

SCHOOL DISTRICT OF THORP

Thorp, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2018

SCHOOL DISTRICT OF THORP

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INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the School District of Thorp'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 School District of Thorp'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 School District of Thorp as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note III.H. to the financial statements, net position as of June 30, 2017 has been restated to correct material misstatements. Our opinions are not modified with respect to this matter.

Other Matters

The financial statements of the School District of Thorp as of June 30, 2017, prior to restatement, were audited by other auditors whose report dated November 6, 2017, expressed unmodified opinions on those statements.

As part of the audit of the June 30, 2018 financial statements, we also audited the adjustments described in Note III.H. that were applied to restate the June 30, 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the June 30, 2017 financial statements of the School District of Thorp other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2017 financial statements as a whole.

Required Supplementary Information

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Thorp's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 29, 2018 on our consideration of the School District of Thorp'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 School District of Thorp's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
November 29, 2018

SCHOOL DISTRICT OF THORP

STATEMENT OF NET POSITION As of June 30, 2018

ASSETS

Current

Cash and investments	\$ 930,242
Taxes receivable	627,895
Accounts receivable	12,240
Due from other governments	486,294
Total Current Assets	<u>2,056,671</u>

Noncurrent

Construction in progress	1,572,182
Land	1,125,000
Capital assets, net of depreciation	4,775,926
Restricted assets:	
Cash and investments	4,694,606
Net pension asset	704,995
Total Noncurrent Assets	<u>12,872,709</u>

Total Assets	<u>14,929,380</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension related amounts	<u>1,174,022</u>
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LIABILITIES

Current

Accounts payable	838,388
Accrued payroll and related liabilities	282,538
Accrued interest	67,653
Deposits	5,641
Current portion of general obligation debt	348,346
Total Current Liabilities	<u>1,542,566</u>

Noncurrent

Noncurrent portion of general obligation debt	<u>6,771,341</u>
Total Noncurrent Liabilities	<u>6,771,341</u>

Total Liabilities	<u>8,313,907</u>
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DEFERRED INFLOWS OF RESOURCES

Pension related amounts	<u>1,393,216</u>
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NET POSITION

Net investment in capital assets	4,697,935
Restricted for:	
Food service	901
Debt service	111,178
Long term capital improvement	2,002
Pension	704,995
Unrestricted	<u>879,268</u>

TOTAL NET POSITION	<u>\$ 6,396,279</u>
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See accompanying notes to financial statements.

SCHOOL DISTRICT OF THORP

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Instruction					
Regular instruction	\$ 3,231,043	\$ 444,691	\$ 552,085	\$ -	\$ (2,234,267)
Vocational instruction	334,627	-	-	-	(334,627)
Special instruction	762,822	4,520	399,914	-	(358,388)
Other instruction	253,934	14,201	-	-	(239,733)
Total Instruction	<u>4,582,426</u>	<u>463,412</u>	<u>951,999</u>	<u>-</u>	<u>(3,167,015)</u>
Community Service	<u>4,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,732)</u>
Support Service					
Pupil services	282,885	-	-	-	(282,885)
Instructional staff services	281,679	-	31,364	-	(250,315)
Administration	822,610	-	-	-	(822,610)
Buildings and grounds	501,392	1,050	-	-	(500,342)
Transportation	437,449	-	79,977	-	(357,472)
Other support services	517,813	-	-	-	(517,813)
Food service	360,215	107,839	221,468	-	(30,908)
Interest on debt	350,330	-	-	-	(350,330)
Depreciation - unallocated	245,800	-	-	-	(245,800)
Total Support Services	<u>3,800,173</u>	<u>108,889</u>	<u>332,809</u>	<u>-</u>	<u>(3,358,475)</u>
Total Governmental Activities	<u>\$ 8,387,331</u>	<u>\$ 572,301</u>	<u>\$ 1,284,808</u>	<u>\$ -</u>	<u>(6,530,222)</u>
General Revenues					
Property taxes					
General purposes					1,614,026
Debt service					362,053
Community service					25,000
State and federal aids not restricted to specific functions					
General equalized aid					3,693,750
Other					438,206
Investment income					39,585
Miscellaneous					66,180
Total General Revenues					<u>6,238,800</u>
Change in Net Position					(291,422)
NET POSITION - Beginning of Year (as restated)					<u>6,687,701</u>
NET POSITION - END OF YEAR					<u>\$ 6,396,279</u>

See accompanying notes to financial statements.

SCHOOL DISTRICT OF THORP

BALANCE SHEET GOVERNMENTAL FUNDS As of June 30, 2018

	General Fund	Special Education Special Revenue Fund	Debt Service Funds		General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
			Nonreferendum	Referendum			
ASSETS							
Cash and investments	\$ 730,141	\$ -	\$ 81,911	\$ 96,920	\$ -	\$ 21,270	\$ 930,242
Taxes receivable	627,895	-	-	-	-	-	627,895
Accounts receivable	8,789	-	-	-	-	3,451	12,240
Due from other governments	297,177	182,952	-	-	-	6,165	486,294
Due from other funds	186,026	-	-	-	-	1,000	187,026
Restricted cash and investments	-	-	-	-	4,694,606	-	4,694,606
TOTAL ASSETS	<u>\$ 1,850,028</u>	<u>\$ 182,952</u>	<u>\$ 81,911</u>	<u>\$ 96,920</u>	<u>\$ 4,694,606</u>	<u>\$ 31,886</u>	<u>\$ 6,938,303</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 8,379	\$ -	\$ -	\$ -	\$ 830,009	\$ -	\$ 838,388
Accrued payroll and related liabilities	282,538	-	-	-	-	-	282,538
Due to other funds	1,000	182,952	-	-	-	3,074	187,026
Deposits	-	-	-	-	-	5,641	5,641
Total Liabilities	<u>291,917</u>	<u>182,952</u>	<u>-</u>	<u>-</u>	<u>830,009</u>	<u>8,715</u>	<u>1,313,593</u>
Fund Balances							
Restricted	-	-	81,911	96,920	3,864,597	2,903	4,046,331
Assigned	-	-	-	-	-	20,268	20,268
Unassigned	1,558,111	-	-	-	-	-	1,558,111
Total Fund Balance	<u>1,558,111</u>	<u>-</u>	<u>81,911</u>	<u>96,920</u>	<u>3,864,597</u>	<u>23,171</u>	<u>5,624,710</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,850,028</u>	<u>\$ 182,952</u>	<u>\$ 81,911</u>	<u>\$ 96,920</u>	<u>\$ 4,694,606</u>	<u>\$ 31,886</u>	<u>\$ 6,938,303</u>

See accompanying notes to financial statements.

SCHOOL DISTRICT OF THORP

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

As of June 30, 2018

Total fund balance - governmental funds	\$ 5,624,710
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. Capital assets at year end consist of:

Capital assets	\$ 14,926,463	
Accumulated depreciation	<u>(7,453,355)</u>	7,473,108

The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	704,995
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Some deferred outflows of resources and deferred inflows of resources are not reported in the fund statements. These consist of:

Deferred outflows - pension related amounts	1,174,022
Deferred inflows - pension related amounts	<u>(1,393,216)</u>

Governmental funds report the effect of premiums, losses, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Below are the net effects of these differences:

Unamortized premium	(307,924)
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Long-term liabilities, including bond and notes payable, are not due in the current period and, therefore, are not reported in the fund statements.

Long-term liabilities at year end consist of:

General obligation debt	(6,811,763)	
Accrued interest on general obligation debt	<u>(67,653)</u>	<u>(6,879,416)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 6,396,279</u>
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SCHOOL DISTRICT OF THORP

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended June 30, 2018

	General Fund	Special Education Special Revenue Fund	Debt Service Funds		General Capital Projects Fund
			Nonreferendum	Referendum	
REVENUES					
Property taxes	\$ 1,614,026	\$ -	\$ 134,494	\$ 227,559	\$ -
Other local sources	56,745	-	-	518	33,095
Interdistrict sources	447,388	4,520	-	-	-
Intermediate sources	61,642	56,199	-	-	-
State sources	4,453,397	178,955	-	-	-
Federal sources	292,388	152,715	-	-	-
Other sources	26,116	-	-	-	-
Total Revenues	<u>6,951,702</u>	<u>392,389</u>	<u>134,494</u>	<u>228,077</u>	<u>33,095</u>
EXPENDITURES					
Instruction					
Regular instruction	3,245,144	-	-	-	-
Vocational instruction	328,278	-	-	-	-
Special instruction	-	751,158	-	-	-
Other instruction	251,716	-	-	-	-
Total Instruction	<u>3,825,138</u>	<u>751,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community Service					
Total Community Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Support Service					
Pupil services	168,824	110,810	-	-	-
Instructional staff services	200,322	78,400	-	-	-
Administration	805,165	4,366	-	-	-
Buildings and grounds	521,875	-	-	-	1,635,786
Transportation	437,449	-	-	-	-
Debt service	-	-	1,685,914	4,711,064	-
Other support services	472,344	-	-	38,694	6,712
Food service	-	-	-	-	-
Total Support Services	<u>2,605,979</u>	<u>193,576</u>	<u>1,685,914</u>	<u>4,749,758</u>	<u>1,642,498</u>
Total Expenditures	<u>6,431,117</u>	<u>944,734</u>	<u>1,685,914</u>	<u>4,749,758</u>	<u>1,642,498</u>
Excess of Revenues Over (Under)					
Expenditures	<u>520,585</u>	<u>(552,345)</u>	<u>(1,551,420)</u>	<u>(4,521,681)</u>	<u>(1,609,403)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	5,474,000
Refunding long-term debt issued	-	-	1,487,167	4,404,000	-
Premium on long-term debt issued	-	-	46,484	116,166	-
Sales of capital assets	1,843	-	-	-	-
Transfers in	-	552,345	80,000	-	-
Transfers out	(633,345)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(631,502)</u>	<u>552,345</u>	<u>1,613,651</u>	<u>4,520,166</u>	<u>5,474,000</u>
Net Change in Fund Balances	(110,917)	-	62,231	(1,515)	3,864,597
FUND BALANCES - Beginning of Year	1,669,028	-	19,680	98,435	-
FUND BALANCES - END OF YEAR	<u>\$ 1,558,111</u>	<u>\$ -</u>	<u>\$ 81,911</u>	<u>\$ 96,920</u>	<u>\$ 3,864,597</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 25,000	\$ 2,001,079
107,841	198,199
-	451,908
-	117,841
8,570	4,640,922
212,898	658,001
-	<u>26,116</u>
<u>354,309</u>	<u>8,094,066</u>
-	3,245,144
-	328,278
-	751,158
-	<u>251,716</u>
-	<u>4,576,296</u>
<u>4,732</u>	<u>4,732</u>
-	279,634
-	278,722
-	809,531
-	2,157,661
-	437,449
-	6,396,978
-	517,750
<u>357,655</u>	<u>357,655</u>
<u>357,655</u>	<u>11,235,380</u>
<u>362,387</u>	<u>15,816,408</u>
<u>(8,078)</u>	<u>(7,722,342)</u>
-	5,474,000
-	5,891,167
-	162,650
-	1,843
1,000	633,345
-	<u>(633,345)</u>
<u>1,000</u>	<u>11,529,660</u>
(7,078)	3,807,318
<u>30,249</u>	<u>1,817,392</u>
<u>\$ 23,171</u>	<u>\$ 5,624,710</u>

See accompanying notes to financial statements.

SCHOOL DISTRICT OF THORP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ 3,807,318
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:

Capital outlay is capitalized in the district-wide statements	1,693,304
Depreciation is reported in the district-wide statements	(245,800)
Loss on disposal of capital assets	(6,085)

Debt premiums, discounts, and similar items are reported as other financing sources (uses) or expenditures in the governmental funds. However, in the statement of net assets, these are deferred and allocated over the period the debt is outstanding in the statement of activities.

Premium on debt issued	(326,635)
Amortization	18,711

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments	6,235,270
Debt proceeds	(11,365,167)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

This is the change in the following assets/liabilities:

Accrued interest payable	(43,348)
Net pension asset - WRS (and pension related deferred outflows and inflows of resources)	(96,532)
Vested compensated absences	10,347
Pension liability - stipend	<u>27,195</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (291,422)</u>
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SCHOOL DISTRICT OF THORP

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of June 30, 2018

	Private- Purpose Trust Fund	Agency Fund
ASSETS		
Cash and investments	<u>\$ 233,481</u>	<u>\$ 92,288</u>
LIABILITIES AND NET POSITION HELD IN TRUST		
Liabilities		
Due to student organizations	\$ -	\$ 92,288
Net Position Held in Trust	<u>233,481</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	<u>\$ 233,481</u>	<u>\$ 92,288</u>

SCHOOL DISTRICT OF THORP

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2018

	Private- Purpose Trust Fund
ADDITIONS	
Gifts	\$ 4,000
Investment income	<u>4,963</u>
Total Additions	<u>8,963</u>
DEDUCTIONS	
Scholarships awarded	<u>11,500</u>
Change in net position	(2,537)
NET POSITION HELD IN TRUST - Beginning	<u>236,018</u>
NET POSITION HELD IN TRUST - ENDING	<u>\$ 233,481</u>

SCHOOL DISTRICT OF THORP

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SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District of Thorp (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

District-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund - accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Special Education Special Revenue Fund - used to account for and report grants and local revenues that are restricted or committed to expenditures used to provide special education services to District students.
- Nonreferendum Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs incurred without referendum approval.
- Referendum Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs approved by referendum.
- General Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The District reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Food Service
Community Service Fund

Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Capital Improvements Trust

In addition, the District reports the following fund types:

Private-Purpose Trust Fund - used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Scholarship

Agency Fund - used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Student Activity

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and revenues.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as student fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special education services are not reduced by anticipated state special education aid entitlement.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

All Financial Statements

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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

Investment of most trust funds, is regulated by Chapter 881 of the Wisconsin Statutes. This section gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The District has not adopted an investment policy.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of district accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

The District also participates in one Wisconsin Investment Series Cooperative (WISC) fund, which is authorized under Wisconsin Statute 66.0301 and is governed by a commission in accordance with the terms of an intergovernmental cooperation agreement. The WISC is not registered with the SEC as an investment company. The WISC reports to participants on the amortized costs basis. WISC shares are bought and redeemed at \$1 based on the amortized cost of the investments in the pool. The investments in WISC are not subject to the fair value hierarchy disclosures.

See Note III. A. for further information.

2. Receivables

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

Property taxes are levied in December on the assessed value as of the prior January 1.

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

Property tax calendar - 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

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

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

3. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

4. Capital Assets

District-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	50 Years
Building improvements	20 Years
Site improvements	10-20 Years
Furniture and equipment	5-15 Years

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. Capital Assets (cont.)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

6. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term obligations consist primarily of bonds and notes payable.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

7. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Equity Classifications

District-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Board of Education that originally created the commitment.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The Board of Education may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. G. for further information.

Fiduciary fund equity is classified as held in trust for specific purposes on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the District believes it is in compliance with all significant restrictions.

9. Pension

For purposes of measuring the net pension asset (liability), 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.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Special Education	\$ 899,000	\$ 944,734	\$ 45,734
Nonreferendum Debt Service	634,428	1,685,914	1,051,486
Referendum Debt Service	194,730	4,749,758	4,555,028

The District controls expenditures at the function level. Some individual functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

B. LIMITATIONS ON THE DISTRICT'S REVENUES

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that is determined by the legislature.

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

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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District's deposits and investments at year-end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 3,070,871	\$ 3,791,661	Custodial credit
LGIP	39,211	39,211	Credit
WISC Investment Series	2,693,121	2,693,121	Credit
Annuities	147,064	147,064	Credit, interest rate
Petty cash	350	-	N/A
 Total Deposits and Investments	 \$ 5,950,617	 \$ 6,671,057	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 930,242		
Restricted cash and investments	4,694,606		
Per statement of net position - fiduciary funds			
Private Purpose Trust	233,481		
Agency	92,288		
 Total Deposits and Investments	 \$ 5,950,617		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of June 30, 2018, \$311,916 of the District's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 311,916</u>
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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District held the following investments which are either not rated or have unknown ratings:

Wisconsin Local Government Investment Pool
WISC Investment Series
Annuities

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of June 30, 2018, the District's investments were as follows:

<u>Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Annuity	6/26/2019	\$ 127,820
Annuity	7/12/2045	<u>19,244</u>
Total		<u>\$ 147,064</u>

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS

The District reports restricted cash and investments for a construction account used to report proceeds of debt issuances that are restricted for use in construction. Restricted assets have also been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,125,000	\$ -	\$ -	\$ 1,125,000
Construction in progress	-	1,572,182	-	1,572,182
Total Capital Assets Not Being Depreciated	<u>1,125,000</u>	<u>1,572,182</u>	<u>-</u>	<u>2,697,182</u>
Capital assets being depreciated				
Site improvements	404,676	28,713	-	433,389
Buildings and improvements	8,693,111	-	-	8,693,111
Furniture and equipment	3,030,150	92,409	19,778	3,102,781
Total Capital Assets Being Depreciated	<u>12,127,937</u>	<u>121,122</u>	<u>19,778</u>	<u>12,229,281</u>
Total Capital Assets	<u>13,252,937</u>	<u>1,693,304</u>	<u>19,778</u>	<u>14,926,463</u>
Less: Accumulated depreciation for				
Site improvements	(339,653)	(18,015)	-	(357,668)
Buildings and improvements	(5,676,600)	(111,785)	-	(5,788,385)
Furniture and equipment	(1,204,995)	(116,000)	13,693	(1,307,302)
Total Accumulated Depreciation	<u>(7,221,248)</u>	<u>(245,800)</u>	<u>13,693</u>	<u>(7,453,355)</u>
Net Capital Assets Being Depreciated	<u>4,906,689</u>	<u>(124,678)</u>	<u>6,085</u>	<u>4,775,926</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,031,689</u>	<u>\$ 1,447,504</u>	<u>\$ 6,085</u>	<u>\$ 7,473,108</u>

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Education	\$ 182,952
General Fund	Food Service	3,074
Capital Improvements Trust	General Fund	<u>1,000</u>
Total - Fund Financial Statements		<u>\$ 187,026</u>

All amounts are due within one year.

The principal purpose of this interfund is to cover negative cash. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Special Education	General Fund	\$ 552,345	Subsidize operations
Nonreferendum Debt Service	General Fund	80,000	Debt payment (energy efficient)
Capital Improvement Trust	General Fund	<u>1,000</u>	Future capital improvements
Total - Fund Financial Statements		<u>\$ 633,345</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The above transfer to the special education fund uses unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable					
General obligation debt	\$ 1,681,866	\$ 6,865,167	\$ 1,735,270	\$ 6,811,763	\$ 348,346
Bond anticipation notes	-	4,500,000	4,500,000	-	-
(Discounts)/Premiums	-	326,635	18,711	307,924	-
Sub-totals	<u>1,681,866</u>	<u>11,691,802</u>	<u>6,253,981</u>	<u>7,119,687</u>	<u>348,346</u>
Other Liabilities					
Vested compensated absences	10,347	-	10,347	-	-
Pension liability - stipend	27,195	-	27,195	-	-
Net pension liability - WRS	<u>194,491</u>	<u>-</u>	<u>194,491</u>	<u>-</u>	<u>-</u>
Total Other Liabilities	<u>232,033</u>	<u>-</u>	<u>232,033</u>	<u>-</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,913,899</u>	<u>\$ 11,691,802</u>	<u>\$ 6,486,014</u>	<u>\$ 7,119,687</u>	<u>\$ 348,346</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2018, was \$25,771,960. Total general obligation debt outstanding at year end was \$6,811,763.

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the District. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2018
Taxable GO Notes	4/2/2008	8/31/2018	3.45%	\$ 490,000	\$ 57,846
GO Refunding Bonds	8/30/2017	4/1/2037	3.00-4.00%	5,380,000	5,300,000
Taxable GO Notes	10/2/2017	4/1/2026	3.50%	511,167	479,917
GO Notes	12/21/2017	4/1/2027	2.39-4.00%	974,000	<u>974,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 6,811,763</u>

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2019	\$ 348,346	\$ 236,363
2020	369,500	215,294
2021	386,500	202,908
2022	397,500	189,930
2023	407,500	176,562
2024-2028	1,977,417	644,563
2029-2033	1,560,000	347,850
2034-2037	1,365,000	100,800
Totals	<u>\$ 6,811,763</u>	<u>\$ 2,114,270</u>

Current Refunding

On August 30, 2017, the District issued \$5,380,000 in general obligation bonds with an interest rate of 3.0-4.0% to refund \$976,000 of outstanding note anticipation notes with an average coupon rate of 2.0% and \$4,500,000 of outstanding bond anticipation notes with an interest rate of 1.46%. The net proceeds along with existing funds of the District were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$5,528,971 all to be paid in 2018. The cash flow requirements on the refunding bonds are \$7,345,204 from 2018 through 2037. The economic gain or loss (difference between the present values of the debt service payments on the old and new debt) has not been calculated.

On October 2, 2017, the District issued \$511,167 in taxable general obligation notes with an interest rate of 3.5% to refund \$511,167 of outstanding tax-exempt general obligation notes with an interest rate of 3.0%. The net proceeds were used to prepay the outstanding debt.

The cash flow requirements on the refunded notes prior to the current refunding was \$577,049 from 2018 through 2026. The cash flow requirements on the refunding notes are \$589,964 from 2018 through 2026. The refunding was done to convert the existing tax-exempt obligation to a taxable obligation in accordance with the Internal Revenue Code of 1986. The economic gain or loss has not been calculated.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES

Net position reported on the district-wide statement of net position at June 30, 2018, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 1,125,000
Construction in progress	1,572,182
Other capital assets, net of accumulated depreciation	4,775,926
Less: Long-term capital debt outstanding	(6,331,846)
Plus: Unspent capital related debt proceeds	3,864,597
Less: Unamortized debt premium	<u>(307,924)</u>
Total Net Investment in Capital Assets	<u><u>\$ 4,697,935</u></u>

Governmental Funds

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

	General Fund	Nonreferendum Debt Service Fund	Referendum Debt Service Fund	General Capital Projects Fund	Nonmajor Funds	Totals
Fund Balances						
Restricted for:						
Debt service	\$ -	\$ 81,911	\$ 96,920	\$ -	\$ -	\$ 178,831
Capital projects	-	-	-	3,864,597	-	3,864,597
Food service	-	-	-	-	901	901
Long term capital improvements	-	-	-	-	2,002	2,002
Assigned to:						
Community service	-	-	-	-	20,268	20,268
Unassigned:	<u>1,558,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,558,111</u>
Total Fund Balances	<u><u>\$ 1,558,111</u></u>	<u><u>\$ 81,911</u></u>	<u><u>\$ 96,920</u></u>	<u><u>\$ 3,864,597</u></u>	<u><u>\$ 23,171</u></u>	<u><u>\$ 5,624,710</u></u>

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. RESTATEMENT OF NET POSITION

Net position has been restated to correct an error in the reporting of pension related deferred outflows of resources and deferred inflows of resources.

Government Wide

Government Wide Net Position - June 30, 2017 (as reported)	\$ 5,893,995
Add: Additional deferred outflows of resources related to the WRS net pension liability	1,217,652
Less: Additional deferred inflows of resources related to the WRS net pension liability	<u>(423,946)</u>
Net Position - June 30, 2017 (as restated)	<u>\$ 6,687,701</u>
Change in net position of the prior year would have been increased by	<u>\$ 433,642</u>

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

During the reporting period, the WRS recognized \$240,072 in contributions from the District.

Contribution rates for the plan year reported as of June 30, 2018 are:

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

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

At June 30, 2018, the District reported an asset of \$704,995 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.02374426%, which was an increase of 0.00014786% from its proportion measured as of December 31, 2016.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended June 30, 2018, the District recognized pension expense of \$336,086.

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 895,714	\$ 418,985
Net differences between projected and actual earnings on pension plan investments	-	968,951
Changes in assumptions	139,293	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,657	5,280
Employer contributions subsequent to the measurement date	137,358	-
Total	\$ 1,174,022	\$ 1,393,216

\$137,358 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30:	
2019	\$ 74,430
2020	(6,998)
2021	(242,042)
2022	(183,627)
2023	1,685

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

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

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension asset (liability)	\$(1,824,063)	\$704,995	\$2,627,158

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>.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expenses when the related liabilities are incurred.

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

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

The District has active construction projects as of June 30, 2018. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. At June 30, 2018, the District had approximately \$2.7 million in open construction contracts.

SCHOOL DISTRICT OF THORP

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*
- > Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No.61*

When they become effective, application of these standards may restate portions of these financial statements.

E. SUBSEQUENT EVENT

On November 21, 2018 the District issued taxable tax and revenue anticipation promissory notes, which function as a revolving line of credit. The maximum amount available is \$500,000 and the interest rate is 3.75%. The line of credit will be used for working capital purposes.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF THORP

BUDGETARY COMPARISON SCHEDULE GENERAL FUND For the Year Ended June 30, 2018

	Budgeted Amounts <u>Original and Final</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES			
Property taxes	\$ 1,614,026	\$ 1,614,026	\$ -
Other local sources	76,301	56,745	(19,556)
Interdistrict sources	418,105	447,388	29,283
Intermediate sources	92,000	61,642	(30,358)
State sources	4,378,666	4,453,397	74,731
Federal sources	315,800	292,388	(23,412)
Other sources	100,000	26,116	(73,884)
Total Revenues	<u>6,994,898</u>	<u>6,951,702</u>	<u>(43,196)</u>
EXPENDITURES			
Instruction			
Regular instruction	3,390,000	3,245,144	144,856
Vocational instruction	325,000	328,278	(3,278)
Other instruction	295,000	251,716	43,284
Total Instruction	<u>4,010,000</u>	<u>3,825,138</u>	<u>184,862</u>
Support Services			
Pupil services	160,000	168,824	(8,824)
Instructional staff services	137,000	200,322	(63,322)
Administration	764,105	805,165	(41,060)
Buildings and grounds	740,828	521,875	218,953
Transportation	438,300	437,449	851
Other support services	458,500	472,344	(13,844)
Total Support Services	<u>2,698,733</u>	<u>2,605,979</u>	<u>92,754</u>
Total Expenditures	<u>6,708,733</u>	<u>6,431,117</u>	<u>277,616</u>
Excess of Revenues Over Expenditures	<u>286,165</u>	<u>520,585</u>	<u>234,420</u>
OTHER FINANCING SOURCES (USES)			
Sales of capital assets	-	1,843	1,843
Transfers out	(476,691)	(633,345)	(156,654)
Total Other Financing Sources (Uses)	<u>(476,691)</u>	<u>(631,502)</u>	<u>(154,811)</u>
Net Change in Fund Balance	<u>\$ (190,526)</u>	<u>(110,917)</u>	<u>\$ 79,609</u>
FUND BALANCE - Beginning of Year		<u>1,669,028</u>	
FUND BALANCE - END OF YEAR		<u>\$ 1,558,111</u>	

See independent auditors' report and accompanying notes to required supplementary information.

SCHOOL DISTRICT OF THORP

BUDGETARY COMPARISON SCHEDULE SPECIAL EDUCATION SPECIAL REVENUE FUND For the Year Ended June 30, 2018

	Budgeted Amounts <u>Original and Final</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES			
Interdistrict sources	\$ 25,000	\$ 4,520	\$ (20,480)
Intermediate sources	55,000	56,199	1,199
State sources	186,309	178,955	(7,354)
Federal sources	<u>157,000</u>	<u>152,715</u>	<u>(4,285)</u>
Total Revenues	<u>423,309</u>	<u>392,389</u>	<u>(30,920)</u>
EXPENDITURES			
Instruction			
Special instruction	<u>700,000</u>	<u>751,158</u>	<u>(51,158)</u>
Support Services			
Pupil services	100,000	110,810	(10,810)
Instructional staff services	90,000	78,400	11,600
Administration	-	4,366	(4,366)
Other support services	<u>9,000</u>	<u>-</u>	<u>9,000</u>
Total Support Services	<u>199,000</u>	<u>193,576</u>	<u>5,424</u>
Total Expenditures	<u>899,000</u>	<u>944,734</u>	<u>(45,734)</u>
Excess of Revenues Over (Under) Expenditures	(475,691)	(552,345)	(76,654)
OTHER FINANCING SOURCES			
Transfers in	<u>475,691</u>	<u>552,345</u>	<u>76,654</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - Beginning of Year		<u>-</u>	
FUND BALANCE - END OF YEAR		<u>\$ -</u>	

See independent auditors' report and accompanying notes to required supplementary information.

SCHOOL DISTRICT OF THORP

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended June 30, 2018

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Asset/Liability	District's Proportionate Share of the Net Pension Asset (Liability)	District's Calendar Year Covered Payroll	District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/17	0.02374426%	\$ 704,995	\$ 3,530,457	19.97%	102.93%
12/31/16	0.02359640%	(194,491)	3,431,377	5.67%	99.12%
12/31/15	0.02362546%	(383,909)	3,353,194	11.45%	98.20%
12/31/14	0.02363199%	580,307	3,266,284	17.77%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended June 30, 2018

District Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Fiscal Year Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/18	\$ 232,245	\$ 232,245	\$ -	\$ 3,445,410	6.74%
6/30/17	226,472	226,472	-	3,431,377	6.60%
6/30/16	229,161	229,161	-	3,353,194	6.83%
6/30/15	228,640	228,640	-	3,266,284	7.00%

See independent auditors' report and accompanying notes to required supplementary information.

SCHOOL DISTRICT OF THORP

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2018

NOTE 1 – BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C. A budget has been adopted for all governmental funds in accordance with Sections 65.90 of the Wisconsin Statutes.

The budgeted amounts presented include any amendments made. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the two digit sub-function level of expenditures in the general fund and special education special revenue fund and at the function level for all other funds.

NOTE 2 – WISCONSIN RETIREMENT SYSTEM (WRS) PENSION

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

The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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

Changes of assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF THORP

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of June 30, 2018

	Special Revenue Funds		Capital Improvements Trust Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Service	Community Service		
ASSETS				
Cash and investments	\$ -	\$ 20,268	\$ 1,002	\$ 21,270
Accounts receivable	3,451	-	-	3,451
Due from other governments	6,165	-	-	6,165
Due from other funds	-	-	1,000	1,000
	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 9,616</u>	<u>\$ 20,268</u>	<u>\$ 2,002</u>	<u>\$ 31,886</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 3,074	\$ -	\$ -	\$ 3,074
Deposits	5,641	-	-	5,641
Total Liabilities	<u>8,715</u>	<u>-</u>	<u>-</u>	<u>8,715</u>
Fund Balances				
Restricted	901	-	2,002	2,903
Assigned	-	20,268	-	20,268
Total Fund Balances	<u>901</u>	<u>20,268</u>	<u>2,002</u>	<u>23,171</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,616</u>	<u>\$ 20,268</u>	<u>\$ 2,002</u>	<u>\$ 31,886</u>

SCHOOL DISTRICT OF THORP

COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Special Revenue Funds		Capital	Total Nonmajor Governmental Funds
	Food Service	Community Service	Improvements Trust Capital Projects Fund	
REVENUES				
Property taxes	\$ -	\$ 25,000	\$ -	\$ 25,000
Other local sources	107,839	-	2	107,841
State sources	8,570	-	-	8,570
Federal sources	212,898	-	-	212,898
Total Revenues	<u>329,307</u>	<u>25,000</u>	<u>2</u>	<u>354,309</u>
EXPENDITURES				
Community Service	-	4,732	-	4,732
Support Services				
Food service	<u>357,655</u>	<u>-</u>	<u>-</u>	<u>357,655</u>
Total Expenditures	<u>357,655</u>	<u>4,732</u>	<u>-</u>	<u>362,387</u>
Excess of Revenues Over (Under) Expenditures	(28,348)	20,268	2	(8,078)
OTHER FINANCING SOURCES				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Net Change in Fund Balances	(28,348)	20,268	1,002	(7,078)
FUND BALANCES - Beginning of Year	<u>29,249</u>	<u>-</u>	<u>1,000</u>	<u>30,249</u>
FUND BALANCES - END OF YEAR	<u>\$ 901</u>	<u>\$ 20,268</u>	<u>\$ 2,002</u>	<u>\$ 23,171</u>

SCHOOL DISTRICT OF THORP

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUND**

For the Year Ended June 30, 2018

	<u>Balance 7/1/17</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/18</u>
ASSETS				
Cash and investments	<u>\$ 107,552</u>	<u>\$ 199,911</u>	<u>\$ 215,175</u>	<u>\$ 92,288</u>
TOTAL ASSETS	<u>\$ 107,552</u>	<u>\$ 199,911</u>	<u>\$ 215,175</u>	<u>\$ 92,288</u>
LIABILITIES				
Due to student organizations	<u>\$ 107,552</u>	<u>\$ 199,911</u>	<u>\$ 215,175</u>	<u>\$ 92,288</u>
TOTAL LIABILITIES	<u>\$ 107,552</u>	<u>\$ 199,911</u>	<u>\$ 215,175</u>	<u>\$ 92,288</u>

SCHOOL DISTRICT OF THORP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Agency/ Program Title	CFDA Number	Pass-Through Agency	Pass-Through Agency ID	Revenues				Expenditures Grantor Share
				(Accrued) Deferred Beginning Balance	Cash Received (Returned)	Accrued (Deferred) Ending Balance	Total Revenues	
U.S. DEPARTMENT OF AGRICULTURE								
Child Nutrition Cluster								
National School Lunch Program	10.555	WI DPI	2018-105726-NSL-547	\$ -	\$ 129,141	\$ -	\$ 129,141	\$ 129,141
National School Lunch Program - Commodities	10.555	WI DPI	N/A	-	27,379	-	27,379	27,379
Total CFDA Number 10.555				-	156,520	-	156,520	156,520
School Breakfast Program	10.553	WI DPI	2018-105726-SB-546	-	50,213	-	50,213	50,213
Summer Food Service Program for Children	10.559	WI DPI	2018-105726-SFSP-586	(8,378)	8,378	6,165	6,165	6,165
Total Child Nutrition Cluster				(8,378)	215,111	6,165	212,898	212,898
Total of U.S. Department of Agriculture				(8,378)	215,111	6,165	212,898	212,898
U.S. DEPARTMENT OF EDUCATION								
Special Education Cluster (IDEA)								
Special Education - Grants to States	84.027	WI DPI	2018-105726-IDEA-341	(71,183)	78,020	198,216	205,053	205,053
Special Education - Preschool Grants	84.173	WI DPI	2018-105726-Pre-S-347	(3,880)	5,174	6,367	7,661	7,661
Total Special Education Cluster (IDEA)				(75,063)	83,194	204,583	212,714	212,714
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-105726-Title I-141	(84,102)	170,358	135,134	221,390	221,390
Career and Technical Education - Basic Grants To States	84.048	CESA 10	2018-749910-CP-CTE-400	(7,721)	14,413	-	6,692	6,692
Rural and Low-Income School Program	84.358	WI DPI	2018-105726-R&LI-368	(2,958)	2,958	10,998	10,998	10,998
Supporting Effective Instruction State Grant	84.367	CESA 10	2018-105726-Title II-365	-	31,454	-	31,454	31,454
Total of U.S. Department of Education				(169,844)	302,377	350,715	483,248	483,248
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Medicaid Cluster								
Medical Assistance Program (School Based Services)	93.778	WI DHS / CESA 10	44233700	(28,962)	33,327	48,914	53,279	53,279
Total Medicaid Cluster				(28,962)	33,327	48,914	53,279	53,279
TOTAL FEDERAL AWARDS				\$ (207,184)	\$ 550,815	\$ 405,794	\$ 749,425	\$ 749,425

See accompanying notes to the schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF THORP

SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2018

State Agency/ Pass-Through Agency/ Program Title	State I.D. Number	Pass-Through Agency ID	(Accrued) Deferred Beginning Balance	Cash Received	Accrued (Deferred) Ending Balance	Total Revenues	Total Expenditures
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION							
Special Education and School Age Parents							
Internal District Program	255.101	105726-100	\$ -	\$ 178,955	\$ -	\$ 178,955	\$ 178,955
Participant in Package Programs at CESA #10	255.101	Unknown	-	14,965	-	14,965	14,965
Total Special Education and School Age Parents Program			-	193,920	-	193,920	193,920
State School Lunch Aid	255.102	105726-107	-	3,587	-	3,587	3,587
Common School Fund Library Aid	255.103	105726-104	-	31,364	-	31,364	31,364
General Transportation Aid For Pupils	255.107	105726-102	-	17,390	-	17,390	17,390
WI School Day Milk Program	255.115	105726-109	-	1,833	-	1,833	1,833
General Equalization Aids	255.201	105726-116	(61,814)	3,691,206	64,358	3,693,750	3,693,750
Sparsity Aid	255.212	105726-162	-	174,355	-	174,355	174,355
State School Breakfast Aid	255.344	105726-108	-	3,151	-	3,151	3,151
Student Achievement Guarantee in Education	255.504	105726-160	-	188,120	-	188,120	188,120
Educator Effective Evaluation System Grants Public	255.940	105726-154	-	-	3,840	3,840	3,840
Per Pupil Aid	255.945	105726-113	-	260,550	-	260,550	260,550
High Cost Transportation Aid	255.947	105726-114	-	62,587	-	62,587	62,587
Career and Technical Education Incentive Grants	255.950	105726-171	-	5,068	-	5,068	5,068
Assessments of Reading Readiness	255.956	105726-166	-	1,130	-	1,130	1,130
Total Wisconsin Department of Public Instruction			(61,814)	4,634,261	68,198	4,640,645	4,640,645
DEPARTMENT OF WORKFORCE DEVELOPMENT							
Cooperative Educational Service Agency #10							
Youth Apprenticeship Grant	445.107	Unknown	(7,596)	18,796	-	11,200	11,200
TOTAL STATE AWARDS			\$ (69,410)	\$ 4,653,057	\$ 68,198	\$ 4,651,845	\$ 4,651,845

See accompanying notes to the schedules of expenditures of federal and state awards.

SCHOOL DISTRICT OF THORP

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedules”) include the federal and state award activity of the School District of Thorp under programs of the federal and state government for the year ended June 30, 2018. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of the School District of Thorp, they are not intended to and do not present the financial position, changes in net position or cash flows of the School District of Thorp.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

NOTE 3 – INDIRECT COST RATE

The School District of Thorp has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

NOTE 4 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantors:

- > WI DPI – Wisconsin Department of Public Instruction
 - > WI DHS – Wisconsin Department of Health Services
 - > CESA 10 – Cooperative Educational Services Agency #10
-

NOTE 5 – ELIGIBLE SPECIAL EDUCATION COSTS

The District’s eligible 2017-2018 special education costs are \$677,732.

OTHER AUDITORS' REPORTS

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*
AND THE *DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE*

Independent Auditors' Report

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

We have audited, 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, and the *Department of Health Services Audit Guide*, issued by the Wisconsin Department of Health Services, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Thorp ("District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District of Thorp's basic financial statements and have issued our report thereon dated November 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District of Thorp'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 School District of Thorp's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District of Thorp's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be material weaknesses.

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* or the *Department of Health Services Audit Guide*.

School District of Thorp's Responses to Findings

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

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* and the *Department of Health Services Audit Guide* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
November 29, 2018

REPORT ON COMPLIANCE FOR EACH STATE PROGRAM WITH REQUIRED PROCEDURES;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

Independent Auditors' Report

To the School Board
School District of Thorp
Thorp, Wisconsin

Report on Compliance for Each State Program with Required Procedures

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs with required procedures based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs with required procedures occurred. An audit includes examining, on a test basis, evidence about the School District of Thorp'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 state program with required procedures. However, our audit does not provide a legal determination of the School District of Thorp's compliance.

Opinion on Each State Program with Required Procedures

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

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *Wisconsin Public School District Audit Manual* and which is described in the accompanying schedule of findings and responses as item 2018-003. Our opinion on each state program with required procedures is not modified with respect to these matters.

District's Response to Finding

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of the *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
November 29, 2018

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2018

SECTION I – SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified? yes X none reported

Noncompliance material to basic financial statements noted? yes X no

STATE PROGRAMS WITH REQUIRED PROCEDURES

Internal control over compliance:

- > Material weakness(es) identified? yes X no
- > Significant deficiency(ies) identified? yes X none reported

Type of auditors report issued on compliance for state programs with required procedures: *Unmodified*

Any audit findings disclosed that are required to be reported? X yes no

Identification of state programs with required procedures:

<u>State ID Number</u>	<u>Name of Program</u>
255.101	Special Education and School Age Parents
255.201	General Aids

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS OR THE DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE

FINDING 2018-001: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: A system of internal control should be in place that provides reasonable assurance that year-end financial statements are complete and accurate.

Condition: There is a lack of controls over the year-end financial reporting process. We, as your auditors, prepared the District's financial statements, including the schedules of expenditures of federal and state awards. In addition, material adjustment were proposed during the audit, including a restatement of beginning of year net position.

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS OR THE DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE (cont.)

FINDING 2018-001: INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Cause: Controls do not exist to prevent the need for material entries during the audit process. The District has chosen to have the auditors prepare its annual financial statements and certain year end adjustments.

Effect: The financial statements may be materially misstated before the annual audit is completed. In addition, the annual financial statements and the schedules of expenditures of federal and state awards are not available to the District until they are completed by the auditors.

Recommendation: The District should consider whether preparation of the financial statements by the District staff is cost effective and develop an action plan to ensure that all material adjustments are recorded by District staff prior to audit fieldwork. The Board of Education should continue to make a reasonable effort to be knowledgeable about the District's financial condition and financial reporting requirements.

Views of Responsible Officials/Planned Corrective Action: It is indicated that the District has material weaknesses due to the fact that we do not prepare a complete set of audit report including footnotes and we have audit adjustments, including a restatement. There are very few schools that have met these strict standards and the District is no exception. To meet these new standards we would need additional staff, primarily a CPA dedicated to meeting these standards.

District staff will accumulate as much of the information required for federal and state awards as we can and reconcile the revenue and expenditure information to the general ledger for these awards. We will continue to rely on the assistance of our auditors to draft the financial statements because the District does not have the staff needed to perform this task.

FINDING 2018-002: INTERNAL CONTROL ENVIRONMENT

Criteria: A system of internal control should be in place to achieve a higher reliability that errors or irregularities in your processes would be discovered by your staff. A critical component of a solid internal control system is ensuring that individuals have access to only one phase of an accounting process.

Condition: There is a lack of controls over accounts payable/disbursements, payroll, and monthly and year-end accounting due to a lack of segregation of duties in the accounting functions.

Cause: The District has not assigned duties to have appropriate controls in place.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally. Because of the lack of segregation of duties, the accounting records may be misstated.

Recommendation: Management and the Board of Education should consider whether additional compensating controls are feasible. Many of the key controls lacking for these transaction cycles are not possible to cure without adding staff. In the absence of hiring additional staff, management and the Board of Education should rely more heavily on their direct knowledge of the District's operations and regular contact with staff to control and safeguard assets.

SCHOOL DISTRICT OF THORP

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS OR THE DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE (cont.)

FINDING 2018-002: INTERNAL CONTROL ENVIRONMENT (cont.)

Views of Responsible Officials/Planned Corrective Action: The District is aware of our lack of controls over disbursements, payroll, and monthly and year end accounting. Currently, the administrator and school board review financial information as an additional control. The monthly board packets include revenues compared to the previous years and budget, expenditures compared to previous years and budget, and check registers.

SECTION III – STATE PROGRAMS WITH REQUIRED PROCEDURES COMPLIANCE FINDINGS

FINDING 2018-003: EDUCATORS WITHOUT VALID LICENSES

Criteria: The Wisconsin Department of Public Instruction (DPI) requires that special education employees be properly licensed.

Condition/Context: During testing for the state Special Education and School Age Parent program, two employees were noted on the Educators without Valid Licenses report. One employee was subsequently granted a backdated license by DPI; that individual's wages and benefits are not included in the questioned costs below. The remaining employee was noted as having a license that did not match their assignment. No sampling was used during this testing.

Further audit procedures revealed one additional employee with a portion of wages and benefits coded to Fud 27 who was not included on the Educators without Valid Licenses report but held an expired license.

Cause: One employee held a substitute license that was not adequate for her role at the District. The other employee held a license that expired June 30, 2017.

Effect: The employees were working within the District without a proper license.

Questioned Costs:

- > Project 341 - \$8,432.23
- > Project 347 - \$6,725.44
- > Project 011 - \$22,412.55

Recommendation: The District should put procedures in place to track the licensure status of all employees who are required to hold valid special education licenses and notify employees of action needed to maintain their valid licenses.

Views of Responsible Officials/Planned Corrective Action: The District has been working with the employees and DPI to address the issues noted above. One of the employees involved has subsequently had her speech license modified to a regular license by the DPI licensing team; the DPI special education team has informed the District that her sub license was adequate for categorical aid purposes. The other employee appears to have had a teaching license that was eligible for a life license, and he would be eligible for an aid license as well, but it does not appear that he applied for one. The District will review its procedures for tracking licenses and make changes as necessary to prevent future licensing issues.