

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

SCHOOL DISTRICT OF WEST SALEM
WEST SALEM, WISCONSIN

June 30, 2019

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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, 2019, 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, 2019, 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, 2019 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.

Tostred + Temp, S.C.

November 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Salem School District
Management's Discussion and Analysis - Continued
Year ended June 30, 2019

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 2018 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 \$26,293,703; including \$8,229,756 of property taxes, \$12,503,753 of state aids and grants, and \$1,062,091 of federal grants. Total governmental fund expenditures were \$36,301,180, including \$11,950,846 for direct instruction. Other financing sources and uses included proceeds from bonds of \$1,500,000 and proceeds from sale of fixed assets of \$6,534.

The District's total long-term liabilities increased by \$3,975,945. The liability for General obligation bonds decreased by \$160,000 capital leases decreased by \$312,559, premium on bonded debt refinancing decreased by \$22,392, supplemental pension benefits decreased by \$2,445, post-retirement health care and other benefits decreased by \$17,327, and the liability for sick and vacation payable decreased by \$15,767. The District's share of the net pension liability for the Wisconsin Retirement System increased by \$4,506,435. See page 7.7-7.9 for a discussion on proceeds from bonds for referendum approved capital projects.

The District's financial position as of June 30, 2019, as reflected by total net position, was \$26,280,754 an increase of \$414,724 from the July 1, 2018 net position.

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, 2019

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 others. 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, deferred outflows expected to be used up, 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, 2019

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 – All 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, 2019

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, 2019, compared to 2018. The District's total net position was \$26,280,754 at June 30, 2019.

	Governmental Activities		Total School District		Total % Change
	2017-2018	2018-2019	2017-2018	2018-2019	
Assets					
Current assets	\$ 13,196.1	\$ 4,265.4	\$ 13,196.1	\$ 4,265.4	-67.68%
Capital assets and other assets	43,589.7	51,108.3	43,589.7	51,108.3	17.25%
Total assets	56,785.8	55,373.7	56,785.8	55,373.7	-2.49%
Deferred outflow s of resources	6,068.4	6,704.5	6,068.4	6,704.5	10.48%
Total assets and deferred outflow s of resources	62,854.2	62,078.2	62,854.2	62,078.2	-1.23%
Liabilities					
Deferred inflow s of resources	30,487.9	32,315.9	30,487.9	32,315.9	6.00%
Total liabilities and deferred inflow s of resources	6,500.3	3,481.6	6,500.3	3,481.6	-46.44%
Net Position	36,988.2	35,797.5	36,988.2	35,797.5	-3.22%
Net investment in capital assets	20,955.7	23,267.0	20,955.7	23,267.0	11.03%
Restricted	2,300.4	1,345.5	2,300.4	1,345.5	-41.51%
Unrestricted	2,609.9	1,668.2	2,609.9	1,668.2	-36.08%
TOTAL NET POSITION	\$ 25,866.0	\$ 26,280.7	\$ 25,866.0	\$ 26,280.7	1.60%

Note: Totals may not add due to rounding

For the year ended June 30, 2019, the largest portion of the District's net position is its net investment in capital assets of \$23,266,999 (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, 2019

Financial Analysis of the District as a Whole – Continued

future spending. Restricted net position accounts for \$1,345,534 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 \$162,890 restricted for debt service and \$1,182,644 restricted for other activities. Unrestricted net position for the District accounts for the final \$1,668,221 of total net position.

	Governmental Activities		Total School District		Total % Change
	2017-2018	2018-2019	2017-2018	2018-2019	
Revenues					
Program revenues					
Charges for services	\$ 856.3	\$ 1,245.7	\$ 856.3	\$ 1,245.7	45.47%
Operating grants & contributions	1,900.2	1,669.7	1,900.2	1,669.7	-12.13%
Capital grants & contributions	500.0	1,787.5	500.0	1,787.5	257.50%
General revenues					
Property taxes	8,047.0	8,229.8	8,047.0	8,229.8	2.27%
State and federal aid	12,777.9	13,224.9	12,777.9	13,224.9	3.50%
Gain on sale of fixed assets	284.1	6.5	284.1	6.5	-97.71%
Other	241.8	258.6	241.8	258.6	6.95%
Total revenues	24,607.3	26,422.7	24,607.3	26,422.7	7.38%
Expenses					
Instruction	11,815.6	13,100.3	11,815.6	13,100.3	10.87%
Pupil & instructional services	1,946.5	2,396.8	1,946.5	2,396.8	23.13%
General & Building Administration	1,348.6	1,658.7	1,348.6	1,658.7	22.99%
Business Administration	3,061.2	3,478.5	3,061.2	3,478.5	13.63%
Central	943.1	245.6	943.1	245.6	-73.96%
Debt service	706.3	789.3	706.3	789.3	11.75%
Community service	120.6	155.5	120.6	155.5	28.94%
Food service	1,041.1	1,084.1	1,041.1	1,084.1	4.13%
Insurance	258.2	227.2	258.2	227.2	-12.01%
Depreciation	641.4	924.8	641.4	924.8	44.18%
Other	1,272.7	1,947.2	1,272.7	1,947.2	53.00%
Total expenses	23,155.3	26,008.0	23,155.3	26,008.0	12.32%
CHANGE IN NET POSITION	\$ 1,452.0	\$ 414.7	\$ 1,452.0	\$ 414.7	
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 \$414,724.

West Salem School District
Management's Discussion and Analysis - Continued
Year ended June 30, 2019

Financial Analysis of the District as a Whole – Continued

The District relies primarily on property taxes (31%), unrestricted state and federal aids (51%) and operating grants and contributions (6%) 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).

	Total Cost of Services			Percentage Change	Net Cost of Services		
	2017-2018	2018-2019			2017-2018	2018-2019	Percentage Change
Expenses							
Instruction	\$ 11,815.6	\$ 13,100.3	11%	\$ 10,592.5	\$ 11,797.8	10%	
Pupil & instructional services	1,946.5	2,396.8	23%	1,685.4	2,064.1	18%	
General & Building Administration	1,348.6	1,658.7	23%	1,348.6	1,655.5	19%	
Business Administration	3,061.2	3,478.5	14%	2,418.5	1,612.1	-50%	
Central	943.1	245.6	-74%	943.1	245.6	-284%	
Debt service	706.3	789.3	12%	706.3	789.3	11%	
Community service	120.6	155.5	29%	94.4	136.0	31%	
Food service	1,041.1	1,084.1	4%	33.3	64.8	49%	
Insurance	258.2	227.2	-12%	254.1	223.1	-14%	
Depreciation	641.4	924.8	44%	641.4	924.8	31%	
Other	1,272.7	1,947.2	53%	1,181.2	1,791.8	34%	
TOTAL EXPENSES	\$ 23,155.3	\$ 26,008.0		\$ 19,898.8	\$ 21,304.9		

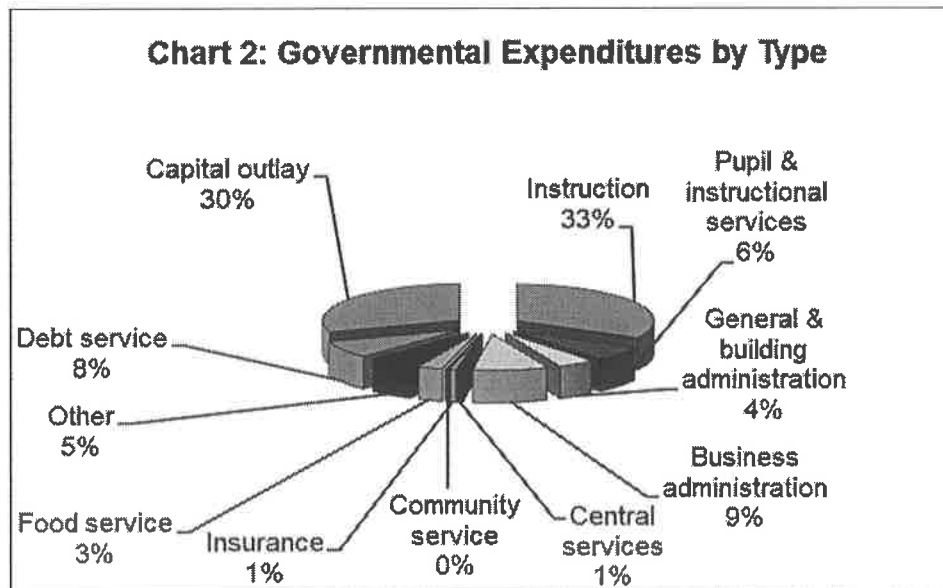
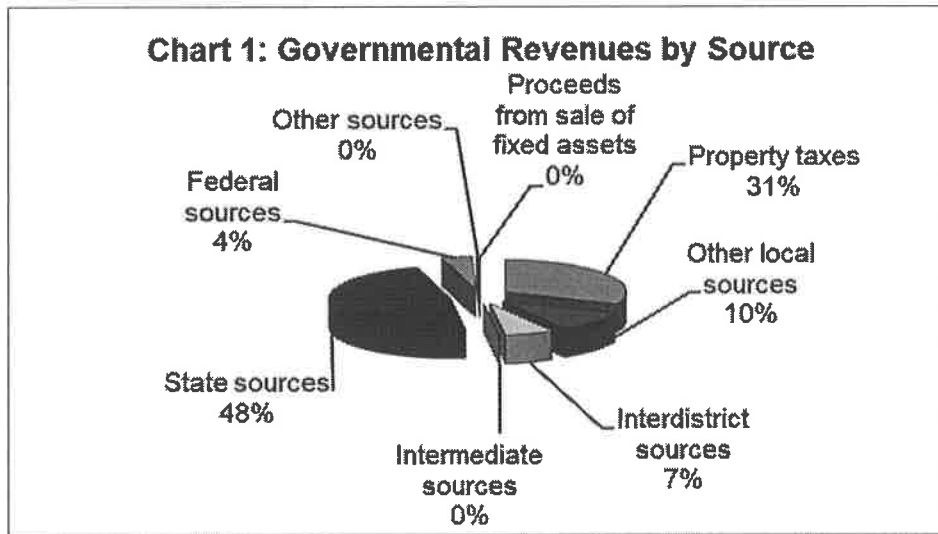
Note: Totals may not add due to rounding

The cost of all governmental activities this year was \$26,007,905. Individuals who directly participated or benefited from a program offering paid \$1,245,653 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3,457,250. The net cost of governmental activities of \$21,305,002 was financed by general revenues of the District.

West Salem School District
Management's Discussion and Analysis - Continued
 Year ended June 30, 2019

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, 2019

Financial Aspect of the District's Fund Balance

The District completed the year with a total governmental fund balance of \$3,540,554. The fund balance decreased \$8,500,943 from last year's ending funding balance of \$12,041,497. Important factors affecting fund balance include:

- Decrease in general fund balance of \$853,431 due to a planned deficit for 2018-19.
- Decrease in capital projects fund balance of \$7,610,822 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 1st). 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 2018-19 by a net of \$125,295 that included increased revenues and reallocations between building budgets mainly due to receiving School Safety Grant funds to upgrade safety and security at our campus.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had invested \$72,749,495 in capital assets, including buildings, sites, library books, and equipment (See Table 4). Total accumulated depreciation on these assets equaled \$22,076,955. Asset acquisitions for governmental activities totaled \$10,980,462. The District recognized depreciation expense of \$1,530,921 for the year ended June 30, 2019. Detailed information about capital assets can be found in Note 6 to the financial statements.

Table 4		
Capital Assets		
(net of depreciation, in thousands of dollars)		
	Governmental Activities	
	2017-2018	2018-2019
Land and site		
improvements	\$ 4,640.15	\$ 4,640.15
Buildings & building improvements	32,952.55	60,603.00
Equipment & furniture	7,555.71	7,506.34
Construction in process	16,798.85	-
Accumulated depreciation	(20,724.27)	(22,076.96)
TOTAL	\$ 41,222.99	\$ 50,672.53
Note: Totals may not add due to rounding		

West Salem School District
Management's Discussion and Analysis - Continued
 Year ended June 30, 2019

Long-Term Debt

At year-end, the District had \$27,571,643 in general obligation bonds and capital leases payable – a net decrease of \$472,559 from July 1, 2018. During the year, the School District issued \$1,500,000 of general obligation promissory notes, of which \$900,000 was paid on the debt in 2018-19 for the renovations of the multipurpose event center and the addition of 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.

Table 5			
Outstanding Long-Term Obligations			
Total School District			
	<u>2017-2018</u>	<u>2018-2019</u>	<u>Total Percentage Change</u>
General obligation debt	\$ 28,044.20	\$ 27,571.64	-1.71%
Other	(963.11)	3,485.39	127.63%
TOTAL	<u>\$ 27,081.09</u>	<u>\$ 31,057.03</u>	12.80%

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.
- A successful referendum result in 2022.
- The district to maintain stable enrollment numbers.
- Managing the tax rate for all school district residents.
- 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, 2019

	Governmental Activities
Assets	
Current assets	
Cash and investments	\$ 1,416,503
Receivables	
Taxes	2,398,932
Accounts	21,046
Due from other funds	2,850
Due from other governments	418,412
Prepaid expenses	7,647
Total current assets	4,265,390
Noncurrent assets	
Capital assets not being depreciated	2,170,597
Property, plant and equipment, net of depreciation	48,501,943
Net capital assets	50,672,540
Net supplemental pension asset	335,722
Note receivable	100,000
Total noncurrent assets	51,108,262
Total assets	55,373,652
Deferred outflows of resources	
Pension plan - WRS	6,400,396
Other post-employment benefits	289,257
Supplemental pension	14,904
	6,704,557
Total assets and deferred outflows of resources	\$ 62,078,209
Liabilities	
Current liabilities	
Current portion of long-term obligations	\$ 1,261,187
Bank overdraft	115,611
Accounts payable	148,884
Accrued liabilities	
Payroll, payroll taxes, and employee benefits	417,788
Interest	198,271
Unearned revenue	42,553
Total current liabilities	2,184,294
Noncurrent liabilities	
Noncurrent portion of long-term obligations	30,131,571
Total liabilities	32,315,865
Deferred inflows of resources	
Pension plan - WRS	3,410,867
Other post-employment benefits	70,723
	3,481,590
Net position	
Net investment in capital assets	23,266,999
Restricted	
Debt service	162,890
Other activities	1,182,644
Unrestricted	1,668,221
Total net position	26,280,754
Total liabilities, deferred inflows of resources, and net position	\$ 62,078,209

The accompanying notes are an integral part of this statement.

School District of West Salem
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities					
Current					
Instruction					
Regular instruction	\$ 8,741,798	\$ -	\$ 198,212	\$ -	\$ (8,543,586)
Vocational instruction	514,855	-	20,635	-	(494,220)
Special education instruction	2,690,661	-	879,939	-	(1,810,722)
Other instruction	1,152,997	194,813	8,904	-	(949,280)
Total instruction	13,100,311	194,813	1,107,690	-	(11,797,808)
Support services					
Pupil services	953,384	-	117,011	-	(836,373)
Instructional staff services	1,443,279	2,847	212,666	-	(1,227,766)
General administration services	443,181	-	-	-	(443,181)
School administration services	1,215,547	-	3,278	-	(1,212,269)
Business administration services	3,478,455	9,206	69,626	1,787,546	(1,612,077)
Central services	245,631	-	-	-	(245,631)
Insurance	227,193	-	4,056	-	(223,137)
Community services	155,506	19,555	-	-	(135,951)
Other support services	489,105	-	3,130	-	(485,975)
Food service	1,084,067	1,019,232	-	-	(64,835)
Depreciation - unallocated **	924,830	-	-	-	(924,830)
Total support services	10,660,178	1,050,840	409,767	1,787,546	(7,412,025)
Non-program					
Other non-program	1,458,100	-	152,247	-	(1,305,853)
Total non-program	1,458,100	-	152,247	-	(1,305,853)
Debt service					
	789,316	-	-	-	(789,316)
Total school district	\$ 26,007,905	\$ 1,245,653	\$ 1,669,704	\$ 1,787,546	(21,305,002)
General revenues					
Property taxes					
General purposes					
5,706,864					
Mobile home taxes					
41,657					
Community services					
109,500					
Debt services					
2,371,735					
State and federal aids not restricted to specific functions					
General					
10,437,598					
Other					
2,787,270					
Interest and investment earnings					
122,580					
Gain on sale of fixed assets					
6,534					
Miscellaneous					
135,988					
Total general revenues					
21,719,726					
Change in net position					
414,724					
Net position at July 1, 2018					
25,866,030					
Net position at June 30, 2019					
\$ 26,280,754					

** This amount excludes the depreciation that is included in the direct expenses to various functions. See Note 5.

The accompanying notes are an integral part of this statement.

School District of West Salem
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Debt Service Funds	Capital Projects Fund	Other Governmental Funds	Total
Assets					
Cash and investments	\$ 221,067	\$ 355,042	\$ 483,331	\$ 357,063	\$ 1,416,503
Receivables					
Taxes	2,398,932	-	-	-	2,398,932
Accounts	18,947	-	-	2,099	21,046
Due from other funds	2,850	276,117	-	-	278,967
Due from other governments	412,981	-	-	5,431	418,412
Prepaid expenses	7,647	-	-	-	7,647
Total assets	\$ 3,062,424	\$ 631,159	\$ 483,331	\$ 364,593	\$ 4,541,507
 Liabilities and fund balances					
Liabilities					
Bank overdraft	\$ 115,611	\$ -	\$ -	\$ -	\$ 115,611
Accounts payable	105,584	-	41,112	2,188	148,884
Accrued liabilities					
Payroll, payroll taxes, and employee benefits	399,536	-	-	18,252	417,788
Due to other funds	-	-	276,117	-	276,117
Unearned revenue	8,334	-	-	34,219	42,553
Total liabilities	629,065	-	317,229	54,659	1,000,953
 Fund balances					
Restricted	5,605	631,159	166,102	309,934	1,112,800
Unrestricted					
Unassigned	2,427,754	-	-	-	2,427,754
Total fund balances	2,433,359	631,159	166,102	309,934	3,540,554
Total liabilities and fund balances	\$ 3,062,424	\$ 631,159	\$ 483,331	\$ 364,593	\$ 4,541,507

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, 2019

Fund balance - governmental funds \$ 3,540,554

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 current 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	\$ 72,749,495	
Governmental accumulated depreciation	<u>(22,076,955)</u>	50,672,540

Long-term notes receivable are not current financial resources and therefore not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are as follows:

Long-term note receivable		100,000
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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	6,400,396	
Other post-employment benefits	289,257	
Supplemental pension plan	<u>14,904</u>	
Total pension plans		6,704,557

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	(26,670,000)	
Capital leases payable	(901,643)	
Accrued interest on general obligation debt	(198,271)	
Premium on bonded debt refinancing	(269,998)	
Compensated absences	(64,919)	
Net pension liability - WRS	(2,473,050)	
Supplemental pension asset	335,722	
Net OPEB liability	<u>(1,013,148)</u>	(31,255,307)

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 - CONTINUED**
June 30, 2019

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	\$ (3,410,867)	
Other post-employment benefits	<u>(70,723)</u>	\$ <u>(3,481,590)</u>
Total net position - governmental activities		\$ <u>26,280,754</u>

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, 2019

	General Fund	Debt Service Funds	Capital Projects Fund	Other Governmental Funds	Total
Revenues					
Property taxes	\$ 5,748,521	\$ 2,371,735	\$ -	\$ 109,500	\$ 8,229,756
Other local sources	228,661	84	1,751,585	705,052	2,685,382
Interdistrict sources	1,671,860	-	-	16,111	1,687,971
Intermediate sources	22,978	-	-	-	22,978
State sources	12,491,123	-	-	12,630	12,503,753
Federal sources	726,837	-	-	335,254	1,062,091
Other sources	96,544	-	-	5,228	101,772
Total revenues	20,986,524	2,371,819	1,751,585	1,183,775	26,293,703
Expenditures					
Current					
Instruction					
Regular instruction	7,820,030	-	-	187	7,820,217
Vocational instruction	486,753	-	-	1,459	488,212
Special instruction	2,542,774	-	-	-	2,542,774
Other instruction	1,098,444	-	-	1,199	1,099,643
Total instruction	11,948,001	-	-	2,845	11,950,846
Support services					
Pupil services	899,338	-	-	3,689	903,027
Instructional staff services	1,376,379	-	-	-	1,376,379
General administration services	420,742	-	-	-	420,742
Building administration services	1,134,797	-	-	3,278	1,138,075
Business administration services	3,185,587	-	-	-	3,185,587
Central services	243,062	-	-	-	243,062
Insurance	216,380	-	10,813	-	227,193
Community service	-	-	-	154,235	154,235
Other support services	472,923	-	-	3,130	476,053
Food service	-	-	-	1,045,881	1,045,881
Total support services	7,949,208	-	10,813	1,210,213	9,170,234
Non-program services	1,458,100	-	-	-	1,458,100
Debt service	352,594	2,388,944	-	-	2,741,538
Capital outlay	121,086	-	10,851,594	7,782	10,980,462
Total expenditures	21,828,989	2,388,944	10,862,407	1,220,840	36,301,180
Excess (deficiency) of revenues over expenditures	(842,465)	(17,125)	(9,110,822)	(37,065)	(10,007,477)
Other financing sources (uses)					
Proceeds from bonds	-	-	1,500,000	-	1,500,000
Transfer (to) from other funds	(17,500)	-	-	17,500	-
Proceeds from sale of fixed assets	6,534	-	-	-	6,534
	(10,966)	-	1,500,000	17,500	1,506,534
Net change in fund balances	(853,431)	(17,125)	(7,610,822)	(19,565)	(8,500,943)
Fund balances at July 1, 2018	3,286,790	648,284	7,776,924	329,499	12,041,497
Fund balances at June 30, 2019	<u>\$ 2,433,359</u>	<u>\$ 631,159</u>	<u>\$ 166,102</u>	<u>\$ 309,934</u>	<u>\$ 3,540,554</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, 2019

Net change in fund balances - total governmental funds \$ (8,500,943)

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	\$ 10,980,462	
Depreciation expense reported in the statement of activities	(1,530,921)	
Proceeds from sale of fixed assets	(6,534)	
Gain on disposal of fixed assets	<u>6,534</u>	9,449,541

Donations are reported in the governmental fund statements when they are current financial resources. For governmental activities, those donations are shown in the statement of net of activities when the donation is pledged:

Donations to be received in subsequent years		100,000
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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	15,767	
Special termination benefits earned in current year	<u>-</u>	15,767

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:		(1,500,000)
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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 amortization of bond premium	<u>22,392</u>	22,392
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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, 2019

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:	1,972,559
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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	\$ 765,567	
Actuarially determined change in net pension liability (asset) between years, with adjustments	(1,697,200)	
Payments made into the District's OPEB plan during the year	37,880	
Actuarially determined change in net OPEB liability between years, with adjustments	(236,323)	
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	5,821	\$ (1,124,255)

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	740,143	
The amount of interest accrued during the current year	(760,480)	(20,337)

Change in net position - governmental activities	\$ 414,724
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The accompanying notes are an integral part of this statement.

School District of West Salem
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Student Activities	Scholarship Funds	Employee Benefit Trust	Total
Assets				
Cash and cash equivalents	\$ 192,130	\$ 319,729	\$ 1,453,562	\$ 1,965,421
Beneficial interest in perpetual trust	-	266,253	-	266,253
Total assets	\$ 192,130	\$ 585,982	\$ 1,453,562	\$ 2,231,674
Liabilities				
Due to other funds	\$ 2,850	\$ -	\$ -	\$ 2,850
Due to student organizations	189,280	-	-	189,280
	192,130	-	-	192,130
Net position				
Nonspendable	-	286,253	-	286,253
Restricted for scholarships	-	299,729	-	299,729
Restricted for employee post-employment benefits	-	-	1,453,562	1,453,562
Total net position	-	585,982	1,453,562	2,039,544
Total liabilities and net position	\$ 192,130	\$ 585,982	\$ 1,453,562	\$ 2,231,674

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

Year ended June 30, 2019

Additions				
Gifts and contributions	\$ -	\$ 9,380	\$ -	\$ 9,380
Interest income	-	38,773	24,406	63,179
Change in interest in perpetual trust	-	2,862	-	2,862
Employee trust fund contribution	-	-	37,880	37,880
	-	51,015	62,286	113,301
Deductions				
Scholarships awarded	-	19,292	-	19,292
Employee benefits	-	-	196,402	196,402
	-	19,292	196,402	215,694
Net change in position	-	31,723	(134,116)	(102,393)
Net position at beginning of year	-	554,259	1,587,678	2,141,937
Net position at end of year	\$ -	\$ 585,982	\$ 1,453,562	\$ 2,039,544

The accompanying notes are an integral part of these statements.

School District of West Salem
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2019

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, 2019

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 capital 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, 2019

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, 2019

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. 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, 2019

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 and one for its other post-employment benefits that qualify for reporting in this category.

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

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 9 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, 2019

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.

O. 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.

P. Subsequent Events

The District has evaluated subsequent events through November 26, 2019, 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, 2019

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.

- 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, 2019

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, net of bank overdraft as of June 30, 2019, are classified in the accompanying financial statements as follows:

Statements of net position	
Governmental activities	\$ 1,300,892
Fiduciary funds	<u>1,965,421</u>
	<u>\$ 3,266,313</u>

Cash and investments as of June 30, 2019 consist of the following:

	Carrying Amount	Bank Balance
Demand deposits	\$ 120,025	\$ 512,428
Passbook savings	<u>12,853</u>	<u>12,853</u>
	132,878	<u>\$ 525,281</u>
Petty cash	459	
Registered group variable annuity contract - AUL fixed interest account	1,450,519	
Equity mutual funds	210,410	
Fixed income mutual funds	167,135	
Reich & Tang IDEA	5,772	
WISC - Investment Class	189,544	
Local government investment pool	<u>1,109,596</u>	
Total	<u>\$ 3,266,313</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, 2019, 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, 2019

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 no certificates of deposit.

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	\$ 210,410	\$ 210,410	\$ -	\$ -	\$ -
Fixed income mutual funds	167,135	-	113,006	38,642	15,487
Reich & Tang IDEA	5,772	5,772	-	-	-
	<u>\$ 383,317</u>	<u>\$ 216,182</u>	<u>\$ 113,006</u>	<u>\$ 38,642</u>	<u>\$ 15,487</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, 2019. 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) at June 30, 2019.

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	48.0%
AA	5.5%
A	7.1%
BBB	14.8%
BB	6.5%
B	11.2%
<B	3.2%
Not rated	3.7%
	<u>100.0%</u>

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

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, 2019, the District had \$275,281 in deposits with financial institutions in excess of federal depository insurance (FDIC) limits that were collateralized. The District could have had uninsured amounts 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, 2019</u>	Fair Value at <u>June 30, 2019</u>
Registered group variable annuity contract - AUL fixed interest account	\$ 1,409,639	\$ 1,450,519
Reich & Tang IDEA	5,772	5,772
Equity mutual funds	193,896	210,409
Fixed income mutual funds	168,128	167,136
WISC-IS	189,544	189,544
Local Government Investment Pool	<u>1,109,596</u>	<u>1,109,596</u>
	<u>\$ 3,076,575</u>	<u>\$ 3,132,976</u>

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

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, 2019 are:

	Level 1	Level 2	Level 3	Total
Registered group variable annuity contract - AUL fixed interest account	\$ -	\$ 1,450,519	\$ -	\$1,450,519
Equity mutual funds	210,410	-	-	210,410
Fixed income mutual funds	167,135	-	-	167,135
Reich & Tang IDEA	5,772	-	-	5,772
WISC-IS	-	189,544	-	189,544
Local Government Investment Pool	-	1,109,596	-	1,109,596
	<u>\$ 383,317</u>	<u>\$ 2,749,659</u>	<u>\$ -</u>	<u>\$3,132,976</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, all expected to be paid within a year and resulting from general operations of the District, for the year ended June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Student Activities Fund	\$ 2,850
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, 2019. During the year, the District took out two short-term notes. The District borrowed \$5,500,000 and repaid \$5,500,000 during the year ended June 30, 2019. Interest expense for the fiscal year on short-term borrowing was \$28,836, including paying fiscal agent fees of \$0.

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 are as follows:

	Balances at July 1, 2018	Additions and Adjustments	Deletions and Adjustments	Balances at June 30, 2019
Governmental Activities				
Assets not being depreciated:				
Land (non-depreciable)	\$ 2,170,597	\$ -	\$ -	\$ 2,170,597
Construction in process	16,798,852	9,951,411	26,750,263	-
	18,969,449	9,951,411	26,750,263	2,170,597
Land improvements	2,469,557		-	2,469,557
Buildings and building improvements	32,952,554	27,650,445	-	60,602,999
Furniture and equipment	7,555,707	128,869	178,234	7,506,342
Totals	61,947,267	37,730,725	26,928,497	72,749,495
Less accumulated depreciation				
Land improvements	1,248,989	93,393	-	1,342,382
Buildings and building improvements	14,167,888	880,955	-	15,048,843
Furniture and equipment	5,307,391	556,573	178,234	5,685,730
Totals	20,724,268	1,530,921	178,234	22,076,955
Governmental activities capital assets, net of accumulated depreciation	\$ 41,222,999	\$ 36,199,804	\$ 26,750,263	\$ 50,672,540

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	\$ 408,793
Business administration services	183,121
Food service	14,177
Unallocated	924,830
	\$ 1,530,921

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term obligation balances and related activity for the year ended June 30, 2019 are as follows:

	Balances at July 1, 2018	Additions and Adjustments	Reductions and Adjustments	Balances at June 30, 2019
Governmental Activities				
General obligation bonds and notes payable	\$ 26,830,000	\$ 1,500,000	\$ 1,660,000	\$ 26,670,000
Capital lease payable	1,214,202	-	312,559	901,643
Supplemental pension benefits liability (asset)	(333,277)	4,522	6,967	(335,722)
Vacation and sick payable	80,686	-	15,767	64,919
Net pension liability (asset) - WRS	(2,033,385)	5,248,216	741,781	2,473,050
Post retirement health care & other benefits liability	1,030,475	234,301	251,628	1,013,148
Premium on bonded debt refinancing	292,390	-	22,392	269,998
Total governmental activity long-term obligations	<u>\$ 27,081,091</u>	<u>\$ 6,987,039</u>	<u>\$ 3,011,094</u>	<u>\$ 31,057,036</u>

The current portion (due within one year) of long-term obligations at June 30, 2019 consists of:

General obligation bonds	\$ 970,000
Capital leases payable	<u>291,187</u>
Total current portion of long-term obligations	<u>\$ 1,261,187</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 \$2,375 for the year ended June 30, 2019 is as follows:

	Accrued	Paid
Short-term borrowing	\$ 28,836	\$ 28,836
Long-term obligations	<u>760,480</u>	<u>740,143</u>
Totals	<u>\$ 789,316</u>	<u>\$ 768,979</u>

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

NOTE 7 - LONG-TERM OBLIGATIONS - CONTINUED

Description	Issue Dates	Interest Rates (%)	Dates of Maturity	Balance at June 30, 2019	Current Maturities
Refunding bonds	7/5/2016	1.25-2.00%	4/1/2022	\$ 2,335,000	\$ 770,000
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	-
Promissory note	9/10/2018	3.40%	3/1/2022	600,000	200,000
Total general obligation debt				<u>\$ 26,670,000</u>	<u>\$ 970,000</u>

The 2018 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$920,686,823. The legal debt limit and margin of indebtedness as of June 30, 2019 in accordance with Wisconsin state statutes is as follows:

Debt limit (10% of \$920,686,823)	\$ 92,068,682
Deduct long-term debt applicable to debt margin	<u>26,670,000</u>
Margin of indebtedness	<u>\$ 65,398,682</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on bonds and notes payable at June 30, 2019 follows:

Year ended June 30	Principal	Interest	Total
2020	\$ 970,000	\$ 726,602	\$ 1,696,602
2021	980,000	702,050	1,682,050
2022	1,065,000	686,280	1,751,280
2023	1,235,000	666,467	1,901,467
2024	1,270,000	627,873	1,897,873
2025-2029	6,985,000	2,700,748	9,685,748
2030-2034	8,415,000	1,668,932	10,083,932
2035-2037	5,750,000	355,560	6,105,560
Totals	<u>\$ 26,670,000</u>	<u>\$ 8,134,512</u>	<u>\$ 34,804,512</u>

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

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, 2019

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
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
2018	2.4	17.0

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 \$741,781 in contributions from the employer.

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED

Contribution rates as of June 30, 2019 are:

Employee Category	Employee	Employer
General (including teachers)	6.55%	6.55%
Executives & Elected Officials	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At June 30, 2019, the District reported a liability (asset) of \$2,473,050 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the District's proportion was 0.06951287%, which was a decrease of 0.0010284% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,665,445.

At June 30, 2019, 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, 2019

NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,926,132	\$ 3,404,707
Changes in assumptions	416,866	-
Net differences between projected and actual earnings on pension plan investments	3,611,720	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,848	6,160
Employer contributions subsequent to the measurement date	423,830	-
Total	\$ 6,400,396	\$ 3,410,867

\$423,830 reported as deferred outflows related to pensions 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, 2020.

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

Year ended June 30:	Net Deferred Outflow (Inflows) of Resources
2020	\$ 923,503
2021	\$ 238,695
2022	\$ 411,618
2023	\$ 991,883
2024	\$ -

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

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, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 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, 2019

NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED

Asset Allocation Targets and Expected Returns

As of December 31, 2018

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
Variable Fund Asset Class			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

Single Discount rate. A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 municipal bond 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

NOTE 8 - EMPLOYEE RETIREMENT PLAN - CONTINUED

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	\$9,828,159	\$2,473,050	\$(2,996,044)

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, 2019 was \$166,241 for its June 2019 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, 2019

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, 2019, the District has \$438,921 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, 2018, and the total pension liability (asset) used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018.

Actuarial assumptions. The total pension liability (asset) in the June 30, 2017 valuation, rolled forward to June 30, 2018 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	3.75%*

*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 3.75% 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 and is reflective of a 20-year AA municipal bond rate as of the measurement date. 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, 2019

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	\$ 149,935	\$ 483,212	\$ (333,277)
Changes for the year:			
Interest	4,487	-	4,487
Differences between expected and actual experience	-	-	-
Changes of assumptions or other inputs	35	-	35
Contributions - employer	-	-	-
Net investment income	-	6,967	(6,967)
Benefit payments	(43,462)	(43,462)	-
Net changes	(38,940)	(36,495)	(2,445)
Balance at the end of the year	\$ 110,995	\$ 446,717	\$ (335,722)

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 3.75%, 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 (2.75%) or 1-percentage-point higher (4.75%) than the current rate:

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total pension liability	\$ 110,852	\$ 110,995	\$ 111,139
Fiduciary net position	446,717	446,717	446,717
Net pension liability	\$ (335,865)	\$ (335,722)	\$ (335,578)

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, 2019

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, 2019, the District recognized supplemental pension expense of \$(5,821). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to its supplemental pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 14,904	\$ -
District contributions subsequent to the measurement date	-	-
	\$ 14,904	\$ -

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, 2020	\$ 5,810
2021	4,170
2022	3,087
2023	1,837
	\$ 14,904

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

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, rolled forward to June 30, 2018, 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, 2019

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, rolled forward to June 30, 2018.

Actuarial Methods and Assumptions. The District engaged an actuary to perform a valuation as of June 30, 2017, rolled forward to June 30, 2018 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, rolled forward to June 30, 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	3.75%
General inflation	2.50%
Annual premium increase rate 2017-2019	7.50%
Decreasing .5% per year until 2036	5.00%
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 3.75%, based on the expected long-term yield on Trust assets and the 20-year AA municipal bond rate as of the measurement date.

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

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	\$ 2,238,831	\$ 1,208,356	\$ 1,030,475
Changes for the year:			
Service cost	158,272	-	158,272
Interest	76,029	-	76,029
Differences between expected and actual experience	-	-	-
Changes of assumptions or other inputs	(27,594)	-	(27,594)
Contributions - employer	-	206,611	(206,611)
Net investment income	-	17,423	(17,423)
Benefit payments	(291,429)	(291,429)	-
Net changes	<u>(84,722)</u>	<u>(67,395)</u>	<u>(17,327)</u>
Balance at the end of the year	<u>\$ 2,154,109</u>	<u>\$ 1,140,961</u>	<u>\$ 1,013,148</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 3.75 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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total OPEB liability	\$ 2,264,929	\$ 2,154,109	\$ 2,044,875
Fiduciary net position	<u>1,140,961</u>	<u>1,140,961</u>	<u>1,140,961</u>
Net OPEB liability	<u>\$ 1,123,968</u>	<u>\$ 1,013,148</u>	<u>\$ 903,914</u>

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

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	\$ 2,131,186	\$ 2,154,109	\$ 2,180,785
Fiduciary net position	1,140,961	1,140,961	1,140,961
Net OPEB liability	<u>\$ 990,225</u>	<u>\$ 1,013,148</u>	<u>\$ 1,039,824</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, 2019, the District recognized OPEB expense of \$215,410. At June 30, 2019, 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	\$ 223,074	\$ -
Changes in assumptions or other input	-	70,723
Net difference between projected and actual earnings on pension plan investments	28,303	-
District contributions subsequent to the measurement date	<u>37,880</u>	<u>-</u>
	<u>\$ 289,257</u>	<u>\$ 70,723</u>

\$37,880 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, 2020.

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, 2019

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

Year ended June 30, 2020	\$	21,917
2021		21,917
2022		21,918
2023		18,719
2024		14,042
Thereafter		82,141
	\$	<u>180,654</u>

NOTE 11 - CAPITAL LEASES, AS LESSEE

The following is an analysis of leased property under capital leases by major category at June 30, 2019.

Apple computers	\$	995,250
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, 2019:

Year ended June 30, 2020	\$	301,654
2021		302,204
2022		285,572
2023		34,609
2024		2,884
Total minimum lease payments		<u>926,923</u>
Less amount representing interest		<u>25,280</u>
Present value of net minimum lease payments	\$	<u>901,643</u>

NOTE 12 - FUND BALANCES AND NET POSITION

Fund Balance

At June 30, 2019, the District has a restricted fund balance of \$1,112,800 for the following:

General fund - unspent		
common school funds	\$	5,605
Debt service funds		631,159
Capital projects		166,102
Community service		45,932
Special projects - restricted		
Donations		253,926
Capital improvements		10,076
		<u>\$ 1,112,800</u>

School District of West Salem
NOTES TO FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2019

NOTE 12 - FUND BALANCES AND NET POSITION - CONTINUED

Net position

At June 30, 2019, the Governmental Activities net position balance after subtracting net investment in capital assets, and the amounts restricted for debt service and other activities is \$1,668,221. Restricted net position of \$1,345,534 consists of \$162,890 restricted for debt service, \$516,479 for its WRS pension, \$350,626 for its net supplemental pension asset, \$5,605 for unspent common school funds, \$45,932 for community service, \$253,926 for restricted donations and \$10,076 for future capital improvements.

NOTE 13 - PERPETUAL TRUSTS

The District is a beneficiary of two perpetual trusts at June 30, 2019. These are administered by a third-party trustee.

Balance at beginning of year	\$	263,391
Net appreciation		<u>2,862</u>
Balance at end of year	\$	<u><u>266,253</u></u>

NOTE 14 - 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 15 - 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

NOTE 16 - SUBSEQUENT EVENT

The District signed a note payable on July 22, 2019 for \$500,000 at 3% interest. The note is payable in annual installments of \$174,400 due on January 31 starting January 31, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

School District of West Salem
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POST-EMPLOYMENT BENEFIT PLANS
Year ended June 30, 2019

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%
6/30/2019	219,840	206,611	13,229	8,506,683	2.43%

Key Methods and Assumption Used to Calculate ADC:

	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Discount Rate	Inflation
6/30/2017	Entry Age Normal	Market Value	10 year level \$	4.00%	3.00%
6/30/2018	Entry Age Normal	Market Value	10 year level \$	4.00%	3.00%
6/30/2019	Entry Age Normal	Market Value	30 year level \$	3.50%	2.50%

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

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the schedule will present those years for which information is available.

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, 2019

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total OPEB liability			
Service cost	\$ 190,745	\$ 190,745	\$ 158,272
Interest	65,345	60,580	76,029
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	263,632	-
Changes of assumptions or other input	-	(53,480)	(27,594)
Benefit payments	(536,683)	(293,194)	(291,429)
Net change in total OPEB liability	(280,593)	168,283	(84,722)
Total OPEB liability - beginning of the year	<u>2,351,141</u>	<u>2,070,548</u>	<u>2,238,831</u>
Total OPEB liability - end of the year (a)	<u>\$ 2,070,548</u>	<u>\$ 2,238,831</u>	<u>\$ 2,154,109</u>
 Fiduciary net position			
Contributions	\$ 380,251	\$ 365,046	\$ 206,611
Net investment income	23,074	24,301	17,423
Benefit payments	(536,683)	(293,194)	(291,429)
Administrative expense	-	-	-
Net change in fiduciary net position	(133,358)	96,153	(67,395)
Fiduciary net position - beginning of the year	<u>1,245,561</u>	<u>1,112,203</u>	<u>1,208,356</u>
Fiduciary net position - end of the year (b)	<u>\$ 1,112,203</u>	<u>\$ 1,208,356</u>	<u>\$ 1,140,961</u>
 Net OPEB liability end of the year (a) - (b)	<u>\$ 958,345</u>	<u>\$ 1,030,475</u>	<u>\$ 1,013,148</u>
 Fiduciary net position as a percentage of the total OPEB liability	53.72%	53.97%	52.97%
 Covered payroll	\$ 7,458,630	\$ 8,506,683	\$ 8,506,683
 Net OPEB liability as a percentage of covered payroll	12.85%	12.11%	11.91%

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

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the schedule will present those years for which information is available.

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, 2019

	2016	2017	2018	2019
Total pension liability				
Interest cost	\$ 17,326	\$ 17,082	\$ 13,067	\$ 4,487
Difference between expected and actual experience	-	-	(293,610)	-
Changes of assumptions or other input	-	10,842	(540)	35
Benefit payments	(17,063)	(29,777)	(9,068)	(43,462)
Net change in total pension liability	263	(1,853)	(290,151)	(38,940)
Total pension liability - beginning	441,676	441,939	440,086	149,935
Total pension liability - ending (a)	\$ <u>441,939</u>	\$ <u>440,086</u>	\$ <u>149,935</u>	\$ <u>110,995</u>
Fiduciary net position				
Contributions - employer	15,532	29,777	10,216	-
Net investment income	10,265	8,726	2,304	6,967
Benefit payments	(17,063)	(29,777)	(9,068)	(43,462)
Net change in fiduciary net position	8,734	8,726	3,452	(36,495)
Fiduciary net position - beginning	462,300	471,034	479,760	483,212
Fiduciary net position - ending (b)	\$ <u>471,034</u>	\$ <u>479,760</u>	\$ <u>483,212</u>	\$ <u>446,717</u>
Net pension liability (asset)				
Net pension liability (asset) - ending (a)-(b)	\$ <u>(29,095)</u>	\$ <u>(39,674)</u>	\$ <u>(333,277)</u>	\$ <u>(335,722)</u>
Fiduciary net position as a percentage of the total pension liability (asset)	106.58%	109.02%	322.28%	402.47%
Covered payroll	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

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

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the schedule will present those years for which information is available.

Notes:

Benefit changes. There have been no changes to benefits in 2017, 2018 or 2019.
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, 2019

	2016	2017	2018	2019
Actuarially Determined Contribution (ADC)	\$ 76,713	\$ 32,519	\$ 32,519	\$ -
Contributions in relation to the ADC	15,532	29,777	10,216	-
Contribution deficiency (excess)	\$ 61,181	\$ 2,742	\$ 22,303	\$ -
Covered employee payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Key Methods and Assumptions Used to Calculate ADC:

	Unit Credit Market Value 6 year Level \$	Entry Age Normal Market Value 20 year Level \$	Entry Age Normal Market Value 20 year Level \$	Entry Age Normal Market Value 30 year Level \$
Actuarial cost method				
Asset valuation method				
Amortization method				
Discount rate	5.00%	4.00%	4.00%	3.50%
Inflation	3.00%	3.00%	3.00%	2.50%

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

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the schedule will present those years for which information is available.

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, 2019

	2015	2016	2017	2018	2019
District's proportion of the net pension liability (asset)	0.07082090%	0.07060417%	0.07020781%	0.06848447%	0.06951287%
District's share of the net pension liability (asset)	\$ (1,739,555)	\$ 1,147,304	\$ 578,680	\$ (2,033,385)	\$ 2,473,050
District's covered-employee payroll	\$ 10,187,973	\$ 9,811,546	\$ 9,926,691	\$ 10,056,178	\$ 10,996,566
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%	99.12%	102.93%	96.45%

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

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the schedule will present those years for which information is available.

School District of West Salem
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
Year ended June 30, 2019

	2015	2016	2017	2018	2019
Contractually required contributions	\$ 713,192	\$ 667,183	\$ 655,583	\$ 683,822	\$ 741,781
Contributions in relation to the contractually required contributions	\$ 713,192	\$ 667,183	\$ 655,583	\$ 683,822	\$ 741,781
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 10,187,973	\$ 9,811,546	\$ 9,926,691	\$ 10,056,178	\$ 10,996,566
Contributions as a percentage of covered-employee payroll	7.00%	6.80%	6.60%	6.80%	6.75%

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

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the schedule will present those years for which information is available.

Notes to the Required Supplementary Information
for the Year ended June 30, 2019

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

Changes of assumptions. Actuarial assumptions are based upon an experience study using experience from 2015-2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 5,706,864	\$ 5,709,564	\$ 5,748,521	\$ 38,957
Other local sources	259,917	259,917	228,661	(31,256)
Interdistrict sources	1,707,094	1,707,094	1,671,860	(35,234)
Intermediate sources	27,077	24,262	22,978	(1,284)
State sources	12,482,270	12,607,125	12,491,123	(116,002)
Federal sources	693,789	694,344	726,837	32,493
Other sources	89,000	89,000	96,544	7,544
Total revenues	20,966,011	21,091,306	20,986,524	(104,782)
Expenditures				
Instruction				
Regular instruction	7,914,727	7,936,238	7,831,324	104,914
Vocational instruction	529,626	510,863	533,559	(22,696)
Special instruction	2,545,428	2,545,428	2,566,616	(21,188)
Other instruction	1,108,729	1,111,980	1,098,444	13,536
Total instruction	12,098,510	12,104,509	12,029,943	74,566
Support services				
Pupil services	901,312	901,203	899,338	1,865
Instructional staff services	1,363,742	1,392,970	1,376,379	16,591
General administration services	428,355	428,355	420,742	7,613
Building administration services	1,129,964	1,128,514	1,134,797	(6,283)
Business administration services	3,278,392	3,367,569	3,224,731	142,838
Central services	178,970	187,365	243,062	(55,697)
Insurance	208,925	208,925	216,380	(7,455)
Principal and interest	312,285	312,285	352,594	(40,309)
Other support services	542,094	538,421	472,923	65,498
Total support services	8,344,039	8,465,607	8,340,946	124,661
Non-program services	1,350,931	1,348,659	1,458,100	(109,441)
Total expenditures	21,793,480	21,918,775	21,828,989	89,786
Excess (deficiency) of revenues over expenditures	(827,469)	(827,469)	(842,465)	(14,996)
Other financing sources (uses)				
Proceeds from sale of fixed assets	10,000	10,000	6,534	(3,466)
Inception of capital lease	-	-	-	-
Transfer from (to) other funds	(2,500)	(2,500)	(17,500)	(15,000)
	<u>7,500</u>	<u>7,500</u>	<u>(10,966)</u>	<u>(18,466)</u>
Net change in fund balance	(819,969)	(819,969)	(853,431)	(33,462)
Fund balance at July 1, 2018	<u>3,286,790</u>	<u>3,286,790</u>	<u>3,286,790</u>	<u>-</u>
Fund balance at June 30, 2019	<u>\$ 2,466,821</u>	<u>\$ 2,466,821</u>	<u>\$ 2,433,359</u>	<u>\$ (33,462)</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, 2019

	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
Revenues									
Property taxes	\$ 5,706,864	\$ 5,709,564	\$ 5,748,521	\$ -	\$ -	\$ -	\$ 5,706,864	\$ 5,709,564	\$ 5,748,521
Other local sources	259,917	259,917	228,661	-	-	-	259,917	259,917	228,661
Interdistrict sources	1,652,602	1,652,602	1,611,521	54,492	54,492	60,339	1,707,094	1,707,094	1,671,860
Intermediate sources	12,877	10,062	9,855	14,200	14,200	13,123	27,077	24,262	22,978
State sources	11,844,270	11,969,125	11,869,865	638,000	638,000	621,258	12,482,270	12,607,125	12,491,123
Federal sources	183,956	184,511	185,844	509,833	509,833	540,993	693,789	694,344	726,837
Other sources	89,000	89,000	96,544	-	-	-	89,000	89,000	96,544
Total revenues	19,749,486	19,874,781	19,750,811	1,216,525	1,216,525	1,235,713	20,966,011	21,091,306	20,986,524
Expenditures									
Instruction									
Regular instruction	7,914,727	7,936,238	7,831,324	-	-	-	7,914,727	7,936,238	7,831,324
Vocational instruction	529,626	510,863	533,559	-	-	-	529,626	510,863	533,559
Special instruction	-	-	-	2,545,428	2,545,428	2,566,616	2,545,428	2,545,428	2,566,616
Other instruction	1,108,729	1,111,980	1,098,444	-	-	-	1,108,729	1,111,980	1,098,444
Total instruction	9,553,082	9,559,081	9,463,327	2,545,428	2,545,428	2,566,616	12,098,510	12,104,509	12,029,943
Support services									
Pupil services	537,658	537,549	530,590	363,654	363,654	368,748	901,312	901,203	899,338
Instructional staff services	1,147,649	1,176,877	1,146,619	216,093	216,093	229,760	1,363,742	1,392,970	1,376,379
General administration services	428,355	428,355	420,742	-	-	-	428,355	428,355	420,742
Building administration services	1,129,964	1,128,514	1,134,797	-	-	-	1,129,964	1,128,514	1,134,797
Business administration services	3,137,280	3,226,457	3,107,500	141,112	141,112	117,231	3,278,392	3,367,569	3,224,731
Central services	178,970	187,365	243,062	-	-	-	178,970	187,365	243,062
Insurance	208,925	208,925	216,380	-	-	-	208,925	208,925	216,380
Principal and interest	312,285	312,285	352,594	-	-	-	312,285	312,285	352,594
Other support services	542,094	538,421	472,923	-	-	-	542,094	538,421	472,923
Total support services	7,623,180	7,744,748	7,625,207	720,859	720,859	715,739	8,344,039	8,465,607	8,340,946
Non-program services	1,179,931	1,177,659	1,250,396	171,000	171,000	207,704	1,350,931	1,348,659	1,458,100
Total expenditures	18,356,193	18,481,488	18,338,930	3,437,287	3,437,287	3,490,059	21,793,480	21,918,775	21,828,989
Excess of revenues over (under) expenditures	1,393,293	1,393,293	1,411,881	(2,220,762)	(2,220,762)	(2,254,346)	(827,469)	(827,469)	(842,465)
Other financing sources (uses)									
Proceeds from sale of fixed assets	10,000	10,000	6,534	-	-	-	10,000	10,000	6,534
Proceeds from capital lease	-	-	-	-	-	-	-	-	-
Transfer from (to) other funds	(2,223,262)	(2,223,262)	(2,271,846)	2,220,762	2,220,762	2,254,346	(2,500)	(2,500)	(17,500)
	<u>(2,213,262)</u>	<u>(2,213,262)</u>	<u>(2,265,312)</u>	<u>2,220,762</u>	<u>2,220,762</u>	<u>2,254,346</u>	<u>7,500</u>	<u>7,500</u>	<u>(10,966)</u>
Net change in fund balance	(819,969)	(819,969)	(853,431)	-	-	-	(819,969)	(819,969)	(853,431)
Fund balance at July 1, 2018	3,286,790	3,286,790	3,286,790	-	-	-	3,286,790	3,286,790	3,286,790
Fund balance at June 30, 2019	<u>\$ 2,466,821</u>	<u>\$ 2,466,821</u>	<u>\$ 2,433,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,466,821</u>	<u>\$ 2,466,821</u>	<u>\$ 2,433,359</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, 2019

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 2,371,735	\$ 2,371,735	\$ 2,371,735	\$ -
Other local sources	-	-	84	84
Total revenues	2,371,735	2,371,735	2,371,819	84
Expenditures				
Support services				
Principal and interest	2,371,735	2,371,735	2,388,944	(17,209)
Total expenditures	2,371,735	2,371,735	2,388,944	(17,209)
Net change in fund balance	-	-	(17,125)	(17,125)
Fund balance at July 1, 2018	648,284	648,284	648,284	-
Fund balance at June 30, 2019	\$ 648,284	\$ 648,284	\$ 631,159	\$ (17,125)

School District of West Salem
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Other local sources	\$ 1,732,776	\$ 1,732,776	\$ 1,751,585	\$ 18,809
Total revenues	1,732,776	1,732,776	1,751,585	18,809
Expenditures				
Support services				
Business				
administration	11,271,823	11,271,823	10,851,594	420,229
Insurance	37,877	37,877	10,813	27,064
Total expenditures	11,309,700	11,309,700	10,862,407	447,293
Excess of revenues over (under) expenditures	(9,576,924)	(9,576,924)	(9,110,822)	466,102
Other financing sources				
Proceeds from bonds	1,800,000	1,800,000	1,500,000	(300,000)
	1,800,000	1,800,000	1,500,000	(300,000)
Net change in fund balance	(7,776,924)	(7,776,924)	(7,610,822)	166,102
Fund balance at July 1, 2018	7,776,924	7,776,924	7,776,924	-
Fund balance at June 30, 2019	\$ -	\$ -	\$ 166,102	\$ 166,102

School District of West Salem
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2019

NOTE 1 - 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.

- A. Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- B. 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.
- C. 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.
- D. Pursuant to the public budget hearing, the School Board may make alterations to the proposed budget.
- E. 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.
- F. 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.

NOTE 2 - BASIS OF ACCOUNTING

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the financial statements. There is a perspective difference between the budget and reporting under generally accepted accounting principles (GAAP). For budgetary purposes, the special education fund was budgeted separate from the general fund, but for GAAP, the two are combined.

School District of West Salem
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
Year ended June 30, 2019

NOTE 3 - 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, 2019:

<u>Individual Fund and Function</u>	<u>Expenditures</u>
General Fund	
Vocational instruction	\$ 22,696
Special instruction	21,188
Building administration	6,283
Central services	55,697
Insurance	7,455
Principal and interest	40,309
Non-program services	109,441
Debt Services Fund	
Principal and interest - referendum debt	17,209

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

School District of West Salem
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

Fund Number:	(50)	(80)	(21)	(46)	
	Food Service Fund	Community Service Fund	Special Revenue Trust Fund	Capital Improvement Fund	Total
Assets					
Cash and investments	\$ 45,250	\$ 47,811	\$ 253,926	\$ 10,076	\$ 357,063
Accounts receivable	649	1,450	-	-	2,099
Due from other governments	5,431	-	-	-	5,431
	<u>51,330</u>	<u>49,261</u>	<u>253,926</u>	<u>10,076</u>	<u>364,593</u>
Total assets	<u>\$ 51,330</u>	<u>\$ 49,261</u>	<u>\$ 253,926</u>	<u>\$ 10,076</u>	<u>\$ 364,593</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 212	\$ 1,976	\$ -	\$ -	\$ 2,188
Accrued liabilities					
Payroll, payroll taxes, and employee benefits	16,899	1,353	-	-	18,252
Unearned revenue	34,219	-	-	-	34,219
	<u>51,330</u>	<u>3,329</u>	<u>-</u>	<u>-</u>	<u>54,659</u>
Fund balances					
Restricted	<u>-</u>	<u>45,932</u>	<u>253,926</u>	<u>10,076</u>	<u>309,934</u>
Total liabilities and fund balances	<u>\$ 51,330</u>	<u>\$ 49,261</u>	<u>\$ 253,926</u>	<u>\$ 10,076</u>	<u>\$ 364,593</u>

School District of West Salem
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**
Year ended June 30, 2019

Fund Number:	(50)	(80)	(21)	(46)	
	Food Service Fund	Community Service Fund	Special Revenue Trust Fund	Capital Improvement Fund	Total
Revenues					
Property taxes	\$ -	\$ 109,500	\$ -	\$ -	\$ 109,500
Other local sources	651,031	19,555	34,410	56	705,052
Interdistrict sources	16,111	-	-	-	16,111
State sources	12,630	-	-	-	12,630
Federal sources	335,254	-	-	-	335,254
Other sources	5,228	-	-	-	5,228
Total revenues	1,020,254	129,055	34,410	56	1,183,775
Expenditures					
Instruction					
Regular instruction	-	-	187	-	187
Vocational instruction	-	-	1,459	-	1,459
Special instruction	-	-	-	-	-
Other instruction	-	-	1,199	-	1,199
Total instruction	-	-	2,845	-	2,845
Support services					
Pupil services	-	-	3,689	-	3,689
Building administration services	-	-	3,278	-	3,278
Business administration services	-	-	-	-	-
Community service	-	162,017	-	-	162,017
Food service	1,045,881	-	-	-	1,045,881
Other support services	-	-	3,130	-	3,130
Total support services	1,045,881	162,017	10,097	-	1,217,995
Non-program services	-	-	-	-	-
Total expenditures	1,045,881	162,017	12,942	-	1,220,840
Excess (deficiency) of revenues over expenditures	(25,627)	(32,962)	21,468	56	(37,065)
Other financing sources (uses)					
Transfer from (to) other funds	15,000	-	-	2,500	17,500
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>17,500</u>
Net change in fund balance	(10,627)	(32,962)	21,468	2,556	(19,565)
Fund balance at July 1, 2018	<u>10,627</u>	<u>78,894</u>	<u>232,458</u>	<u>7,520</u>	<u>329,499</u>
Fund balance at June 30, 2019	<u>\$ -</u>	<u>\$ 45,932</u>	<u>\$ 253,926</u>	<u>\$ 10,076</u>	<u>\$ 309,934</u>

School District of West Salem
PUPIL ACTIVITY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2019

	Balance at July 1, 2018	Additions and Transfers In	Deductions and Transfers Out	Balance at June 30, 2019
ASSETS				
Cash and investments	\$ 292,590	\$ 829,346	\$ 929,806	\$ 192,130
Total assets	<u>\$ 292,590</u>	<u>\$ 829,346</u>	<u>\$ 929,806</u>	<u>\$ 192,130</u>
LIABILITIES				
Due to student organizations				
Elementary school	\$ 17,626	\$ 9,887	\$ 9,149	\$ 18,364
Middle school	20,137	180,382	181,809	18,710
High school	238,037	636,228	722,059	152,206
Due to other funds	<u>16,790</u>	<u>2,849</u>	<u>16,789</u>	<u>2,850</u>
Total liabilities	<u>\$ 292,590</u>	<u>\$ 829,346</u>	<u>\$ 929,806</u>	<u>\$ 192,130</u>

School District of West Salem
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2019

	Federal Catalog Number	Program or Award Number	Program or Award Amount	Receivable at July 1, 2018	Expenditures	Revenues Grantor	Receivable at June 30, 2019	Footnote
United States Department of Agriculture								
Passed through Wisconsin Department of Public Instruction								
Child Nutrition Cluster								
Food Distribution	10.555							
July 1, 2018 to June 30, 2019		UNKNOWN	N/A	\$ -	\$ 65,268	\$ 65,268	\$ -	2
School Breakfast Program	10.553							
July 1, 2017 to June 30, 2018			N/A	735	-	735	-	1
July 1, 2018 to June 30, 2019		2019-326370-SB-546	N/A	-	31,500	30,720	780	1
National School Lunch Program	10.555							
July 1, 2017 to June 30, 2018			N/A	4,933	-	4,933	-	1
July 1, 2018 to June 30, 2019		2019-326370-NSL-547	N/A	-	236,693	232,084	4,609	1
Special Milk Program	10.556							
July 1, 2017 to June 30, 2018			N/A	49	-	49	-	
July 1, 2018 to June 30, 2019		2019-326370-SMP-548	N/A	-	1,793	1,751	42	1
Subtotal Child Nutrition Cluster				<u>5,717</u>	<u>335,254</u>	<u>335,540</u>	<u>5,431</u>	
Total United States Department of Agriculture				5,717	335,254	335,540	5,431	
United States Department of Education								
Passed through Wisconsin Department of Public Instruction								
Title 1 Basic Grant	84.010							
July 1, 2017 to June 30, 2018			N/A	22,089	-	22,089	-	
July 1, 2018 to June 30, 2019		2019-326370-TIA-141	\$ 131,148	-	127,363	96,223	31,140	
Special Education (IDEA) Cluster								
PL 94-142 Idea Flow-Through	84.027							
July 1, 2017 to June 30, 2018			N/A	75,689	-	75,689	-	
July 1, 2018 to June 30, 2019		2019-326370-IDEA-FT-341	\$ 485,150	-	437,615	377,051	60,564	
PL 99-457 Pre-School Entitlement	84.173							
July 1, 2017 to June 30, 2018			N/A	1,470	-	1,470	-	
July 1, 2018 to June 30, 2019		2019-326370-IDEA-PS-347	\$ 11,165	-	10,069	6,565	3,504	
Subtotal Special Education (IDEA) Cluster				<u>77,159</u>	<u>447,684</u>	<u>460,775</u>	<u>64,068</u>	
Title IIA Teacher and Principal Training	84.367							
July 1, 2018 to June 30, 2019		2019-326370-TIIA-365	\$ 36,376	-	36,374	27,200	9,174	
Title IVA Student Sport and Academic Enrichment	84.424							
July 1, 2018 to June 30, 2019		2019-326370-TIVA-381	\$ 8,917	-	3,227	-	3,227	
Total passed through Wisconsin Department of Public Instruction				99,248	614,648	606,287	107,609	

School District of West Salem
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
 Year ended June 30, 2019

	Federal Catalog Number	Program or Award Amount	Program or Award Amount	Receivable at July 1, 2018	Expenditures	Revenues Grantor	Receivable at June 30, 2019	Footnote
United States Department of Education - Continued								
Passed through Cooperative Educational Services Agency #4								
Title III								
July 1, 2018 to June 30, 2019	84.365A	UNKNOWN	\$ 555	\$ -	\$ 555	\$ 555	\$ -	
Carl Perkins Tech Prep	84.048	UNKNOWN	\$ 7,062	-	7,050	7,050	-	
July 1, 2018 to June 30, 2019				-	7,605	7,605	-	
Total passed through CESA #4				-	7,605	7,605	-	
Total United States Department of Education				99,248	622,253	613,892	107,609	
United States Department of Health and Human Services								
Passed through State of Wisconsin Health Care								
Financing Programs								
Medicaid								
July 1, 2018 to June 30, 2019	93.778	UNKNOWN	N/A	-	112,189	112,189	-	
Total United States Department of Health and Human Services				-	112,189	112,189	-	
Total federal financial assistance				\$ 104,965	\$ 1,069,696	\$ 1,061,621	\$ 113,040	

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, 2019

	I.D. Number	Program or Award Amount	Receivable at July 1, 2018	Expenditures	Revenue State Reimbursements	Receivable at June 30, 2019
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT						
Cost Reimbursement Programs - Non-major						
Passed through the CESA #4						
Youth Apprenticeship						
	445.107	\$ 2,250	-	2,250	2,250	-
WISCONSIN DEPARTMENT OF JUSTICE						
Cost Reimbursement Programs - Non-major						
School Safety Grant						
	455.206	\$ 99,855	-	37,546	12,340	25,206
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Cost Reimbursement Programs - Non-major						
Passed through the School District of La Crosse						
Personal Computing Device						
	255.296	\$ 13,250	-	13,250	13,250	-
	255.301	\$ 25,000	-	25,000	25,000	-
	255.950	\$ 6,335	-	7,000	7,000	-
	255.959	N/A	2,592	-	2,592	-
		\$ 2,126	-	2,126	-	2,126
	255.956	\$ 9,400	-	9,400	9,400	-
	255.940	\$ 11,680	-	11,680	11,680	-
			<u>2,592</u>	<u>68,456</u>	<u>68,922</u>	<u>2,126</u>
			<u>\$ 2,592</u>	<u>\$ 108,252</u>	<u>\$ 83,512</u>	<u>\$ 27,332</u>
Entitlement Programs						
Major State Programs (A)						
General Equalization						
	255.201			\$ 10,927,114		
Pupil Transportation						
	255.107			63,739		
				<u>\$ 10,990,853</u>		
Non-major State Programs (B)						
Handicapped Pupils and School Age Parents:						
Internal District Programs						
	255.101		<u>\$ 2,920,896</u>	\$ 616,258		
Participant in Package Program at CESA #4						
				13,123		
				629,381		
	255.945			1,122,264		
	255.103			69,007		
	255.102			10,130		
	255.344			2,499		
	255.960			5,000		
				<u>\$ 1,838,281</u>		
				<u>\$ 12,937,386</u>		
WISCONSIN DEPARTMENT OF REVENUE						
Exempt Computer Aid						
				\$ 70,722		
				<u>\$ 13,008,108</u>		

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

OTHER REPORTS



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**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, 2019, 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, 2019.

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 2019-001 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 questioned costs. 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.

Tostud & Temp, S.C.

November 26, 2019



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**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, 2019. 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, 2019.

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, 2019

School District of West Salem
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2019

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 FINDINGS AND QUESTIONED COSTS - CONTINUED
Year ended June 30, 2019

Section I - Summary of Auditor's Results - Continued

State Awards

Internal control over financial reporting:

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 State Single
Audit Guidelines?

yes no

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.201	General Equalization Aid
255.107	Transportation Aid

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

School District of West Salem
SCHEDULE OF PRIOR YEAR FINDINGS
Year ended June 30, 2019

Prior-Year Financial Statement Findings .

2018-001 The District reconciled all bank accounts, but did not reconcile its checking account in a timely manner. The current year bank reconciliations were done at the end of the fiscal year.

Status: This is no longer a finding in the current year.