1) and receipt of the first tax payments (normally January 20). The restricted net position is comprised of amounts of \$177,960 restricted for debt service and \$2,122,416 restricted for other activities. Unrestricted net position for the District accounts for the final \$2,609,933 of total net position.

	Governmental Activities		Total School District		Total % Change
	2016-2017	2017-2018	2016-2017	2017-2018	
<b>Revenues</b>					
Program revenues					
Charges for services	\$ 854.9	\$ 856.3	\$ 854.9	\$ 856.3	0.16%
Operating grants & contributions	1,978.9	1,900.20	1,978.9	1,900.2	-3.98%
Capital grants & contributions	440.8	500.0	440.8	500.0	13.43%
General revenues					
Property taxes	7,880.2	8,047.0	7,880.2	8,047.0	2.12%
State and federal aid	12,137.7	12,777.9	12,137.7	12,777.9	5.27%
Gain on sale of fixed assets	19.7	284.1	19.7	284.1	1342.13%
Other	72.7	241.8	72.7	241.8	232.60%
<b>Total revenues</b>	<b>23,384.9</b>	<b>24,607.3</b>	<b>23,384.9</b>	<b>24,607.3</b>	<b>5.23%</b>
<b>Expenses</b>					
Instruction	11,603.8	11,815.6	11,603.8	11,815.6	1.83%
Pupil & instructional services	1,719.2	1,946.5	1,719.2	1,946.5	13.22%
General & Building Administration	1,425.4	1,348.6	1,425.4	1,348.6	-5.39%
Business Administration	3,148.6	3,061.2	3,148.6	3,061.2	-2.78%
Central	891.4	943.1	891.4	943.1	5.80%
Debt service	479.5	706.3	479.5	706.3	47.30%
Community service	93.7	120.6	93.7	120.6	28.71%
Food service	1,022.2	1,041.1	1,022.2	1,041.1	1.85%
Insurance	214.4	258.2	214.4	258.2	20.43%
Depreciation	673.5	641.4	673.5	641.4	-4.77%
Other	1,159.3	1,272.7	1,159.3	1,272.7	9.78%
<b>Total expenses</b>	<b>22,431.0</b>	<b>23,155.3</b>	<b>22,431.0</b>	<b>23,155.3</b>	<b>3.23%</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 953.9</b>	<b>\$ 1,452.0</b>	<b>\$ 953.9</b>	<b>\$ 1,452.0</b>	
Note: Totals may not add due to rounding					

Table 2 provides summarized operating results and their impact on net position. Governmental activities increased the financial position of the District by \$1,451,973.

West Salem School District  
**Management's Discussion and Analysis - Continued**  
 Year ended June 30, 2018

**Financial Analysis of the District as a Whole – Continued**

The District relies primarily on property taxes (35%), unrestricted state and federal aids (55%) and operating grants and contributions (8%) to fund governmental activities.

Table 3 presents the cost of the major District activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

<b>Table 3</b>							
<b>Net Cost of Government Activities</b>							
(in thousands of dollars)							
	Total Cost of Services			Percentage Change	Net Cost of Services		Percentage Change
	2016-2017	2017-2018			2016-2017	2017-2018	
<b>Expenses</b>							
Instruction	\$ 11,603.8	\$ 11,815.6		2%	\$ 10,442.1	\$ 10,592.5	1%
Pupil & instructional services	1,719.2	1,946.5		13%	1,381.4	1,685.4	18%
General & Building Administration	1,425.4	1,348.6		-5%	1,425.2	1,348.6	-6%
Business Administration	3,148.6	3,061.2		-3%	2,565.8	2,418.5	-6%
Central	891.4	943.1		6%	887.9	943.1	6%
Debt service	479.5	706.3		47%	479.5	706.3	32%
Community service	93.7	120.6		29%	34.1	94.4	64%
Food service	1,022.2	1,041.1		2%	35.5	33.3	-7%
Insurance	214.4	258.2		20%	214.4	254.1	16%
Depreciation	673.5	641.4		-5%	673.5	641.4	-5%
Other	1,159.3	1,272.7		10%	1,017.1	1,181.2	14%
<b>TOTAL EXPENSES</b>	<b>\$ 22,431.0</b>	<b>\$ 23,155.3</b>			<b>\$ 19,156.5</b>	<b>\$ 19,898.8</b>	

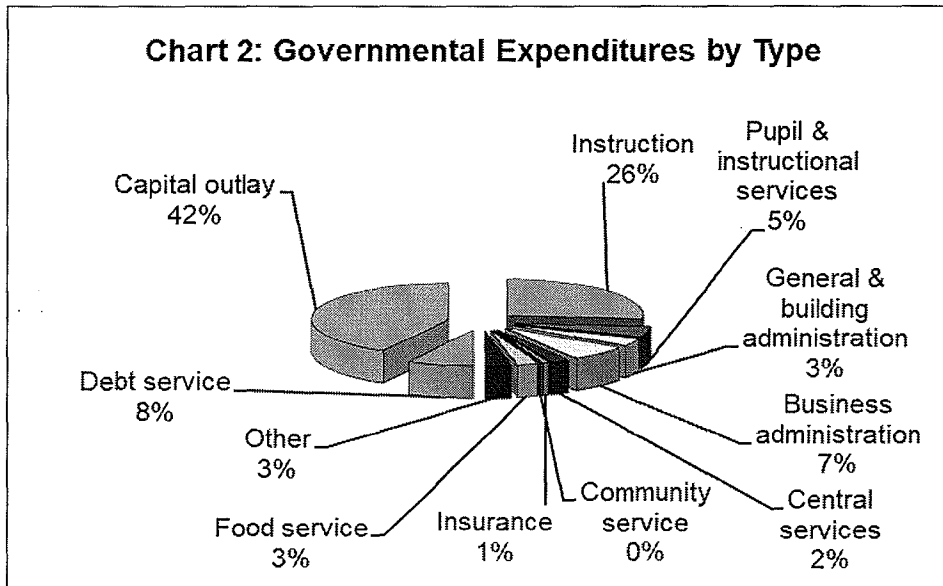
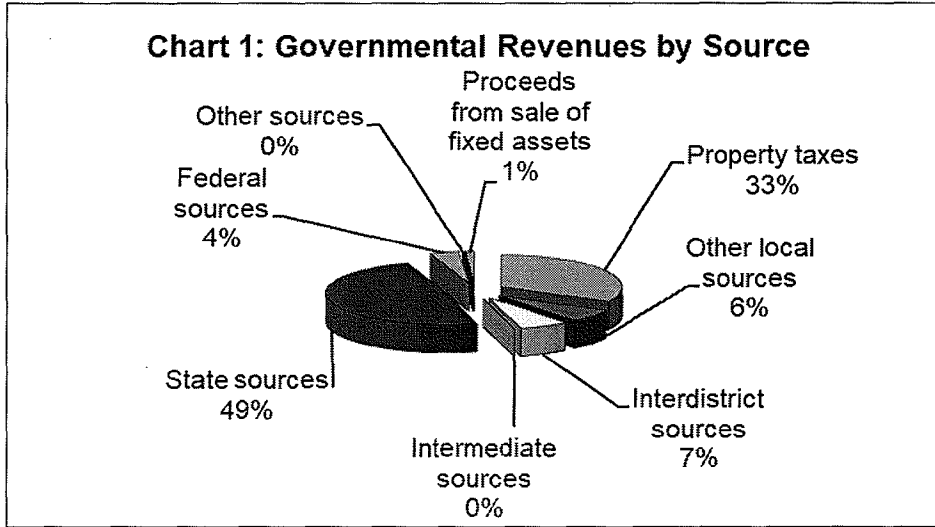
Note: Totals may not add due to rounding

The cost of all governmental activities this year was \$23,155,362. Individuals who directly participated or benefited from a program offering paid \$856,347 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$2,400,151. The net cost of governmental activities of \$19,898,864 was financed by general revenues of the District.

West Salem School District  
**Management's Discussion and Analysis - Continued**  
 Year ended June 30, 2018

**Financial Analysis of the District's Governmental Fund Statements**

The composition of governmental revenues by source are illustrated in Chart 1 below. Chart 2 details governmental expenditures by type.



West Salem School District  
**Management's Discussion and Analysis - Continued**  
 Year ended June 30, 2018

**Financial Aspect of the District's Fund Balance**

The District completed the year with a total governmental fund balance of \$12,041,497. The fund balance decreased \$10,637,753 from last year's ending funding balance of \$22,679,250. Important factors affecting fund balance include:

- Decrease in debt service fund balance of \$316,165 for debt service payments
- Decrease in capital projects fund balance of \$10,235,863 due to referendum approved construction of the middle school addition along with other campus expansions.

**General Fund Budgetary Highlights**

The District reviews an interim budget in May for the subsequent year (beginning July 1<sup>st</sup>). Consistent with current state statutes and regulations an *original* budget is adopted in October, following determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified. The District modified its original expenditure budget in 2017-18 by a net of \$341,893 that included increased revenues and reallocations between building budgets mainly due to reinvesting in our technology for students.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of fiscal year 2018, the District had invested \$61,947,267 in capital assets, including buildings, sites, library books, and equipment (See Table 4). Total accumulated depreciation on these assets equaled \$20,724,268. Asset acquisitions for governmental activities totaled \$17,501,910. The District recognized depreciation expense of \$1,895,147 for the year ended June 30, 2018. Detailed information about capital assets can be found in Note 6 to the financial statements.

<b>Table 4</b>		
<b>Capital Assets</b>		
(net of depreciation, in thousands of dollars)		
	Governmental Activities	
	<u>2016-2017</u>	<u>2017-2018</u>
Land and site		
improvements	\$ 4,633.14	\$ 4,640.15
Buildings & building improvements	32,952.55	32,952.55
Equipment & furniture	7,167.19	7,555.71
Construction in process	797.48	16,798.85
Accumulated depreciation	<u>(19,934.13)</u>	<u>(20,724.27)</u>
<b>TOTAL</b>	<b>\$ <u>25,616.23</u></b>	<b>\$ <u>41,222.99</u></b>

Note: Totals may not add due to rounding

West Salem School District  
**Management's Discussion and Analysis - Continued**  
 Year ended June 30, 2018

**Long-Term Debt**

At year-end, the District had \$28,044,202 in general obligation bonds and capital leases payable – a net increase of \$3,688,115 from July 1, 2017. During the year, the School District issued \$5,100,000 of general obligation promissory notes which includes \$4,600,000 for the renovations and additions at the current middle school, campus and facility renovations and also renovations and infrastructure improvements at the elementary school. The additional \$500,000 is to be used in the additional space for the high school auto shop.

Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated to the debt service fund for annual debt service payments.

<b>Table 5</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>Total School District</b>			
	<u>As Restated</u>		Total
	<u>2016-2017</u>	<u>2017-2018</u>	Percentage
			Change
General obligation debt	\$ 24,356.09	\$ 28,044.20	13.15%
Other	<u>1,654.15</u>	<u>(1,255.50)</u>	231.75%
<b>TOTAL</b>	<u>\$ 26,010.24</u>	<u>\$ 26,788.70</u>	2.91%

**Factors Bearing on the District's Future**

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

- The impact of the continued current state fiscal practices.
- Revenue limit projected to remain relatively flat for next five years.
- State aid allocations decreasing based on increasing property values causing local tax levies to increase.
- Anticipated need for operational referendum as employee salary and benefit costs continue to rise along with additional replacement and maintenance costs needed.
- Local Pay-As-You-Go OPEB costs will end in 2019.
- Further decreases in federal grant dollars for Title I, Title IIA, IDEA, and Pre-School Grants.

**Contacting the District's Financial Management**

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Director of Finance (608) 786-0700, School District of West Salem, 405 E. Hamlin St, West Salem, WI 54669.



FINANCIAL SECTION

School District of West Salem  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
<b>Current assets</b>	
Cash and investments	\$ 10,189,168
Receivables	
Taxes	2,309,360
Accounts	285,582
Due from other funds	16,790
Due from other governments	389,901
Prepaid expenses	5,335
Total current assets	13,196,136
<b>Noncurrent assets</b>	
Capital assets not being depreciated	18,969,449
Property, plant and equipment, net of depreciation	22,253,550
Net capital assets	41,222,999
Net pension asset - WRS	2,033,385
Net supplemental pension asset	333,277
Total noncurrent assets	43,589,661
Total assets	56,785,797
<b>Deferred outflows of resources</b>	
Pension plan - WRS	5,573,286
Other post-employment benefits	483,670
Supplemental pension	11,528
	6,068,484
<b>Total assets and deferred outflows of resources</b>	<b>\$ 62,854,281</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Current portion of long-term obligations	\$ 1,070,295
Bank overdraft	22,753
Accounts payable	690,627
Accrued liabilities	
Payroll, payroll taxes, and employee benefits	405,225
Interest	177,934
Unearned revenue	36,034
Total current liabilities	2,402,868
<b>Noncurrent liabilities</b>	
Noncurrent portion of long-term obligations	28,085,068
Total liabilities	30,487,936
<b>Deferred inflows of resources</b>	
Pension plan - WRS	6,158,559
Other post-employment benefits	49,366
Premium on bonded debt refinancing	292,390
	6,500,315
<b>Net position</b>	
Net investment in capital assets	20,955,721
Restricted	
Debt service	177,960
Other activities	2,122,416
Unrestricted	2,609,933
Total net position	25,866,030
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 62,854,281</b>

The accompanying notes are an integral part of this statement.

School District of West Salem  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental activities</b>					
<b>Current</b>					
<b>Instruction</b>					
Regular instruction	\$ 8,218,199	\$ -	\$ 181,925	\$ -	\$ (8,036,274)
Vocational instruction	421,321	-	93,284	-	(328,037)
Special education instruction	2,122,450	-	779,146	-	(1,343,304)
Other instruction	1,053,666	166,397	2,400	-	(884,869)
Total instruction	<u>11,815,636</u>	<u>166,397</u>	<u>1,056,755</u>	<u>-</u>	<u>(10,592,484)</u>
<b>Support services</b>					
Pupil services	856,556	-	153,206	-	(703,350)
Instructional staff services	1,090,041	2,319	105,679	-	(982,043)
General administration services	402,612	-	-	-	(402,612)
School administration services	945,958	-	-	-	(945,958)
Business administration services	3,061,218	14,485	128,193	500,000	(2,418,540)
Central services	943,064	-	-	-	(943,064)
Insurance	258,153	-	4,014	-	(254,139)
Community services	120,550	26,107	-	-	(94,443)
Other support services	2,573	-	2,573	-	-
Food service	1,041,114	647,039	360,791	-	(33,284)
Depreciation - unallocated **	641,434	-	-	-	(641,434)
Total support services	<u>9,363,273</u>	<u>689,950</u>	<u>754,456</u>	<u>500,000</u>	<u>(7,418,867)</u>
<b>Non-program</b>					
Other non-program	1,270,106	-	88,940	-	(1,181,166)
Total non-program	<u>1,270,106</u>	<u>-</u>	<u>88,940</u>	<u>-</u>	<u>(1,181,166)</u>
<b>Debt service</b>					
	<u>706,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(706,347)</u>
Total school district	<u>\$ 23,155,362</u>	<u>\$ 856,347</u>	<u>\$ 1,900,151</u>	<u>\$ 500,000</u>	<u>(19,898,864)</u>
<b>General revenues</b>					
Property taxes					
General purposes					5,493,644
Mobile home taxes					43,683
Community services					109,500
Debt services					2,400,182
State and federal aids not restricted to specific functions					
General					10,444,843
Other					2,333,029
Interest and investment earnings					196,563
Gain on sale of fixed assets					284,137
Miscellaneous					45,256
Total general revenues					<u>21,350,837</u>
<b>Change in net position</b>					1,451,973
Net position at July 1, 2017 - as restated					<u>24,414,057</u>
Net position at June 30, 2018					<u>\$ 25,866,030</u>

\*\* This amount excludes the depreciation that is included in the direct expenses to various functions. See Note 6.

The accompanying notes are an integral part of this statement.

School District of West Salem  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	General Fund	Debt Service Funds	Capital Projects Fund	Other Governmental Funds	Total
<b>Assets</b>					
Cash and investments	\$ 744,656	\$ 372,167	\$ 8,704,622	\$ 367,723	\$ 10,189,168
Receivables					
Taxes	2,309,360	-	-	-	2,309,360
Accounts	284,192	-	-	1,390	285,582
Due from other funds	16,790	276,117	-	-	292,907
Due from other governments	384,183	-	-	5,718	389,901
Prepaid expenses	5,335	-	-	-	5,335
Total assets	<u>\$ 3,744,516</u>	<u>\$ 648,284</u>	<u>\$ 8,704,622</u>	<u>\$ 374,831</u>	<u>\$ 13,472,253</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Bank overdraft	\$ 22,753	\$ -	\$ -	\$ -	\$ 22,753
Accounts payable	35,581	-	651,581	3,465	690,627
Accrued liabilities					
Payroll, payroll taxes, and employee benefits	395,925	-	-	9,300	405,225
Due to other funds	-	-	276,117	-	276,117
Unearned revenue	3,467	-	-	32,567	36,034
Total liabilities	<u>457,726</u>	<u>-</u>	<u>927,698</u>	<u>45,332</u>	<u>1,430,756</u>
<b>Fund balances</b>					
Restricted	12,852	648,284	7,776,924	329,499	8,767,559
Unrestricted					
Unassigned	3,273,938	-	-	-	3,273,938
Total fund balances	<u>3,286,790</u>	<u>648,284</u>	<u>7,776,924</u>	<u>329,499</u>	<u>12,041,497</u>
Total liabilities and fund balances	<u>\$ 3,744,516</u>	<u>\$ 648,284</u>	<u>\$ 8,704,622</u>	<u>\$ 374,831</u>	<u>\$ 13,472,253</u>

The accompanying notes are an integral part of this statement.

School District of West Salem  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
June 30, 2018

Fund balance - governmental funds \$ 12,041,497

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

Capital assets used in government activities are not financial resources and therefore not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are as follows:

Governmental capital assets	\$ 61,947,267	
Governmental accumulated depreciation	<u>(20,724,268)</u>	41,222,999

Deferred outflows of resources represent consumption of net position that apply to future periods and therefore are not reported in the fund statements.

Deferred outflows of resources consist of:

Pension plan - WRS	5,573,286	
Other post-employment benefits	483,670	
Supplemental pension plan	<u>11,528</u>	
Total pension plans		6,068,484

Long term liabilities, including bonds and notes payable, are not due in the current period and therefore 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 as follows:

General obligation debt	(26,830,000)	
Capital leases payable	(1,214,202)	
Accrued interest on general obligation debt	(177,934)	
Compensated absences	(80,686)	
Net pension asset - WRS	2,033,385	
Supplemental pension asset	333,277	
Net OPEB liability	<u>(1,030,475)</u>	(26,966,635)

Deferred inflows of resources are acquisitions of net position that are applicable to future reporting periods and therefore are not reported in the fund statements.

Deferred inflows of resources consist of:

Pension plan - WRS	(6,158,559)	
Other post-employment benefits	(49,366)	
Premium on bonded debt refinancing	<u>(292,390)</u>	<u>(6,500,315)</u>

<b>Total net position - governmental activities</b>		<b>\$ <u>25,866,030</u></b>
---	--	-----------------------------

The accompanying notes are an integral part of this statement.

School District of West Salem  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year ended June 30, 2018

	General Fund	Debt Service Funds	Capital Projects Fund	Other Governmental Funds	Total
<b>Revenues</b>					
Property taxes	\$ 5,537,327	\$ 2,400,182	\$ -	\$ 109,500	\$ 8,047,009
Other local sources	209,359	52	679,108	697,420	1,585,939
Interdistrict sources	1,610,302	-	-	15,775	1,626,077
Intermediate sources	23,017	-	-	-	23,017
State sources	11,999,438	-	-	12,550	12,011,988
Federal sources	602,357	-	-	347,741	950,098
Other sources	56,378	-	-	300	56,678
<b>Total revenues</b>	<b>20,038,178</b>	<b>2,400,234</b>	<b>679,108</b>	<b>1,183,286</b>	<b>24,300,806</b>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instruction</b>					
Regular instruction	7,324,179	-	-	2,992	7,327,171
Vocational instruction	423,254	-	-	3,404	426,658
Special instruction	2,137,608	-	-	-	2,137,608
Other instruction	1,060,012	-	-	2,400	1,062,412
<b>Total instruction</b>	<b>10,945,053</b>	<b>-</b>	<b>-</b>	<b>8,796</b>	<b>10,953,849</b>
<b>Support services</b>					
Pupil services	868,295	-	-	300	868,595
Instructional staff services	1,095,258	-	-	-	1,095,258
General administration services	404,922	-	-	-	404,922
Building administration services	954,465	-	-	-	954,465
Business administration services	2,839,620	-	-	1,957	2,841,577
Central services	943,754	-	-	-	943,754
Insurance	217,109	-	41,044	-	258,153
Community service	-	-	-	120,550	120,550
Other support services	-	-	-	2,573	2,573
Food service	-	-	-	1,018,471	1,018,471
<b>Total support services</b>	<b>7,323,423</b>	<b>-</b>	<b>41,044</b>	<b>1,143,851</b>	<b>8,508,318</b>
<b>Non-program services</b>	1,270,106	-	-	-	1,270,106
<b>Debt service</b>	519,158	2,721,437	-	-	3,240,595
<b>Capital outlay</b>	1,520,973	-	15,973,927	7,010	17,501,910
<b>Total expenditures</b>	<b>21,578,713</b>	<b>2,721,437</b>	<b>16,014,971</b>	<b>1,159,657</b>	<b>41,474,778</b>
Excess (deficiency) of revenues over expenditures	(1,540,535)	(321,203)	(15,335,863)	23,629	(17,173,972)
<b>Other financing sources (uses)</b>					
Inception of capital lease	1,147,044	-	-	-	1,147,044
Proceeds from bonds	-	-	5,100,000	-	5,100,000
Proceeds from bond premium	-	5,038	-	-	5,038
Transfer (to) from other funds	(2,500)	-	-	2,500	-
Proceeds from sale of fixed assets	284,137	-	-	-	284,137
	<b>1,428,681</b>	<b>5,038</b>	<b>5,100,000</b>	<b>2,500</b>	<b>6,536,219</b>
<b>Net change in fund balances</b>	<b>(111,854)</b>	<b>(316,165)</b>	<b>(10,235,863)</b>	<b>26,129</b>	<b>(10,637,753)</b>
Fund balances at July 1, 2017 - as restated	3,398,644	964,449	18,012,787	303,370	22,679,250
Fund balances at June 30, 2018	<u>\$ 3,286,790</u>	<u>\$ 648,284</u>	<u>\$ 7,776,924</u>	<u>\$ 329,499</u>	<u>\$ 12,041,497</u>

The accompanying notes are an integral part of this statement.

School District of West Salem  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
 Year ended June 30, 2018

**Net change in fund balances - total governmental funds** \$ (10,637,753)

Amounts reported for governmental fund statements and the statement of activities are different because:

The acquisition of capital assets are reported in the governmental fund statements 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 as expenditures in governmental fund statements	\$ 17,501,910	
Depreciation expense reported in the statement of activities	(1,895,147)	
Proceeds from sale of fixed assets	(284,137)	
Gain on disposal of fixed assets	<u>284,137</u>	15,606,763

Vested employee benefits are reported in the governmental fund statements when amounts are paid. The statement of activities reports the value of benefits earned during the year:

Special termination benefits paid in current year	1,194	
Special termination benefits earned in current year	<u>-</u>	1,194

Proceeds from current year debt issues are reported as revenue in the governmental funds, but are reported as long-term debt in the statement of net position and does not affect the statement of activities.

The amount of proceeds from new debt issues in the current year is: (6,247,044)

Premiums on current year debt issues are reported as revenue in the governmental funds, but are amortized over the life of the bond on the statement of activities and the remaining premium is recorded as a liability on the statement of net position.

Current year premiums on new debt	(5,038)	
Current year amortization of bond premium	<u>22,392</u>	17,354

Repayments of principal on long-term debt are reported in the governmental fund statements as expenditures, but are reported as a reduction in long-term debt in the statement of net position. There is no affect on the statement of activities.

The amount of long-term debt principal payments in the current year is: 2,558,929

School District of West Salem  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES - CONTINUED**  
 Year ended June 30, 2018

Pension and other post-employment benefit (OPEB) expense reported in the governmental funds represents current year required contributions into the defined benefit pension and OPEB plans. Pension and OPEB expense in the Statement of Activities is actuarially determined by the defined benefit pension and OPEB plans as the difference between the pension liability (asset) and OPEB liability from the prior year to the current year, with some adjustments.

Amount of current year required contributions into the defined benefit pension plan	\$ 699,490	
Actuarially determined change in net pension liability (asset) between years, with adjustments	(834,414)	
Payments made into the District's OPEB plan during the year	227,524	
Actuarially determined change in net OPEB liability between years, with adjustments	(194,855)	
Payments made into the District's supplemental pension plan during the year	-	
Actuarially determined change in net supplemental pension liability (asset) between years, with adjustments	279,466	\$ 177,211

In governmental fund statements, 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 year	663,803	
The amount of interest accrued during the current year	(688,484)	(24,681)

**Change in net position - governmental activities** **\$ 1,451,973**

The accompanying notes are an integral part of this statement.



School District of West Salem  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2018

	Student Activities	Scholarship Funds	Employee Benefit Trust	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 292,590	\$ 290,868	\$ 1,587,678	\$ 2,171,136
Beneficial interest in perpetual trust	-	263,391	-	263,391
Total assets	\$ 292,590	\$ 554,259	\$ 1,587,678	\$ 2,434,527
<b>Liabilities</b>				
Due to other funds	\$ 16,790	\$ -	\$ -	\$ 16,790
Due to student organizations	275,800	-	-	275,800
	292,590	-	-	292,590
<b>Net position</b>				
Nonspendable	-	283,391	-	283,391
Restricted for scholarships	-	270,868	-	270,868
Restricted for employee post-employment benefits	-	-	1,587,678	1,587,678
Total net position	-	554,259	1,587,678	2,141,937
Total liabilities and net position	\$ 292,590	\$ 554,259	\$ 1,587,678	\$ 2,434,527

**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
Year ended June 30, 2018

<b>Additions</b>				
Gifts and contributions	\$ -	\$ 19,887	\$ -	\$ 19,887
Interest income	-	10,788	24,390	35,178
Change in interest in perpetual trust	-	4,343	-	4,343
Employee trust fund contribution	-	-	227,524	227,524
	-	35,018	251,914	286,932
<b>Deductions</b>				
Scholarships awarded	-	20,854	-	20,854
Employee benefits	-	-	355,804	355,804
	-	20,854	355,804	376,658
<b>Net change in position</b>	-	14,164	(103,890)	(89,726)
Net position at beginning of year	-	540,095	1,691,568	2,231,663
Net position at end of year	\$ -	\$ 554,259	\$ 1,587,678	\$ 2,141,937

The accompanying notes are an integral part of these statements.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS**  
Year ended June 30, 2018

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

**A. Introduction**

The School District of West Salem (the "District") is organized as a common school district. The District, governed by a seven-member elected school board, operates grades kindergarten through 12 and is comprised of all or parts of eleven taxing districts.

The financial statements of the School District of West Salem have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental 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.

**B. Component Units**

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the financial statements. It was determined that the District has no component units, and it is not included in any other governmental reporting entity.

**C. Basis of Presentation**

**District-wide Statements** - The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety except those that are fiduciary. 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 and users of the goods and services. The District has no business-type activities.

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 or services offered by the programs; and

School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Basis of Presentation - Continued**

**District-wide Statements - Continued**

(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, proprietary, and fiduciary -- are presented, if applicable. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The District has no proprietary funds.

The District reports the following major governmental funds:

**General fund** - This is the District's primary operating fund. It accounts for all financial activity not required to be accounted for in another fund.

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

**Capital projects fund** - This fund accounts for resources from long-term borrowing, segregated tax levy and other designated revenues used for the acquisition, construction and maintenance of capital facilities and other fixed assets.

**Fiduciary funds (not included in the District-Wide Statements)**

The District operates the following fiduciary funds:

**Employee Benefit Trust Fund** - This is a separate accounting fund for reporting resources set aside and held in a trust arrangement for post-employment benefits. The District established this fund in the 2006-2007 school year.

**Scholarship Fund** - The scholarship fund is used to account for resources legally held in trust for student scholarships.

**Student Activities Fund** - The District accounts for its Student Activity Fund as an agency fund. The agency fund is used to account for assets held by the District as an agent for student organizations.

School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. 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.

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. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general 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 position 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.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**E. 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 the financial statements. Cash and investment balances for individual funds are pooled unless regulations require separate investment accounts.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

All investments are stated at fair market value. Determination of fair value for investment in the state treasurer's investment pool is based on information provided by the State of Wisconsin Investment Board.

**F. Receivables and Payables**

The aggregate District tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of February, the collecting municipalities pay proportionate shares of tax collections received through the last day of the preceding month to the District. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Any amounts reported on the statement of net position for due to and due from other funds represents amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**G. Other Assets**

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as expenditures would result in more than one year's cost being recorded. Prepaid supplies are valued at cost.

**H. Capital Assets**

Capital assets with a minimum cost of \$5,000 are reported at actual cost where possible; otherwise estimated cost was used based on District estimates of original cost. Donated assets are reported at estimated fair market value on the date received.

Depreciable assets are depreciated over their useful lives by the straight-line method. Estimated useful lives are as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furniture and equipment	5-20 years
Licensed vehicles	8 years

**I. 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 corresponding salaries or wages are accrued.

**J. Deferred Outflows and 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 represents an acquisition of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has one item related to its pension plan, one for its supplemental pension plan and one for its OPEB liability that qualify for reporting in this category.

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 represents a consumption of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has one item related to its pension plan, one for its other post-employment benefits and one for premiums paid on bonded debt refinancing that qualify for reporting in this category.

School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**K. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

The District's policy allows employees to earn varying amounts of vacation pay each year depending on the total number of years employed. Vacation pay is granted on July 1 of the ensuing year and is not cumulative.

The District's policy allows twelve-month employees to earn and accumulate 12 days of sick leave and school-year employees to earn and accumulate 10 days of sick leave for each year of service up to 120 days. At retirement, all accumulated sick leave days from the date of hire shall be paid at 25%-50% of the current substitute per day pay rate based on the number of years of service with the District.

As provided in the employee handbooks, qualified employees meeting minimum age and length of service requirements may be eligible for certain pension and other post-employment benefits directly from the District. See Footnote 10 for further post-employment benefits explanation.

**L. Unearned Revenue**

The District maintains prepaid family lunch accounts for student lunches and the District records these balances as unearned revenue. The District also collects fees from students for computer equipment taken home during the school year. These fees are accumulated as a liability when collected and the liability is reduced when used for repairs and replacements as necessary.

**M. Net Position Classification**

The District classifies its net position as follows:

- a. Net investment in capital assets represents the net depreciated value of capital assets less any remaining debt owed that was incurred to finance the acquisition of such assets.
- b. Restricted net position indicates that portion of net position that has been legally segregated for specific purposes.
- c. Unrestricted net position indicates that portion of net position for which the District has no legal financial obligation.

It is the District's policy to use restricted resources first, followed by unrestricted resources as needed when both become available.

School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**N. Fund Balance Classification**

The District classifies its fund balance as follows:

- a. Unrestricted, unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. The District has adopted a minimum fund balance policy which states, "It is the goal of the District to maintain an end of the year General Fund (Fund 10) balance, amounting to between 12% and 17% of the next year's budgeted expenditures".
- b. Unrestricted, assigned fund balances include amounts that can be spent only for specific purposes stipulated by representatives designated by the board.
- c. Unrestricted, committed fund balances include amounts that can be spent only for specific purposes approved by the board.
- d. Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use).

Fund balance classifications for restricted and all categories of unrestricted amounts are considered to have been spent when an expenditure is incurred.

When the District incurs an expenditure for purposes which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.



School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**O. Budgetary Accounting**

Budgets are adopted each fiscal year for all funds in accordance with Wisconsin state statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the two-digit sub-function level in the general fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

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

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

**P. Estimates**

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

**Q. Subsequent Events**

The District has evaluated subsequent events through November 26, 2018, the date on which the financial statements were available to be issued.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown in the columns on the following page represent:

- a. Long-term revenue differences that arise because governmental funds report revenues only when they are considered "available," whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expense adjustments report the differences between the two accounting methods used in recognizing vested employee benefits.
- b. Capital asset related differences between recording expenditures for the purchase of capital items in the governmental fund statements versus increasing non-current assets on the statement of net position and recording depreciation expense on all capital items in the statement of activities.
- c. Long-term debt transaction differences that occur because proceeds from debt issues and both interest and principal debt payments are recorded as revenues or expenditures, as applicable, in the governmental fund statements, whereas debt proceeds or principal payments are recorded as an increase or decrease, as applicable, in the statement of net position, and interest expense is recorded in the statement of activities as incurred.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

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

	Total Governmental Funds	Long-term Revenue/ Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Total
Revenues and other sources					
Property taxes	\$ 8,047,009	\$ -	\$ -	\$ -	\$ 8,047,009
Other local sources	1,585,939	-	-	-	1,585,939
Interdistrict sources	1,626,077	-	-	-	1,626,077
Intermediate sources	23,017	-	-	-	23,017
State sources	12,011,988	-	-	-	12,011,988
Federal sources	950,098	-	-	-	950,098
Other sources	56,678	-	-	-	56,678
Amortization of bond premium	-	-	-	22,392	22,392
Proceeds from borrowing	6,247,044	-	-	(6,247,044)	-
Proceeds from bond premium	5,038	-	-	(5,038)	-
Proceeds from sale of fixed assets	284,137	-	(284,137)	-	-
Gain on sale of fixed assets	-	-	284,137	-	284,137
Total revenues	<u>30,837,025</u>	<u>-</u>	<u>-</u>	<u>(6,229,690)</u>	<u>24,607,335</u>
Expenditures					
Current					
Instruction					
Regular instruction	7,327,171	(124,837)	1,015,865	-	8,218,199
Vocational instruction	426,658	(5,337)	-	-	421,321
Special instruction	2,137,608	(15,158)	-	-	2,122,450
Other instruction	1,062,412	(8,746)	-	-	1,053,666
Support services					
Pupil	868,595	(12,039)	-	-	856,556
Instructional staff	1,095,258	(5,217)	-	-	1,090,041
General administration	404,922	(2,310)	-	-	402,612
Building administration	954,465	(8,507)	-	-	945,958
Business administration	2,841,577	2,943	216,698	-	3,061,218
Central	943,754	(690)	-	-	943,064
Insurance	258,153	-	-	-	258,153
Community service	120,550	-	-	-	120,550
Other support services	2,573	-	-	-	2,573
Food service	1,018,471	1,493	21,150	-	1,041,114
Non-program	1,270,106	-	-	-	1,270,106
Depreciation - unallocated**	-	-	641,434	-	641,434
Debt service	3,240,595	-	-	(2,534,248)	706,347
Capital outlay	17,501,910	-	(17,501,910)	-	-
Total expenditures	<u>41,474,778</u>	<u>(178,405)</u>	<u>(15,606,763)</u>	<u>(2,534,248)</u>	<u>23,155,362</u>
Net change for the year	<u>\$ (10,637,753)</u>	<u>\$ 178,405</u>	<u>\$ 15,606,763</u>	<u>\$ (3,695,442)</u>	<u>\$ 1,451,973</u>

\*\* This amount excludes the depreciation that is included in the direct expenses to various functions. See Note 6.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
 Year ended June 30, 2018

**NOTE 3 - CASH AND INVESTMENTS**

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

Statements of net position	
Governmental activities	\$10,166,415
Fiduciary funds	<u>2,171,136</u>
	<u>\$12,337,551</u>

Cash and investments as of June 30, 2018 consist of the following:

	Carrying Amount	Bank Balance
Demand deposits	\$ 316,660	\$ 486,351
Passbook savings	15,324	15,324
Certificates of deposit	3,968,300	3,968,300
Petty cash	3,414	-
Registered group variable annuity contract - AUL fixed interest account	1,584,653	1,584,653
Equity mutual funds	199,494	199,494
Fixed income mutual funds	140,370	140,370
U.S. Treasury Notes	1,499,347	1,499,347
Reich & Tang IDEA	6,860	6,860
WISC - Investment Class	3,229,684	3,229,684
WISC - Cash Management Class	611	611
Local government investment pool	<u>1,372,894</u>	<u>1,372,894</u>
Total	<u>\$12,337,551</u>	<u>\$12,503,888</u>

**Investment Pool Information**

Participation in the State of Wisconsin Local Government Investment Pool (LGIP) is voluntary. The LGIP does not have a credit quality rating. The Pool is not registered with the Securities and Exchange Commission, but operated under the statutory authority of the State of Wisconsin. It is a part of the State of Wisconsin Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board (SWIB). Funds invested in the LGIP are due to the District on demand. The fair value of the District's position in the pool is the same as the value of the pool shares. At June 30, 2018, the pool's fair value was 100 percent of book value.

SWIB may invest in obligations of the U.S. Treasury and its agencies, commercial paper, bank time deposits/certificates of deposit, bankers' acceptances, and asset backed securities and repurchase agreements secured by the U.S. Government or its agencies and other instruments authorized under the SIF investment guidelines.

**Investments Authorized by the District's Investment Policy**

The District is required to invest its funds in accordance with Wisconsin Statutes 66.0603 and 67.11(2). The District's investment policy is to invest in authorized funds that maximize the returns on the District's cash balances consistent with the safety of those monies and with the desired liquidity of the investments.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's policy is to invest in funds that are available to the District at any time. The District has certificates of deposit with a weighted average maturity of 1.54 months.

The District has investments with Trust Point with various maturities. The maturities are as follows:

Investment Type	Fair Value	Weighted Average Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Equity mutual funds	\$ 199,494	\$ 199,494	\$ -	\$ -	\$ -
Fixed income mutual funds	140,370	-	86,407	50,916	3,047
Reich & Tang IDEA	6,860	6,860	-	-	-
	<u>\$ 346,724</u>	<u>\$ 206,354</u>	<u>\$ 86,407</u>	<u>\$ 50,916</u>	<u>\$ 3,047</u>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District holds a registered group variable annuity contract from American United Life Insurance Company (AUL). This account is not FDIC insured. Principal and interest rate guarantees are subject to the claims paying ability of the insurance company. AUL's financial strength rating by A.M. Best is A+ (superior) based on ratings as of June 30, 2018. The Wisconsin Investment Series Cooperative (WISC) Investment Class is invested in U.S. governmental obligations, agencies, commercial paper and other short-term instruments. These funds are neither insured nor guaranteed by FDIC or any other governmental agency. The WISC Investment Class and Cash Management Class are rated AAAM (extremely strong) by Standard and Poor's (S&P) rating at June 30, 2018.

The District also holds equity and fixed income mutual funds through Trust Point. The fixed income mutual funds invest in bonds with various credit ratings. The underlying bonds in these funds are rated as follows by Morningstar:

Credit Rating	%
AAA	38.4%
AA	3.4%
A	5.9%
BBB	14.0%
BB	13.3%
B	16.4%
<B	3.4%
Not rated	5.2%
	<u>100.0%</u>

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

**Concentration of Credit Risk**

Concentration of credit risk is defined as an exposure to a number of counterparties engaged in similar activities and having similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The District's investment policy does not specifically address guidelines regarding concentration of credit risk.

**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 collateral securities that are in the possession of an outside party. The District does not have an investment policy that would limit the exposure to custodial credit risk for deposits. The District has securities pledged in its name to cover deposits exceeding federal depository insurance limits. The Wisconsin State Deposit Guarantee Fund provides coverage for uninsured and uncollateralized cash and investments for up to an additional \$400,000, but collection is not certain due to the limited size of the fund.

At June 30, 2018, the District had \$1,950,493 in deposits with financial institutions in excess of federal depository insurance (FDIC) limits that were collateralized. The District had \$151,182 of deposits in excess of FDIC and the Wisconsin State Guarantee Fund at June 30, 2018. Amounts varied during the fiscal year.

The custodial risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have an investment policy that would limit the exposure to custodial risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

	Cost at <u>June 30, 2018</u>	Market Value at <u>June 30, 2018</u>
Registered group variable		
annuity contract - AUL fixed		
interest account	\$ 1,547,513	\$ 1,584,653
Reich & Tang IDEA	6,861	6,861
Equity mutual funds	179,886	199,494
Fixed income		
mutual funds	142,974	140,370
WISC-IS	3,229,684	3,229,684
WISC-CMS	611	611
U.S. Treasury Note	1,499,347	1,499,347
Local Government		
Investment Pool	1,372,894	1,372,894
	<u>\$ 7,979,770</u>	<u>\$ 8,033,914</u>

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

**Fair Value Measurements**

The District uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Assets measured at fair value as of June 30, 2018 are:

	Level 1	Level 2	Level 3	Total
Registered group variable annuity contract - AUL fixed interest account	\$ -	\$ 1,584,653	\$ -	\$ 1,584,653
Equity mutual funds	199,494	-	-	199,494
Fixed income mutual funds	140,370	-	-	140,370
Reich & Tang IDEA	6,860	-	-	6,860
WISC-IS	-	3,229,684	-	3,229,684
WISC-CMS	-	611	-	611
U.S. Treasury Note	1,499,347	-	-	1,499,347
Local Government Investment Pool	-	1,372,894	-	1,372,894
	<u>\$ 1,846,071</u>	<u>\$ 6,187,842</u>	<u>\$ -</u>	<u>\$ 8,033,913</u>

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs-other than quoted prices included within level 1-that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**NOTE 4 - INTERFUND BALANCES**

Interfund payables and receivables for the year ended June 30, 2018 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Student Activities Fund	\$ 16,790
Debt Service Fund	Capital Projects Fund	276,117

**NOTE 5 - SHORT-TERM NOTES PAYABLE**

The District has no short-term notes payable at June 30, 2018. During the year, the District took out three short-term notes. The District borrowed \$3,750,000 and repaid \$3,750,000 during the year ended June 30, 2018. Interest expense for the fiscal year on short-term borrowing was \$17,863, including paying fiscal agent fees of \$0.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 6 - CAPITAL ASSETS**

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

	<u>Balances at July 1, 2017</u>	<u>Additions and Adjustments</u>	<u>Deletions and Adjustments</u>	<u>Balances at June 30, 2018</u>
<b>Governmental Activities</b>				
Assets not being depreciated:				
Land (non-depreciable)	\$ 2,170,597	\$ -	\$ -	\$ 2,170,597
Construction in process	797,480	16,001,372	-	16,798,852
	<u>2,968,077</u>	<u>16,001,372</u>	<u>-</u>	<u>18,969,449</u>
Land improvements	2,462,547	7,010	-	2,469,557
Buildings and building improvements	32,952,554	-	-	32,952,554
Furniture and equipment	7,167,190	1,493,528	1,105,011	7,555,707
Totals	<u>45,550,368</u>	<u>17,501,910</u>	<u>1,105,011</u>	<u>61,947,267</u>
Less accumulated depreciation				
Land improvements	1,155,035	93,954	-	1,248,989
Buildings and building improvements	13,568,437	599,451	-	14,167,888
Furniture and equipment	5,210,660	1,201,742	1,105,011	5,307,391
Totals	<u>19,934,132</u>	<u>1,895,147</u>	<u>1,105,011</u>	<u>20,724,268</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 25,616,236</u>	<u>\$ 15,606,763</u>	<u>\$ -</u>	<u>\$ 41,222,999</u>

Depreciation expense was allocated to governmental activities based on functional expense totals as they relate to total functional expenses in the following categories:

Regular instruction	\$ 1,015,865
Business administration services	216,698
Food service	21,150
Unallocated	641,434
	<u>\$ 1,895,147</u>



School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 7 - LONG-TERM OBLIGATIONS**

Long-term obligation balances and related activity for the year ended June 30, 2018 are as follows:

	As Restated Balances at July 1, 2017	Additions and Adjustments	Reductions and Adjustments	Balances at June 30, 2018
<b>Governmental Activities</b>				
General obligation bonds and notes payable	\$ 23,795,319	\$ 5,100,000	\$ 2,065,319	\$ 26,830,000
Capital lease payable	560,768	1,147,044	493,610	1,214,202
Supplemental pension benefits liability (asset)	(39,674)	13,067	306,670	(333,277)
Vacation and sick payable	81,880	-	1,194	80,686
Net pension liability (asset) - WRS	653,594	-	2,686,979	(2,033,385)
Post retirement health care & other benefits liability	958,345	514,957	442,827	1,030,475
Total governmental activity long-term obligations	<u>\$ 26,010,232</u>	<u>\$ 6,775,068</u>	<u>\$ 5,996,599</u>	<u>\$ 26,788,701</u>

The current portion (due within one year) of long-term obligations at June 30, 2018 consists of:

General obligation bonds	\$ 760,000
Capital leases payable	310,295
Total current portion of long-term obligations	<u>\$ 1,070,295</u>

Payments on bonds and notes are made from the Debt Service Fund. Payments on capital leases will be made from the General Fund. The benefit payments will be made by the General Fund and Food Service Fund.

Total interest accrued and paid, including fiscal agent fees of \$950 for the year ended June 30, 2018 is as follows:

	Accrued	Paid
Short-term borrowing	\$ 17,863	\$ 17,863
Long-term obligations	688,484	663,803
Totals	<u>\$ 706,347</u>	<u>\$ 681,666</u>

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 7 - LONG-TERM OBLIGATIONS - CONTINUED**

Description	Issue Dates	Interest Rates (%)	Dates of Maturity	Balance at June 30, 2018	Current Maturities
Refunding bonds	7/5/2016	1.25-2.00%	4/1/2022	\$ 3,095,000	\$ 760,000
School Improvement Bonds	12/21/2016	3.000-3.125%	4/1/2036	9,700,000	-
Corporate Purpose Bonds	4/6/2017	2.00-3.00%	4/1/2037	9,435,000	-
Promissory note	1/1/2018	2.05%-5.00%	4/1/2027	4,600,000	-
Total general obligation debt				<u>\$ 26,830,000</u>	<u>\$ 760,000</u>

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$895,856,664. The legal debt limit and margin of indebtedness as of June 30, 2018 in accordance with Wisconsin state statutes is as follows:

Debt limit (10% of \$895,856,664)	\$ 89,585,666
Deduct long-term debt applicable to debt margin	<u>26,830,000</u>
Margin of indebtedness	<u>\$ 62,755,666</u>

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

Year ended June 30	Principal	Interest	Total
2019	\$ 760,000	\$ 711,735	\$ 1,471,735
2020	770,000	696,533	1,466,533
2021	780,000	688,450	1,468,450
2022	865,000	679,480	1,544,480
2023	1,235,000	666,467	1,901,467
2024-2028	6,730,000	2,858,675	9,588,675
2029-2033	8,140,000	1,905,411	10,045,411
2034-2037	7,550,000	589,027	8,139,027
Totals	<u>\$ 26,830,000</u>	<u>\$ 8,795,778</u>	<u>\$ 35,625,778</u>

School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLAN**

***Summary of Significant Accounting Policies***

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

***General Information about the Pension Plan***

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

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

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

***Benefits provided.*** Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED**

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

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

During the reporting period, the WRS recognized \$683,822 in contributions from the employer.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED**

Contribution rates as of June 30, 2018 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers)	6.7%	6.7%
Executives & Elected Officials	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At June 30, 2018, the District reported a liability (asset) of (\$2,033,385) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.06848447%, which was a decrease of 0.00172334% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$875,004.

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

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,583,466	\$ 1,208,460
Changes in assumptions	401,757	-
Net differences between projected and actual earnings on pension plan investments	2,176,314	4,971,012
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,716	17,325
Employer contributions subsequent to the measurement date	395,033	-
<b>Total</b>	<b>\$ 5,573,286</b>	<b>\$ 6,196,797</b>

\$395,033 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019.

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

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2019	\$ 2,068,451	\$ 1,855,470
2020	\$ 1,830,586	\$ 1,849,787
2021	\$ 659,314	\$ 1,353,119
2022	\$ 614,988	\$ 1,138,421
2023	\$ 4,914	-

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED**

**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.

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

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

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED**

**Asset Allocation Targets and Expected Returns  
As of December 31, 2017**

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

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

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

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

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



School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED**

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$5,261,061	\$(2,033,385)	\$(7,577,390)

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

**Payables to the pension plan**

The District's payable to WRS as of June 30, 2018 was \$148,349 for its June 2018 required contributions.

**NOTE 9 - SUPPLEMENTAL PENSION PLAN**

**Plan Description.** The School District of West Salem provides a single-employer defined benefit supplemental pension benefit administered by the District to eligible administrators and teachers.

**Benefit Provided.** Retirees who retired before July 1, 2012: The pension benefit was available to full-time teachers and administrators who were 55 years old and had 20 years of service with the District. The pension benefit is a cash-in-lieu of benefits equal to 80% of medical premiums for teachers, based on the individual's years of service with the District. Retirees are permitted to take cash-in-lieu of benefits instead of insurance for any years within their post-employment benefit period. There is a survivor benefit.

**Employees covered by benefit terms.** At the June 30, 2017 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees eligible but not receiving benefits	2
Active employees	-
	<u>13</u>

School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 9 - SUPPLEMENTAL PENSION PLAN - CONTINUED**

*Funding Policy.* Payments under the plan are made into a Trust. The District pays the benefits out of their general fund and the Trust reimburses the District for its out of pocket costs. At June 30, 2018, the District has \$441,039 in its trust for its future supplemental pension liability. The general, special education and food service funds are used for funding of all pension/retirement benefits. The employer makes all contributions.

***Net Pension Liability***

The District's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017.

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

Salary increases	3.00%
Discount rate for valuing liabilities	3.50%*
Investment rate of return	3.50%*

\*Implicit in these rates is a 2.50% assumed  
rate of inflation

All of the demographic assumptions for the valuation, other than salary, payroll growth and expected discount rate, are approximately the same as those used in an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-14.

*Discount Rate.* A discount rate of 3.50% was used to measure the total pension liability, based on all projected payments discounted at a 3.50% long-term expected rate of return. The discount rate used in the valuation was based on the District's current assets, prior history of funding and expected future contributions. The valuation assumes the level of assets will always remain sufficient to pay future retiree benefits.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 9 - SUPPLEMENTAL PENSION PLAN - CONTINUED**

**Changes in Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at the beginning of the year	\$ 440,086	\$ 479,760	\$ (39,674)
Changes for the year:			
Interest	13,067	-	13,067
Differences between expected and actual experience	(293,610)	-	(293,610)
Changes of assumptions or other inputs	(540)	-	(540)
Contributions - employer	-	4,538	(4,538)
Net investment income	-	7,982	(7,982)
Benefit payments	(9,068)	(9,068)	-
Net changes	<u>(290,151)</u>	<u>3,452</u>	<u>(293,603)</u>
Balance at the end of the year	<u>\$ 149,935</u>	<u>\$ 483,212</u>	<u>\$ (333,277)</u>

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

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total pension liability	\$ 151,046	\$ 149,935	\$ 148,845
Fiduciary net position	483,212	483,212	483,212
Net pension liability	<u>\$ (332,166)</u>	<u>\$ (333,277)</u>	<u>\$ (334,367)</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary position is available from the District.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 9 - SUPPLEMENTAL PENSION PLAN - CONTINUED**

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

For the year ended June 30, 2018, the District recognized supplemental pension expense of \$(279,466). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to its supplemental pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	11,528	-
District contributions subsequent to the measurement date	-	-
	<u>\$ 11,528</u>	<u>\$ -</u>

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

Year ended June 30, 2019	\$ 3,972
2020	3,973
2021	2,333
2022	1,250
	<u>\$ 11,528</u>

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description.** The District administers a single-employer defined benefit healthcare plan. The plan provides post-retirement healthcare benefits for eligible retirees and their dependents through the District's group health insurance plan. The plan covers both active and retired participants. As of the actuarial valuation date of June 30, 2017, there were 283 active participants, 13 retirees receiving benefits and 4 retirees eligible, but not receiving benefits in the plan. Because claim costs are generally higher for retiree groups than for active employees, the premium amount does not represent the full cost of coverage for retirees. The resulting additional cost, or implicit subsidy, is required to be valued under GASB Statement 75 related to Other Post-Employment Benefits (OPEB). Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of the reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

A description of the single-employer benefit plan is as follows:

Retirees who retired before July 1, 2012: The OPEB benefit was available to full-time teachers and administrators who were 55 years old and had 20 years of service with the District. The OPEB benefit is equal to 80% of medical premiums for teachers and 100% of medical premiums for administrators for a duration of 5 to 7 years, based on the individual's years of service with the District.

Retirees who retire after July 1, 2012: The District will pay a benefit at retirement equal to \$2,000 per year for teachers (\$7,000 per year for Administrators) for a maximum of 30 years of service (15 years for Administrators). The teachers and administrators must be enrolled as a retiree with the WRS to be eligible for the OPEB benefit. Supervisors and other District staff with at least ten years of service with the District and enrollment with the WRS as a retiree will receive \$1,000 to \$6,000 for each year of service up to 15 to 30 years of service, depending on their position. See the District records for specific amounts per year of service and maximum years of service for each position. The benefit will be deposited at retirement into a Health Reimbursement Account (HRA) to be used only for eligible health insurance premiums through the District-sponsored plan or another provider. There is a survivor benefit.

**Funding Policy.** The District has established a trust fund to finance the cost of its OPEB. Expenditures for these benefits are recognized on a pay-as-you-go basis in the fund statements and on the full accrual basis using the valuation methods required by the Governmental Accounting Standards Board (GASB) in the District-wide statements. There is no obligation on the part of the District to fund these benefits in advance.

School District of West Salem  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
Year ended June 30, 2018

**NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - CONTINUED**

**Net Other Post-Employment Benefit Liability.** The net other post-employment benefit liability (NOL) was measured as of June 30, 2017 and the total other post-employment benefit liability was determined by an actuarial valuation as of June 30, 2017.

**Actuarial Methods and Assumptions.** The District engaged an actuary to perform a valuation as of June 30, 2017 using the entry age normal, level percent of salary actuarial cost method. The asset valuation method used was the market value and the amortization period used was 10 year, open level dollar.

The total other post-employment benefit liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.5%
General inflation	2.5%
Annual premium increase rate 2017-2018	7.5%
Decreasing .5% per year until 2036	5.0%
Out of pocket rate increases, depending on age	3.25%-4.00%

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

Retirement rates were calculated based on age and years of service. Current and future retirees eligible for the lump sum HRA contribution in retirement are assumed to remain enrolled in the plans in which they are currently enrolled. 20% of active employees not eligible for the District-paid contributions and currently electing coverage were assumed to elect Single coverage on the District's plan for the duration of COBRA by self-paying their medical premiums in retirement. There was an assumption of no impact of dependent children on the implicit subsidy.

The discount rate used to measure the total other post-employment benefit liabilities was 3.50%, based on the expected long-term yield on Trust assets.

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - CONTINUED**

**Change in the Net Other Post-Employment Benefit Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at the beginning of the year	\$ 2,070,548	\$ 1,112,203	\$ 958,345
Changes for the year:			
Service cost	190,745	-	190,745
Interest	60,580	-	60,580
Differences between expected and actual experience	263,632	-	263,632
Changes of assumptions or other inputs	(53,480)	-	(53,480)
Contributions - employer	-	365,046	(365,046)
Net investment income	-	24,301	(24,301)
Benefit payments	(293,194)	(293,194)	-
Net changes	<u>168,283</u>	<u>96,153</u>	<u>72,130</u>
Balance at the end of the year	<u>\$ 2,238,831</u>	<u>\$ 1,208,356</u>	<u>\$ 1,030,475</u>

**Sensitivity to Net Other Post-Employment Benefit Liability to changes in the discount and healthcare cost trend rates.** The following represents the net other post-employment benefit liability (NOL) of the District, calculated using the discount rate of 3.5 percent, as well as what the District's NOL would be if it was calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 2,346,000	\$ 2,238,831	\$ 2,132,867
Fiduciary net position	1,208,356	1,208,356	1,208,356
Net OPEB liability	<u>\$ 1,137,644</u>	<u>\$ 1,030,475</u>	<u>\$ 924,511</u>

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - CONTINUED**

The following presents the net other post-employment benefit liability (NOL) of the District, calculated using the healthcare cost trend rate of 7.5 percent decreasing to 5.0 percent, as well as what the District's NOL would be if it was calculated using a trend rate that is 1-percentage-point lower (6.5 percent graded down to 4.0 percent) or 1-percentage-point higher (8.5 percent graded down to 6.0 percent) than the current rate:

	1% Decrease (6.5% Decreasing to 4.0%)	Healthcare Cost Trend Rates (7.50% decreasing to 5.0%)	1% Increase (8.50% decreasing to 6.0%)
Total OPEB liability	\$ 2,218,704	\$ 2,238,831	\$ 2,262,140
Fiduciary net position	1,208,356	1,208,356	1,208,356
Net OPEB liability	<u>\$ 1,010,348</u>	<u>\$ 1,030,475</u>	<u>\$ 1,053,784</u>

**Other Post-Employment Benefits Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post-Employment Benefits.** For the year ended June 30, 2018, the District recognized OPEB expense of \$194,855. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and experience	\$ 243,353	\$ -
Changes in assumptions or other input	-	49,366
Net difference between projected and actual earnings on pension plan investments	12,793	-
District contributions subsequent to the measurement date	227,524	-
	<u>\$ 483,670</u>	<u>\$ 49,366</u>

\$227,524 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019.

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



School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - CONTINUED**

Year ended June 30, 2019	\$	19,363	
		2020	19,363
		2021	19,363
		2022	19,364
		2023	16,165
		Thereafter	113,162
	\$	<u>206,780</u>	

**NOTE 11 - CAPITAL LEASES, AS LESSEE**

The following is an analysis of leased property under capital leases by major category at June 30, 2018.

Apple computers	\$	995,250
Copiers		80,831
Copiers		151,794
Toro Groundsmaster		72,160

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

Year ended June 30, 2019	\$	324,274	
		2020	302,204
		2021	302,204
		2022	286,958
		2023	34,609
		2024	2,884
Total minimum lease payments		<u>1,253,133</u>	
Less amount representing interest		<u>38,931</u>	
Present value of net minimum lease payments	\$	<u>1,214,202</u>	

**NOTE 12 - FUND BALANCES AND NET POSITION**

Fund Balance

At June 30, 2018, the District has a restricted fund balance of \$8,767,559 for the following:

General fund	\$	12,852
Debt service funds		648,284
Capital projects		7,776,924
Food service		10,627
Community service		78,894
Special projects		232,458
Capital improvements		7,520
		<u>\$ 8,767,559</u>

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 12 - FUND BALANCES AND NET POSITION - CONTINUED**

Net position

At June 30, 2018, the Governmental Activities net position balance after subtracting net investment in capital assets, and the amounts restricted for debt service and other activities is \$2,609,933.

**NOTE 13 - EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS**

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

<u>Individual Fund and Function</u>	<u>Expenditures</u>
General Fund	
Building administration	\$ 24,527
Business administration	379,470
Central services	875,074
Principal and interest	19,812
Debt Services Fund	
Principal and interest - referendum debt	58,285
Capital Projects Fund	
Insurance	3,166

**NOTE 14 - PERPETUAL TRUSTS**

The District is a beneficiary of two perpetual trusts at June 30, 2018. These are administered by a third-party trustee.

Balance at beginning of year	\$ 259,048
Net appreciation	4,343
Balance at end of year	\$ <u>263,391</u>

**NOTE 15 - RESTATEMENT OF FUND BALANCE AND NET POSITION**

The District is restating its fund balance in its capital projects and debt service fund as of July 1, 2017 to reclass premiums on bond issuance previously recorded in its capital projects fund. The restatement is as follows:

	Debt Service Funds	Capital Projects Fund
	<u>                    </u>	<u>                    </u>
Fund balance at beginning of year	\$ 688,331	\$ 18,288,905
Restatement	276,118	(276,118)
Fund balance at beginning of year - as restated	\$ <u>964,449</u>	\$ <u>18,012,787</u>

School District of West Salem  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2018

**NOTE 15 - RESTATEMENT OF FUND BALANCE AND NET POSITION - CONTINUED**

The District is restating its net position as of July 1, 2017 to due to the inclusion of the LTDI (long-term disability insurance) program through the Wisconsin Retirement System. This was previously reported by WRS in a fund separate from the pension fund. As of calendar year 2017, the LTDI program is combined and reported with the WRS pension fund. This change resulted in a restatement of the beginning net pension liability and net position. The effects of the restatements on net position as of July 1, 2017 are as follows:

Net position at beginning	
of year	\$ 24,488,971
Net pension liability - WRS	<u>(74,914)</u>
Fund balance at beginning	
of year - as restated	<u>\$ 24,414,057</u>

**NOTE 16 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District insures through commercial insurance companies for all risks of loss, except for health and dental care. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 17 - LIMITATION ON SCHOOL DISTRICT REVENUES**

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

REQUIRED SUPPLEMENTARY INFORMATION

School District of West Salem  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**POST-EMPLOYMENT BENEFIT PLANS**  
Year ended June 30, 2018

Fiscal Year Ended	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contribution as a Percentage of Covered Employee Payroll
6/30/2017	\$ 290,599	\$ 380,251	\$ (89,652)	\$ 7,458,630	5.10%
6/30/2018	290,599	365,046	(74,447)	8,506,683	4.29%

\* Amounts presented for the fiscal year were determined as of the fiscal year ended at the measurement date.

School District of West Salem  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGE IN THE DISTRICT'S NET**  
**OPEB LIABILITY AND RELATED RATIOS**  
Year ended June 30, 2018

	2017	2018
Total OPEB liability		
Service cost	\$ 190,745	\$ 190,745
Interest	65,345	60,580
Changes in benefit terms	-	-
Differences between expected and actual experience	-	263,632
Changes of assumptions or other input	-	(53,480)
Benefit payments	(536,683)	(293,194)
Net change in total OPEB liability	(280,593)	168,283
Total OPEB liability - beginning of the year	2,351,141	2,070,548
Total OPEB liability - end of the year (a)	\$ 2,070,548	\$ 2,238,831
 Fiduciary net position		
Contributions	\$ 380,251	\$ 365,046
Net investment income	23,074	24,301
Benefit payments	(536,683)	(293,194)
Administrative expense	-	-
Net change in fiduciary net position	(133,358)	96,153
Fiduciary net position - beginning of the year	1,245,561	1,112,203
Fiduciary net position - end of the year (b)	\$ 1,112,203	\$ 1,208,356
 Net OPEB liability end of the year (a) - (b)	\$ 958,345	\$ 1,030,475
 Fiduciary net position as a percentage of the total OPEB liability	53.72%	53.97%
 Covered payroll	\$ 7,458,630	\$ 8,506,683
 Net OPEB liability as a percentage of covered payroll	12.85%	12.11%

\* Amounts presented for the fiscal year were determined as of the measurement date.

**Notes:**

*Benefit changes.* There have been no changes to benefits.

*Changes of assumptions.* There have been no changes in assumptions.

School District of West Salem  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S**  
**NET SUPPLEMENTAL PENSION LIABILITY**  
**AND RELATED RATIOS**

Year ended June 30, 2018

	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Total pension liability</b>			
Interest cost	\$ 17,326	\$ 17,082	\$ 13,067
Difference between expected and actual experience	-	-	(293,610)
Changes of assumptions or other input	-	10,842	(540)
Benefit payments	<u>(17,063)</u>	<u>(29,777)</u>	<u>(9,068)</u>
Net change in total pension liability	263	(1,853)	(290,151)
Total pension liability - beginning	<u>441,676</u>	<u>441,939</u>	<u>440,086</u>
Total pension liability - ending (a)	\$ <u><u>441,939</u></u>	\$ <u><u>440,086</u></u>	\$ <u><u>149,935</u></u>
 <b>Fiduciary net position</b>			
Contributions - employer	15,532	29,777	10,216
Net investment income	10,265	8,726	2,304
Benefit payments	<u>(17,063)</u>	<u>(29,777)</u>	<u>(9,068)</u>
Net change in fiduciary net position	8,734	8,726	3,452
Fiduciary net position - beginning	<u>462,300</u>	<u>471,034</u>	<u>479,760</u>
Fiduciary net position - ending (b)	\$ <u><u>471,034</u></u>	\$ <u><u>479,760</u></u>	\$ <u><u>483,212</u></u>
 <b>Net pension liability (asset)</b>			
Net pension liability (asset) - ending (a)-(b)	\$ <u><u>(29,095)</u></u>	\$ <u><u>(39,674)</u></u>	\$ <u><u>(333,277)</u></u>
 <b>Fiduciary net position as a percentage of the total pension liability (asset)</b>	106.58%	109.02%	322.28%
 <b>Covered payroll</b>	\$ -	\$ -	\$ -
 <b>Net pension liability as a percentage of covered payroll</b>	N/A	N/A	N/A

\* Amounts presented for the fiscal year were determined as of the measurement date for each fiscal year

**Notes:**

*Benefit changes.* There have been no changes to benefits in 2017 or 2018.  
*Changes of assumptions.* There have been no changes in assumptions.

School District of West Salem  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S**  
**SUPPLEMENTAL PENSION CONTRIBUTIONS**  
Year ended June 30, 2018

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially Determined Contribution (ADC)	\$ 76,713	\$ 32,519	\$ 32,519
Contributions in relation to the ADC	<u>15,532</u>	<u>29,777</u>	<u>10,216</u>
Contribution deficiency (excess)	\$ <u>61,181</u>	\$ <u>2,742</u>	\$ <u>22,303</u>
Covered employee payroll	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A

**Key Methods and Assumptions Used to Calculate ADC:**

Actuarial cost method	Unit Credit	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value	Market Value
Amortization method	6 year Level \$	20 year Level \$	20 year Level \$
Discount rate	5.00%	4.00%	4.00%
Inflation	3.00%	3.00%	3.00%

\* Amounts presented for the fiscal year were determined as of the measurement date for each fiscal year.



School District of West Salem  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (ASSET)**  
**WISCONSIN RETIREMENT SYSTEM**  
Year ended June 30, 2018

	2015	2016	2017	2018
District's proportion of the net pension liability (asset)	0.07082090%	0.07060417%	0.07020781%	0.68484470%
District's share of the net pension liability (asset)	\$ (1,739,555)	\$ 1,147,304	\$ 578,680	\$ (2,033,385)
District's covered-employee payroll	\$ 10,187,973	\$ 9,811,546	\$ 9,926,691	\$ 10,056,178
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%	99.12%	102.93%

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

School District of West Salem  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**WISCONSIN RETIREMENT SYSTEM**  
Year ended June 30, 2018

	2015	2016	2017	2018
Contractually required contributions	\$ 713,192	\$ 667,183	\$ 655,583	\$ 683,822
Contributions in relation to the contractually required contributions	\$ 713,192	\$ 667,183	\$ 655,583	\$ 683,822
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,187,973	\$ 9,811,546	\$ 9,926,691	\$ 10,056,178
Contributions as a percentage of covered-employee payroll	7.00%	6.80%	6.60%	6.80%

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

**Notes to the Required Supplementary Information**  
**for the Year ended June 30, 2018**

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

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

School District of West Salem  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND - FUNDS 10 AND 27**  
Year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 5,535,894	\$ 5,535,894	\$ 5,537,327	\$ 1,433
Other local sources	190,439	209,586	209,359	(227)
Interdistrict sources	1,655,968	1,665,968	1,610,302	(55,666)
Intermediate sources	36,854	26,854	23,017	(3,837)
State sources	11,959,906	11,959,906	11,999,438	39,532
Federal sources	635,276	644,037	602,357	(41,680)
Other sources	69,500	69,500	56,378	(13,122)
<b>Total revenues</b>	<b>20,083,837</b>	<b>20,111,745</b>	<b>20,038,178</b>	<b>(73,567)</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	7,463,771	7,461,435	7,329,477	131,958
Vocational instruction	451,558	459,196	435,029	24,167
Special instruction	2,167,260	2,167,260	2,137,608	29,652
Other instruction	1,089,794	1,096,099	1,060,012	36,087
<b>Total instruction</b>	<b>11,172,383</b>	<b>11,183,990</b>	<b>10,962,126</b>	<b>221,864</b>
<b>Support services</b>				
Pupil services	872,436	872,003	868,295	3,708
Instructional staff services	1,127,615	1,145,970	1,095,258	50,712
General administration services	412,583	412,583	404,922	7,661
Building administration services	932,689	929,938	954,465	(24,527)
Business administration services	2,958,462	2,968,800	3,348,270	(379,470)
Central services	981,150	1,063,930	1,939,004	(875,074)
Insurance	229,973	220,765	217,109	3,656
Principal and interest	268,141	499,346	519,158	(19,812)
Other support services	103,582	103,582	-	103,582
<b>Total support services</b>	<b>7,886,631</b>	<b>8,216,917</b>	<b>9,346,481</b>	<b>(1,129,564)</b>
<b>Non-program services</b>	<b>1,309,053</b>	<b>1,309,053</b>	<b>1,270,106</b>	<b>38,947</b>
<b>Total expenditures</b>	<b>20,368,067</b>	<b>20,709,960</b>	<b>21,578,713</b>	<b>(868,753)</b>
Excess (deficiency) of revenues over expenditures	(284,230)	(598,215)	(1,540,535)	(942,320)
<b>Other financing sources (uses)</b>				
Proceeds from sale of fixed assets	2,500	316,485	284,137	(32,348)
Inception of capital lease	-	-	1,147,044	1,147,044
Transfer from (to) other funds	(2,500)	(2,500)	(2,500)	-
	<u>-</u>	<u>313,985</u>	<u>1,428,681</u>	<u>1,114,696</u>
<b>Net change in fund balance</b>	<b>(284,230)</b>	<b>(284,230)</b>	<b>(111,854)</b>	<b>172,376</b>
Fund balance at July 1, 2017	<u>3,398,644</u>	<u>3,398,644</u>	<u>3,398,644</u>	<u>-</u>
Fund balance at June 30, 2018	<u>\$ 3,114,414</u>	<u>\$ 3,114,414</u>	<u>\$ 3,286,790</u>	<u>\$ 172,376</u>

School District of West Salem  
**RECONCILIATION SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - REGULATORY BASIS TO GAAP BASIS**  
**GENERAL FUND AND SPECIAL EDUCATION FUND**  
Year ended June 30, 2018

	General Fund - Fund 10			Special Education Fund - Fund 27			Combined Fund 10 and 27		
	Budgeted Amounts			Budgeted Amounts			Budgeted Amounts		
	Original	Final	Actual	Original	Final	Actual	Original	Final	Actual
<b>Revenues</b>									
Property taxes	\$ 5,535,894	\$ 5,535,894	\$ 5,537,327	\$ -	-	\$ -	\$ 5,535,894	\$ 5,535,894	\$ 5,537,327
Other local sources	190,439	209,586	209,359	-	-	-	190,439	209,586	209,359
Interdistrict sources	1,606,114	1,616,114	1,567,244	49,854	49,854	43,058	1,655,968	1,665,968	1,610,302
Intermediate sources	22,354	12,354	8,816	14,500	14,500	14,201	36,854	26,854	23,017
State sources	11,354,906	11,354,906	11,381,454	605,000	605,000	617,984	11,959,906	11,959,906	11,999,438
Federal sources	173,834	182,595	183,795	461,442	461,442	418,562	635,276	644,037	602,357
Other sources	69,500	69,500	56,378	-	-	-	69,500	69,500	56,378
<b>Total revenues</b>	<b>18,953,041</b>	<b>18,980,949</b>	<b>18,944,373</b>	<b>1,130,796</b>	<b>1,130,796</b>	<b>1,093,805</b>	<b>20,083,837</b>	<b>20,111,745</b>	<b>20,038,178</b>
<b>Expenditures</b>									
<b>Instruction</b>									
Regular instruction	7,463,771	7,461,435	7,329,477	-	-	-	7,463,771	7,461,435	7,329,477
Vocational instruction	451,558	459,196	435,029	-	-	-	451,558	459,196	435,029
Special instruction	-	-	-	2,167,260	2,167,260	2,137,608	2,167,260	2,167,260	2,137,608
Other instruction	1,089,794	1,096,099	1,060,012	-	-	-	1,089,794	1,096,099	1,060,012
<b>Total instruction</b>	<b>9,005,123</b>	<b>9,016,730</b>	<b>8,824,518</b>	<b>2,167,260</b>	<b>2,167,260</b>	<b>2,137,608</b>	<b>11,172,383</b>	<b>11,183,990</b>	<b>10,962,126</b>
<b>Support services</b>									
Pupil services	521,809	521,376	515,416	350,627	350,627	352,879	872,436	872,003	868,295
Instructional staff services	922,639	940,994	899,984	204,976	204,976	195,274	1,127,615	1,145,970	1,095,258
General administration services	412,583	412,583	404,922	-	-	-	412,583	412,583	404,922
Building administration services	932,689	929,938	954,465	-	-	-	932,689	929,938	954,465
Business administration services	2,830,591	2,840,929	3,232,890	127,871	127,871	115,380	2,958,462	2,968,800	3,348,270
Central services	980,750	1,063,530	1,939,004	400	400	-	981,150	1,063,930	1,939,004
Insurance	229,013	219,805	217,109	960	960	-	229,973	220,765	217,109
Principal and interest	268,141	499,346	519,158	-	-	-	268,141	499,346	519,158
Other support services	103,582	103,582	-	-	-	-	103,582	103,582	-
<b>Total support services</b>	<b>7,201,797</b>	<b>7,532,083</b>	<b>8,682,948</b>	<b>684,834</b>	<b>684,834</b>	<b>663,533</b>	<b>7,886,631</b>	<b>8,216,917</b>	<b>9,346,481</b>
Non-program services	1,068,963	1,068,963	1,103,992	240,090	240,090	166,114	1,309,053	1,309,053	1,270,106
<b>Total expenditures</b>	<b>17,275,883</b>	<b>17,617,776</b>	<b>18,611,458</b>	<b>3,092,184</b>	<b>3,092,184</b>	<b>2,967,255</b>	<b>20,368,067</b>	<b>20,709,960</b>	<b>21,578,713</b>
Excess of revenues over (under) expenditures	1,677,158	1,363,173	332,915	(1,961,388)	(1,961,388)	(1,873,450)	(284,230)	(598,215)	(1,540,535)
<b>Other financing sources (uses)</b>									
Proceeds from sale of fixed assets	2,500	316,485	284,137	-	-	-	2,500	316,485	284,137
Proceeds from capital lease	-	-	1,147,044	-	-	-	-	-	1,147,044
Transfer from (to) other funds	(1,963,888)	(1,963,888)	(1,875,950)	1,961,388	1,961,388	1,873,450	(2,500)	(2,500)	(2,500)
	<u>(1,961,388)</u>	<u>(1,647,403)</u>	<u>(444,769)</u>	<u>1,961,388</u>	<u>1,961,388</u>	<u>1,873,450</u>	<u>-</u>	<u>313,985</u>	<u>1,428,681</u>
<b>Net change in fund balance</b>	<b>(284,230)</b>	<b>(284,230)</b>	<b>(111,854)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(284,230)</b>	<b>(284,230)</b>	<b>(111,854)</b>
Fund balance at July 1, 2017	3,398,644	3,398,644	3,398,644	-	-	-	3,398,644	3,398,644	3,398,644
Fund balance at June 30, 2018	<u>\$ 3,114,414</u>	<u>\$ 3,114,414</u>	<u>\$ 3,286,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,114,414</u>	<u>\$ 3,114,414</u>	<u>\$ 3,286,790</u>

School District of West Salem  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**REFERENDUM DEBT - FUND 39**  
Year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 2,429,471	\$ 2,429,471	\$ 2,400,182	\$ (29,289)
Other local sources	50	50	52	2
<b>Total revenues</b>	<b>2,429,521</b>	<b>2,429,521</b>	<b>2,400,234</b>	<b>(29,287)</b>
<b>Expenditures</b>				
Support services				
Principal and interest	2,400,182	2,400,182	2,458,467	(58,285)
<b>Total expenditures</b>	<b>2,400,182</b>	<b>2,400,182</b>	<b>2,458,467</b>	<b>(58,285)</b>
Excess of revenues over (under) expenditures	29,339	29,339	(58,233)	(87,572)
<b>Other financing sources</b>				
Proceeds from bond premium	-	-	5,038	5,038
	-	-	5,038	5,038
<b>Net change in fund balance</b>	<b>29,339</b>	<b>29,339</b>	<b>(53,195)</b>	<b>(82,534)</b>
Fund balance at July 1, 2017 - as restated	701,479	701,479	701,479	-
Fund balance at June 30, 2018	<u>\$ 730,818</u>	<u>\$ 730,818</u>	<u>\$ 648,284</u>	<u>\$ (82,534)</u>

School District of West Salem  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**NON-REFERENDUM DEBT - FUND 38**  
Year ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>Expenditures</b>				
Support services				
Principal and interest	<u>262,970</u>	<u>262,970</u>	<u>262,970</u>	<u>-</u>
Total expenditures	<u>262,970</u>	<u>262,970</u>	<u>262,970</u>	<u>-</u>
<b>Net change in fund balance</b>	(262,970)	(262,970)	(262,970)	-
Fund balance at July 1, 2017	<u>262,970</u>	<u>262,970</u>	<u>262,970</u>	<u>-</u>
Fund balance at June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

School District of West Salem  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
Year ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Other local sources	\$ 2,000,000	\$ 2,000,000	\$ 679,108	\$ (1,320,892)
Total revenues	2,000,000	2,000,000	679,108	(1,320,892)
<b>Expenditures</b>				
Support services				
Business				
administration	18,561,794	18,561,794	15,973,927	2,587,867
Insurance	37,878	37,878	41,044	(3,166)
Total expenditures	18,599,672	18,599,672	16,014,971	2,584,701
Excess of revenues over (under) expenditures	(16,599,672)	(16,599,672)	(15,335,863)	1,263,809
<b>Other financing sources</b>				
Proceeds from bonds	5,100,000	5,100,000	5,100,000	-
	5,100,000	5,100,000	5,100,000	-
<b>Net change in fund balance</b>	(11,499,672)	(11,499,672)	(10,235,863)	1,263,809
Fund balance at July 1, 2017 - as restated	18,012,787	18,012,787	18,012,787	-
Fund balance at June 30, 2018	\$ 6,513,115	\$ 6,513,115	\$ 7,776,924	\$ 1,263,809

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

School District of West Salem  
**BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
 June 30, 2018

Fund Number:	(39)	(38)	
	Referendum	Non-Referendum	Total
<b>Assets</b>			
Cash and investments	\$ 372,167	\$ -	\$ 372,167
Due from other funds	276,117	-	276,117
Total assets	\$ 648,284	\$ -	\$ 648,284
<b>Fund balances</b>			
Restricted	\$ 648,284	\$ -	\$ 648,284
Total liabilities and fund balances	\$ 648,284	\$ -	\$ 648,284



School District of West Salem  
**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**  
**DEBT SERVICE FUNDS**  
Year ended June 30, 2018

Fund Number:	(39)	(38)	Total
	Referendum	Non-Referendum	
<b>Revenues</b>			
Property taxes	\$ 2,400,182	\$ -	\$ 2,400,182
Other local sources	52	-	52
Total revenues	2,400,234	-	2,400,234
<b>Expenditures</b>			
Support services			
Principal and interest	2,458,467	262,970	2,721,437
Total expenditures	2,458,467	262,970	2,721,437
Excess of revenues over (under) expenditures	(58,233)	(262,970)	(321,203)
<b>Other financing sources (uses)</b>			
Proceeds from bond premium	5,038	-	5,038
	5,038	-	5,038
<b>Net change in fund balance</b>	(53,195)	(262,970)	(316,165)
Fund balance at July 1, 2017 - as restated	701,479	262,970	964,449
Fund balance at June 30, 2018	\$ 648,284	\$ -	\$ 648,284

School District of West Salem  
**BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2018

Fund Number:	(50)	(80)	(21)	(46)	Total
	Food Service Fund	Community Service Fund	Special Revenue Trust Fund	Capital Improvement Fund	
<b>Assets</b>					
Cash and investments	\$ 45,149	\$ 82,596	\$ 232,458	\$ 7,520	\$ 367,723
Accounts receivable	715	675	-	-	1,390
Due from other governments	<u>5,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,718</u>
Total assets	<u>\$ 51,582</u>	<u>\$ 83,271</u>	<u>\$ 232,458</u>	<u>\$ 7,520</u>	<u>\$ 374,831</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 19	\$ 3,446	\$ -	\$ -	\$ 3,465
Accrued liabilities					
Payroll, payroll taxes, and employee benefits	8,369	931	-	-	9,300
Unearned revenue	<u>32,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,567</u>
	40,955	4,377	-	-	45,332
<b>Fund balances</b>					
Restricted	<u>10,627</u>	<u>78,894</u>	<u>232,458</u>	<u>7,520</u>	<u>329,499</u>
Total liabilities and fund balances	<u>\$ 51,582</u>	<u>\$ 83,271</u>	<u>\$ 232,458</u>	<u>\$ 7,520</u>	<u>\$ 374,831</u>

School District of West Salem  
**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS**  
Year ended June 30, 2018

Fund Number:	(50)	(80)	(21)	(46)	
	Food Service Fund	Community Service Fund	Special Revenue Trust Fund	Capital Improvement Fund	Total
<b>Revenues</b>					
Property taxes	\$ -	\$ 109,500	\$ -	\$ -	\$ 109,500
Other local sources	632,287	26,107	39,013	13	697,420
Interdistrict sources	15,775	-	-	-	15,775
State sources	12,550	-	-	-	12,550
Federal sources	347,741	-	-	-	347,741
Other sources	300	-	-	-	300
<b>Total revenues</b>	<b>1,008,653</b>	<b>135,607</b>	<b>39,013</b>	<b>13</b>	<b>1,183,286</b>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular instruction	-	-	2,992	-	2,992
Vocational instruction	-	-	3,404	-	3,404
Special instruction	-	-	-	-	-
Other instruction	-	-	2,400	-	2,400
<b>Total instruction</b>	<b>-</b>	<b>-</b>	<b>8,796</b>	<b>-</b>	<b>8,796</b>
<b>Support services</b>					
Pupil services	-	-	300	-	300
Business administration services	-	-	8,967	-	8,967
Community service	-	120,550	-	-	120,550
Food service	1,018,471	-	-	-	1,018,471
Other support services	-	-	2,573	-	2,573
<b>Total support services</b>	<b>1,018,471</b>	<b>120,550</b>	<b>11,840</b>	<b>-</b>	<b>1,150,861</b>
<b>Non-program services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>1,018,471</b>	<b>120,550</b>	<b>20,636</b>	<b>-</b>	<b>1,159,657</b>
Excess (deficiency) of revenues over expenditures	(9,818)	15,057	18,377	13	23,629
<b>Other financing sources (uses)</b>					
Transfer from (to) other funds	-	-	-	2,500	2,500
	-	-	-	2,500	2,500
<b>Net change in fund balance</b>	<b>(9,818)</b>	<b>15,057</b>	<b>18,377</b>	<b>2,513</b>	<b>26,129</b>
Fund balance at July 1, 2017	20,445	63,837	214,081	5,007	303,370
Fund balance at June 30, 2018	<u>\$ 10,627</u>	<u>\$ 78,894</u>	<u>\$ 232,458</u>	<u>\$ 7,520</u>	<u>\$ 329,499</u>

School District of West Salem  
**PUPIL ACTIVITY FUNDS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
Year ended June 30, 2018

	<u>Balance at July 1, 2017</u>	<u>Additions and Transfers In</u>	<u>Deductions and Transfers Out</u>	<u>Balance at June 30, 2018</u>
<b>ASSETS</b>				
Cash and investments	\$ 170,595	\$ 809,213	\$ 687,218	\$ 292,590
Total assets	<u>\$ 170,595</u>	<u>\$ 809,213</u>	<u>\$ 687,218</u>	<u>\$ 292,590</u>
 <b>LIABILITIES</b>				
Due to student organizations				
Elementary school	\$ 22,222	\$ 13,828	\$ 18,424	\$ 17,626
Middle school	15,705	122,960	118,528	20,137
High school	127,906	655,635	545,504	238,037
Due to other funds	<u>4,762</u>	<u>16,790</u>	<u>4,762</u>	<u>16,790</u>
Total liabilities	<u>\$ 170,595</u>	<u>\$ 809,213</u>	<u>\$ 687,218</u>	<u>\$ 292,590</u>

School District of West Salem  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2018

	Federal Catalog Number	Program or Award Number	Program or Award Amount	Receivable at July 1, 2017	Expenditures	Revenues Grantor	Receivable at June 30, 2018	Footnote
<b>United States Department of Agriculture</b>								
Passed through Wisconsin Department of Public Instruction								
Child Nutrition Cluster								
Food Distribution	10.555							
July 1, 2017 to June 30, 2018		UNKNOWN	N/A	\$ -	\$ 72,331	\$ 72,331	\$ -	2
School Breakfast Program	10.553							
July 1, 2016 to June 30, 2017			N/A	5,785	-	5,785	-	1
July 1, 2017 to June 30, 2018		2018-326370-SB-546	N/A	-	33,242	32,507	735	1
National School Lunch Program	10.555							
July 1, 2016 to June 30, 2017			N/A	35,468	-	35,468	-	1
July 1, 2017 to June 30, 2018		2018-326370-NSL-547	N/A	-	240,064	235,131	4,933	1
Special Milk Program	10.556							
July 1, 2016 to June 30, 2017			N/A	436	-	436	-	
July 1, 2017 to June 30, 2018		2018-326370-SMP-548	N/A	-	2,102	2,053	49	1
Subtotal Child Nutrition Cluster				<u>41,689</u>	<u>347,739</u>	<u>383,711</u>	<u>5,717</u>	
Total United States Department of Agriculture				41,689	347,739	383,711	5,717	
<b>United States Department of Education</b>								
Passed through Wisconsin Department of Public Instruction								
Title 1 Basic Grant	84.010							
July 1, 2016 to June 30, 2017			N/A	63,529	-	63,529	-	
July 1, 2017 to June 30, 2018		2018-326370-Title I-141	\$ 127,925	-	126,530	104,441	22,089	
Special Education (IDEA) Cluster								
PL 94-142 Idea Flow-Through	84.027							
July 1, 2016 to June 30, 2017			N/A	212,726	-	212,726	-	
July 1, 2017 to June 30, 2018		2018-326370-IDEA-341	\$ 334,502	-	270,623	194,934	75,689	
PL 99-457 Pre-School Entitlement	84.173							
July 1, 2016 to June 30, 2017			N/A	5,120	-	5,120	-	
July 1, 2017 to June 30, 2018		2018-326370-Pre-S-347	\$ 9,130	-	9,122	7,652	1,470	
Subtotal Special Education (IDEA) Cluster				<u>217,846</u>	<u>279,745</u>	<u>420,432</u>	<u>77,159</u>	
Title IIA Teacher and Principal Training	84.367							
July 1, 2016 to June 30, 2017			N/A	10,677	-	10,677	-	
July 1, 2017 to June 30, 2018		2018-326370-Title II-365	\$ 36,551	-	36,551	36,551	-	
Title IVA Student Sport and Academic Enrichment	84.424							
July 1, 2017 to June 30, 2018		2018-326370-Title-IV A-381	\$ 8,761	-	8,761	8,761	-	
Total passed through Wisconsin Department of Public Instruction				<u>292,052</u>	<u>451,587</u>	<u>644,391</u>	<u>99,248</u>	

School District of West Salem  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
 Year ended June 30, 2018

	Federal Catalog Number	Program or Award Amount	Program or Award Amount	Receivable at July 1, 2017	Expenditures	Revenues Grantor	Receivable at June 30, 2018	Footnote
<b>United States Department of Education - Continued</b>								
Passed through Cooperative Educational Services Agency #4								
Carl Perkins Tech Prep	84.048							
July 1, 2017 to June 30, 2018		UNKNOWN	\$ 5,816	\$ -	\$ 5,816	\$ 5,816	\$ -	
Total United States Department of Education				292,052	457,403	650,207	99,248	
<b>United States Department of Health and Human Services</b>								
Passed through State of Wisconsin Health Care								
Financing Programs								
Medicaid	93.778							
July 1, 2017 to June 30, 2018		UNKNOWN	N/A	-	150,769	150,769	-	
Total United States Department of Health and Human Services				-	150,769	150,769	-	
<b>United States Department of Transportation</b>								
Passed through La Crosse County								
Safe Routes to School	20.200							
July 1, 2016 to June 30, 2017		UNKNOWN	N/A	143	-	143	-	
Total United States Department of Transportation				143	-	143	-	
Total federal financial assistance				\$ 333,884	\$ 955,911	\$ 1,184,830	\$ 104,965	

- Note 1: This statement is prepared using the same basis of accounting as the District's financial statements. The District uses the accrual basis of accounting. Expenditures represent only the federally funded portions of the program. District records should be consulted to determine amounts expended or matched from non-federal sources.
- Note 2: The amount of commodities reported on the schedule is the value of commodities received by the District in the current year and are priced as prescribed by the Wisconsin Department of Public Instruction.
- Note 3: All costs reported are direct costs. No indirect costs were used.

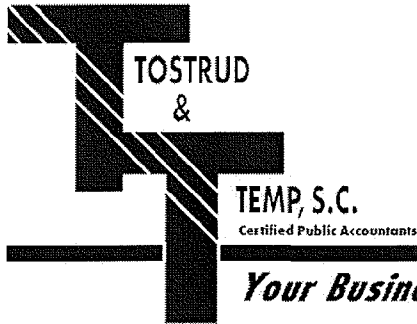
School District of West Salem  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
 Year ended June 30, 2018

	I.D. Number	Program or Award Amount	Receivable at July 1, 2017	Expenditures	Revenue State Reimbursements	Receivable at June 30, 2018
<b>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</b>						
<b>Cost Reimbursement Programs - Non-major</b>						
Passed through the CESA #4						
Youth Apprenticeship						
	445.107					
		N/A	\$ 3,360	\$ -	\$ 3,360	\$ -
		\$ 3,000	-	3,000	3,000	-
			<u>3,360</u>	<u>3,000</u>	<u>6,360</u>	<u>-</u>
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>						
<b>Cost Reimbursement Programs - Non-major</b>						
Passed through the School District of La Crosse						
Career and Technical Education Incentive						
	255.950					
		\$ 6,335	-	6,335	6,335	-
	255.959					
		\$ 5,263	-	5,263	2,671	2,592
	255.956					
		\$ 2,347	-	2,347	2,347	-
	255.940					
		\$ 11,680	-	11,680	11,680	-
			<u>-</u>	<u>25,625</u>	<u>23,033</u>	<u>2,592</u>
			<u>\$ 3,360</u>	<u>\$ 28,625</u>	<u>\$ 29,393</u>	<u>\$ 2,592</u>
<b>Entitlement Programs</b>						
Major State Programs (A)						
General Equalization						
	255.201			\$ 10,444,843		
Handicapped Pupils and School Age Parents:						
Internal District Programs						
	255.101		\$ <u>2,517,803</u>	\$ 609,984		
Participant in Package Program at CESA #4						
Total Handicapped Program						
				14,201		
				624,185		
Per Pupil Aid						
	255.945			767,250		
Total major programs						
				<u>\$ 11,836,278</u>		
Non-major State Programs (B)						
Common School Fund						
	255.103			69,466		
State School Lunch Aid						
	255.102			9,758		
School Breakfast Program						
	255.344			2,792		
Morning Milk Aid						
	255.109			-		
Pupil Transportation						
	255.107			61,928		
Aid for special education transition						
	255.960			8,000		
				<u>\$ 151,944</u>		
				<u>\$ 12,016,847</u>		
<b>WISCONSIN DEPARTMENT OF REVENUE</b>						
Exempt Computer Aid						
				\$ 11,832		
Total State Assistance						
				<u>\$ 12,028,679</u>		

NOTE: (A) Major  
 (B) Non-major

OTHER REPORTS





609 S. 4th Street, Suite B  
La Crosse, WI 54601  
Phone: 608-784-8060  
Fax: 608-784-8167

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

Board of Education  
School District of West Salem  
West Salem, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of West Salem, 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 26, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness 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 a certain deficiency in internal control, described as item 2018-001 in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

#### **Compliance and Other Matters**

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

#### **The District's Response to Finding**

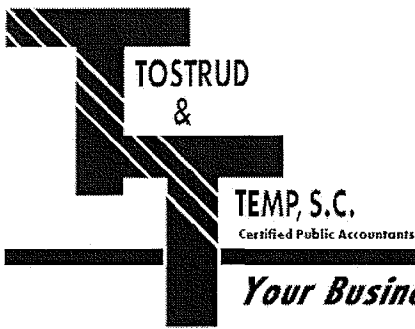
The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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



November 26, 2018



609 S. 4th Street, Suite B  
La Crosse, WI 54601  
Phone: 608-784-8060  
Fax: 608-784-8167

***Your Business Safety Net***

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND  
WISCONSIN STATE SINGLE AUDIT GUIDELINES

Board of Education  
School District of West Salem  
West Salem, Wisconsin

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

We have audited the School District of West Salem's compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Wisconsin Single Audit Guidelines, issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2018. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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



November 26, 2018

School District of West Salem  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year ended June 30, 2018

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
 Material weakness identified?  yes  no  
 Significant deficiency (ies) identified?  yes  none reported

Noncompliance material to the financial statements?  yes  no

**Federal Awards**

Internal control over compliance:  
 Material weakness identified?  yes  no  
 Significant deficiency (ies) identified?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?  yes  no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.556	Child Nutrition Cluster

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

Auditee qualified as a low-risk auditee?  yes  no



School District of West Salem  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
Year ended June 30, 2018

**Prior-Year Financial Statement Findings**

2017-1 Special Education Aid - The District had one special education teacher that did not have a special education teaching license until November 2016.

Status: There were no special education teachers without valid licenses in the current year.