

**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2018**

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**MEMBERS OF THE BOARD OF EDUCATION**

|                          |                 |
|--------------------------|-----------------|
| President                | Diane Gorman    |
| Vice President           | Kelli Zebro     |
| Treasurer                | Mike Kaiser     |
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| Member                   | Kevin Thiel     |
| Member                   | Cory Tomczyk    |
| Member                   | Amy Bauman      |
| Interim-Superintendent   | John Burnett    |
| Business Manager         | Brent Zimmerman |
| Accounting/HR Supervisor | Darlene Unertl  |



## INDEPENDENT AUDITORS' REPORT

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

### ***Management's Responsibility for the Financial Statements***

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

### ***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 relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

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

## ***Emphasis of Matter***

As discussed in Note 1, the District has implemented Governmental Accounting Standards Board Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Wisconsin Retirement System schedules, supplemental pension defined benefit plan schedules, and OPEB healthcare defined benefit plan schedules, 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.

### *Other Information*

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

The combining and individual nonmajor fund financial statements, schedule of changes in assets and liabilities - agency funds, schedule of expenditures of federal awards, and the schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this 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 8, 2018, on our consideration of the Mosinee School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Mosinee School District's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin  
November 8, 2018

**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

INTERIM SUPERINTENDENT OF SCHOOLS  
John H. Burnett  
BUSINESS MANAGER  
Brent J. Zimmerman  
DIRECTOR OF HUMAN RESOURCES  
& ACCOUNTING  
Darlene M. Unertl



DIRECTOR OF INSTRUCTION  
Julie K. Schell  
DIRECTOR OF BUILDINGS & GROUNDS  
Steven L. Kaiser  
DIRECTOR OF SPECIAL EDUCATION  
Mary A. Zimmerman

## Management's Discussion and Analysis

As management of the Mosinee School District ("District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's basic financial statements, which follow this narrative.

### FINANCIAL HIGHLIGHTS

Total governmental activities revenue was \$26,406,047; including \$9,916,052 of property taxes, \$12,738,748 of general state and federal aid. Total governmental activities expenditures were \$28,891,239; including \$14,271,625 for direct instruction.

The District's financial status, as reflected in total net position, decreased by \$2,485,192, more detail is provided on page 19.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of 1) district-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

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

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

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

*Required supplementary information* further explains and supports the financial statements by including a comparison of the District's budget data for the year.



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

**Major Features of the District-wide and Fund Financial Statements**

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

## DISTRICT-WIDE STATEMENTS

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

In the district-wide financial statements, the District's activities are reported as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, food service, community programs and administration. Property taxes and state formula aid finance most of these activities.

## FUND FINANCIAL STATEMENTS

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

The District has two kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds*-The District serves as a trustee, or fiduciary, for various student organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2018 compared to 2017. The District's combined net position decreased by \$2,485,192. Specific causes of the decrease are discussed later in this document.

|                                  | <u>Governmental Activities</u> |                  | <u>Total % Change</u> |
|----------------------------------|--------------------------------|------------------|-----------------------|
|                                  | <u>2018</u>                    | <u>2017</u>      | <u>2017 - 2018</u>    |
| Current and other assets         | \$ 28,069                      | \$ 11,850        | 136.9%                |
| Capital assets                   | <u>22,156</u>                  | <u>18,334</u>    | 20.8%                 |
| Total assets                     | <u>50,225</u>                  | <u>30,184</u>    | 66.4%                 |
| Deferred outflows of resources   | <u>7,333</u>                   | <u>5,886</u>     | 24.6%                 |
| Long-term liabilities            |                                |                  |                       |
| outstanding                      | 26,403                         | 10,060           | 162.5%                |
| Other liabilities                | <u>4,014</u>                   | <u>1,515</u>     | 165.0%                |
| Total liabilities                | <u>30,417</u>                  | <u>11,575</u>    | 162.8%                |
| Deferred inflows of resources    | <u>8,280</u>                   | <u>3,148</u>     | 163.0%                |
| Net position:                    |                                |                  |                       |
| Net investment in capital assets | 9,681                          | 11,747           | -17.6%                |
| Restricted                       | 14,878                         | 2,228            | 567.8%                |
| Unrestricted                     | <u>(5,698)</u>                 | <u>7,108</u>     | -180.2%               |
| Total net position               | <u>\$ 18,861</u>               | <u>\$ 21,083</u> | -10.5%                |

Note: Totals may not add due to rounding.

**Table 2**  
**Changes in Net Position**  
(in thousands of dollars)

|                                     | Governmental Activities |               | Total % Change |
|-------------------------------------|-------------------------|---------------|----------------|
|                                     | 2018                    | 2017          | 2017 - 2018    |
| <b>Revenues</b>                     |                         |               |                |
| Program revenues                    |                         |               |                |
| Charges for services                | \$ 362                  | \$ 371        | -2.4%          |
| Operating grants and contributions  | 1,910                   | 1,954         | -2.3%          |
| General revenues                    |                         |               |                |
| Property taxes                      | 9,916                   | 9,473         | 4.7%           |
| State and federal aid               | 12,739                  | 13,182        | -3.4%          |
| Other                               | 1,480                   | 1,177         | 25.7%          |
| Total revenues                      | <u>26,406</u>           | <u>26,157</u> | 1.0%           |
| <b>Expenses</b>                     |                         |               |                |
| Instruction                         | 14,272                  | 14,340        | -0.5%          |
| Pupil and instructional services    | 2,493                   | 2,346         | 6.3%           |
| Administration and business         | 9,228                   | 6,471         | 42.6%          |
| Interest on debt                    | 461                     | 162           | 184.6%         |
| Other                               | 2,437                   | 2,298         | 6.0%           |
| Total expenses                      | <u>28,891</u>           | <u>25,618</u> | 12.8%          |
| (Decrease) increase in net position | <u>\$ (2,485)</u>       | <u>\$ 540</u> | -560.2%        |

Note: Totals may not add due to rounding.

Table 2 provides summarized operating results and their impact on net position.

The District relies primarily on state and federal aids (48%) and property taxes (38%) to fund governmental activities. These two funding sources make up 86% of the total revenues.

Table 3 presents the cost of the five major district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3**  
**Net Cost of Governmental Activities**  
(in thousands of dollars)

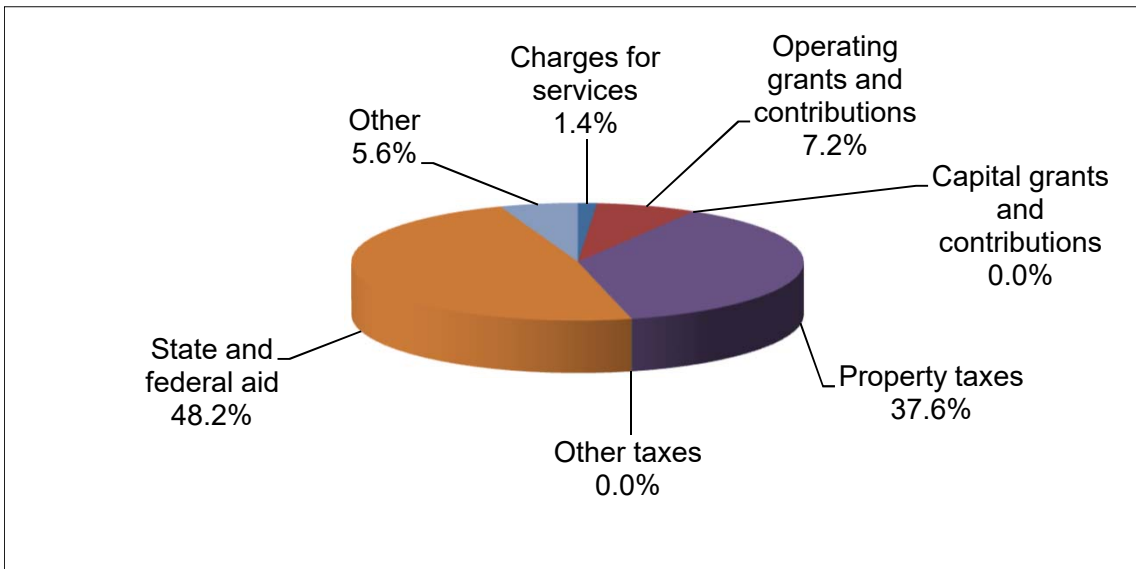
|                                  | Net Cost of Services |                  | Total % Change |
|----------------------------------|----------------------|------------------|----------------|
|                                  | 2018                 | 2017             | 2017 - 2018    |
| Instruction                      | \$ 12,795            | \$ 12,825        | -0.2%          |
| Pupil and instructional services | 2,422                | 2,278            | 6.3%           |
| Administration and business      | 8,513                | 5,740            | 48.3%          |
| Interest on debt                 | 461                  | 163              | 182.2%         |
| Other                            | 2,428                | 2,287            | 6.2%           |
| <b>Total</b>                     | <b>\$ 26,619</b>     | <b>\$ 23,293</b> | <b>14.3%</b>   |

Note: Totals may not add due to rounding.

The cost of all governmental activities this year was \$28,891,239. Individuals who directly participated or benefited from a program offering paid for \$362,177 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$1,909,568. The net cost of governmental activities, \$26,619,494, was financed by general revenues of the District.

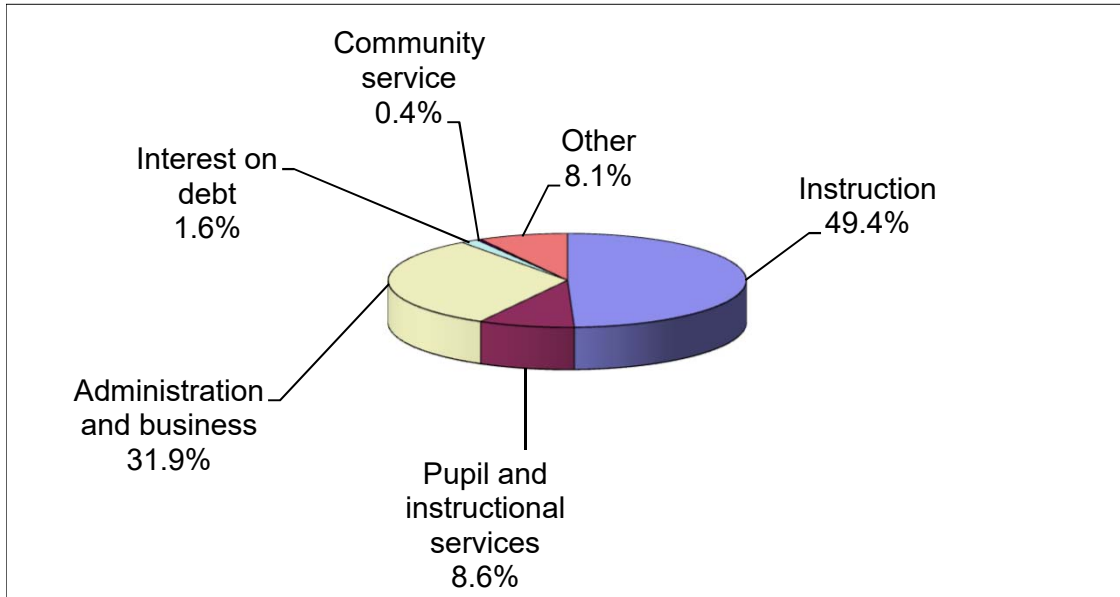
The composition of governmental revenues by type and expenditures by type are illustrated below.

**Governmental Activities Revenue by Type**  
**Chart 1**



Note: Totals may not add to 100% due to rounding.

**Governmental Activities Expenditure by Type  
Chart 2**



Note: Totals may not add to 100% due to rounding.

The District completed the year with a total governmental fund balance of \$21,094,529 up from last year's ending fund balance of \$10,075,447.

The general fund had a decrease in fund balance of \$603,555.

The non-referendum debt service fund had an increase in fund balance of \$187,557.

The other capital projects fund had an increase in fund balance of \$11,724,697.

The other governmental funds had a decrease in fund balance of \$313,380.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District reviews an interim budget in May for the subsequent year. Consistent with current state statutes and regulations an original budget is adopted in October, following determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified. The District did not modify the original budget.

While the District's final budget for the general fund anticipated that expenses would exceed revenues by \$841,763 the actual results for the year show a \$603,555 decrease.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2018, the District had invested \$42,987,064 in capital assets, including land, land improvements, buildings, and equipment (See Table 4). Total accumulated depreciation on these assets is \$20,830,699. Asset acquisitions for governmental activities totaled \$4,408,319. The District recognized depreciation expense of \$583,538 for governmental activities. Detailed information about capital assets can be found in Note 3 to the financial statements.

|                          | <u>Governmental Activities</u> |                  | <u>Total % Change</u> |
|--------------------------|--------------------------------|------------------|-----------------------|
|                          | <u>2018</u>                    | <u>2017</u>      | <u>2017 - 2018</u>    |
| Land                     | \$ 382                         | \$ 382           | 0.0%                  |
| Land improvements        | 1,276                          | 1,239            | 3.0%                  |
| Buildings                | 35,148                         | 34,807           | 1.0%                  |
| Equipment                | 2,234                          | 2,157            | 3.6%                  |
| Construction in progress | 3,947                          | -                | n/a                   |
| Accumulated depreciation | <u>(20,831)</u>                | <u>(20,251)</u>  | 2.9%                  |
| Total                    | <u>\$ 22,156</u>               | <u>\$ 18,334</u> | 20.8%                 |

Note: Totals may not add due to rounding.

### Long-Term Obligations

At year-end, the District had \$26,403,148 in bonds and other long-term debt outstanding - an increase of 162% from last year (see Table 5). Detailed information about the District's long-term obligations are presented in Note 4 to the financial statements.

**Table 5**  
**Outstanding Long-Term Obligations**  
*(in thousands of dollars)*

|                         | Total            |                  | Total % Change |
|-------------------------|------------------|------------------|----------------|
|                         | 2018             | 2017             | 2017 - 2018    |
| General obligation debt | \$ 22,605        | \$ 6,365         | 255.1%         |
| Other                   | 3,798            | 3,695            | 2.8%           |
| Total                   | <u>\$ 26,403</u> | <u>\$ 10,060</u> | 162.5%         |

Note: Totals may not add due to rounding.

The District added \$30,356,000 and retired \$14,116,000 of bonds and notes payable during the year. Other transactions increased total debt by \$103,137.

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

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

The State of Wisconsin has an open enrollment law that allows students to attend school districts of their choice with few restrictions. The state adjusts each district's general aid payment based on the number of students who transfer. This year 137 non-resident open enrollment students attended the Mosinee School District with 165 Mosinee School District students attending other schools through tuition and the open enrollment program. The number of outgoing students exceeded incoming students by 28. It is important for the District to maintain the quality of instruction and physical property to remain competitive in the open enrollment environment.

Enrollment decreased for the 2017 - 2018 school year by 35 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Brent Zimmerman, Business Manager, 591 West Hwy 153, Mosinee, WI 54455.



**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**BASIC  
FINANCIAL STATEMENTS**

**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**DISTRICT-WIDE  
FINANCIAL STATEMENTS**

**MOSINEE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

|  | GOVERNMENTAL<br>ACTIVITIES |
|--|----------------------------|
| <b>ASSETS</b>  |                            |
| Cash and investments   | \$ 22,039,792              |
| Receivables  |                            |
| Taxes  | 2,577,337                  |
| Due from other governments   | 305,716                    |
| Prepays  | 585,644                    |
| Wisconsin Retirement System net pension  | 2,560,636                  |
| Capital assets (net of accumulated depreciation)                                 |                            |
| Capital assets not being depreciated   | 4,328,987                  |
| Capital assets being depreciated   | 17,827,378                 |
| <b>TOTAL ASSETS</b>  | <b>50,225,490</b>          |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b>  |                            |
| Wisconsin Retirement System pension  | 6,957,468                  |
| OPEB supplemental pension  | 375,298                    |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                      | <b>7,332,766</b>           |
| <br><b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>                   |                            |
|  | <b>57,558,256</b>          |
| <br><b>LIABILITIES</b>   |                            |
| Accounts payable   | 2,458,763                  |
| Self insurance claims payable  | 50,472                     |
| Accrued liabilities  |                            |
| Payroll, payroll taxes, insurance  | 1,282,376                  |
| Interest   | 197,682                    |
| Unearned revenue   | 24,740                     |
| Current portion of long-term obligations   | 1,410,810                  |
| Noncurrent portion of long-term obligations                                      | 24,992,338                 |
| <b>TOTAL LIABILITIES</b>   | <b>30,417,181</b>          |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>   |                            |
| Wisconsin Retirement System pension  | 7,815,141                  |
| OPEB supplemental pension  | 461,461                    |
| OPEB healthcare  | 3,608                      |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                       | <b>8,280,210</b>           |
| <br><b>NET POSITION</b>  |                            |
| Net investment in capital assets   | 9,680,960                  |
| Restricted for   |                            |
| Special revenue  | 367,534                    |
| Debt service   | 272,029                    |
| Capital projects   | 11,725,202                 |
| Other activities   | 2,513,516                  |
| Unrestricted   | (5,698,376)                |
| <b>TOTAL NET POSITION</b>  | <b>18,860,865</b>          |
| <br><b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND NET POSITION</b> |                            |
|  | <b>\$ 57,558,256</b>       |

The accompanying notes are an integral part of these statements.

**MOSINEE SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

| FUNCTIONS/PROGRAMS  | EXPENSES             | PROGRAM REVENUE         |  | NET (EXPENSES)<br>REVENUE AND<br>CHANGES IN<br>NET POSITION |
|---|----------------------|-------------------------|--|---|
|   |                      | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS |   |
| <b>GOVERNMENTAL ACTIVITIES</b>                              |                      |                         |  |   |
| Instruction   |                      |                         |  |   |
| Regular instruction   | \$ 8,944,545         | \$ -                    | \$ -                                     | \$ (8,944,545)  |
| Vocational instruction                                      | 867,286              | -                       | -  | (867,286)   |
| Special instruction   | 2,968,389            | -                       | 1,425,034                                | (1,543,355)   |
| Other instruction   | 1,491,405            | 51,524                  | -  | (1,439,881)   |
| Total instruction   | <u>14,271,625</u>    | <u>51,524</u>           | <u>1,425,034</u>                         | <u>(12,795,067)</u>   |
| Support services  |                      |                         |  |   |
| Pupil services  | 1,102,110            | -                       | -  | (1,102,110)   |
| Instructional staff services                                | 1,391,164            | -                       | 71,038                                   | (1,320,126)   |
| General administration services                             | 491,487              | -                       | -  | (491,487)   |
| Building administration services                            | 1,415,900            | -                       | -  | (1,415,900)   |
| Business services   | 7,320,968            | 301,716                 | 413,496                                  | (6,605,756)   |
| Central services  | 433,742              | -                       | -  | (433,742)   |
| Insurance   | 189,233              | -                       | -  | (189,233)   |
| Interest and other  | 460,555              | -                       | -  | (460,555)   |
| Other support services                                      | 24,893               | -                       | -  | (24,893)  |
| Community services  | 110,356              | 8,937                   | -  | (101,419)   |
| Total support services                                      | <u>12,940,408</u>    | <u>310,653</u>          | <u>484,534</u>                           | <u>(12,145,221)</u>   |
| Non-program transactions                                    | 1,679,206            | -                       | -  | (1,679,206)   |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>                        | <b>\$ 28,891,239</b> | <b>\$ 362,177</b>       | <b>\$ 1,909,568</b>                      | <b>(26,619,494)</b>   |
| <b>General revenues</b>                                     |                      |                         |  |   |
| Taxes   |                      |                         |  |   |
| Property taxes  |                      |                         |  |   |
|   |                      |                         |  | 9,916,052   |
| Other taxes   |                      |                         |  |   |
|   |                      |                         |  | 8,430   |
| State and federal aids not restricted to specific functions |                      |                         |  |   |
|   |                      |                         |  | 12,738,748  |
| Interest and investment earnings                            |                      |                         |  |   |
|   |                      |                         |  | 135,697   |
| Miscellaneous   |                      |                         |  |   |
|   |                      |                         |  | 1,335,375   |
| Total general revenues                                      |                      |                         |  |   |
|   |                      |                         |  | <u>24,134,302</u>   |
| CHANGE IN NET POSITION                                      |                      |                         |  | (2,485,192)   |
| NET POSITION - BEGINNING OF YEAR                            |                      |                         |  | 20,823,348  |
| CHANGE IN ACCOUNTING PRINCIPLE                              |                      |                         |  | 498,946   |
| PRIOR PERIOD ADJUSTMENT                                     |                      |                         |  | 23,763  |
| <b>NET POSITION - END OF YEAR</b>                           |                      |                         |  | <b>\$ 18,860,865</b>  |

The accompanying notes are an integral part of these statements.

**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**FUND  
FINANCIAL STATEMENTS**

**MOSINEE SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

|  | GENERAL<br>FUND      | NON-REFERENDUM<br>DEBT SERVICE<br>FUND | OTHER<br>CAPITAL<br>PROJECTS | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|----------------------|--|------------------------------|--|--------------------------------|
| <b>ASSETS</b>                              |                      |  |                              |  |                                |
| Cash and investments                       | \$ 7,351,495         | \$ 187,557                             | \$ 14,023,594                | \$ 477,146                                 | \$ 22,039,792                  |
| Receivables                                |                      |  |                              |  |                                |
| Taxes                                      | 2,577,337            | -                                      | -                            | -  | 2,577,337                      |
| Due from other funds                       | 1,242                | -                                      | -                            | -  | 1,242                          |
| Due from other governments                 | 304,474              | -                                      | -                            | 1,242                                      | 305,716                        |
| <b>TOTAL ASSETS</b>                        | <b>10,234,548</b>    | <b>187,557</b>                         | <b>14,023,594</b>            | <b>478,388</b>                             | <b>24,924,087</b>              |
| <b>LIABILITIES</b>                         |                      |  |                              |  |                                |
| Accounts payable                           | 159,394              | -                                      | 2,298,897                    | 472  | 2,458,763                      |
| Self insurance claims payable              | 50,472               | -                                      | -                            | -  | 50,472                         |
| Accrued payroll liabilities                | 1,278,120            | -                                      | -                            | 4,256                                      | 1,282,376                      |
| Due to other funds                         | -                    | -                                      | -                            | 1,242                                      | 1,242                          |
| Unearned revenue                           | 16,798               | -                                      | -                            | 19,907                                     | 36,705                         |
| <b>TOTAL LIABILITIES</b>                   | <b>1,504,784</b>     | <b>-</b>                               | <b>2,298,897</b>             | <b>25,877</b>                              | <b>3,829,558</b>               |
| <b>FUND BALANCES</b>                       |                      |  |                              |  |                                |
| Restricted                                 | 228,517              | 187,557                                | 11,724,697                   | 452,511                                    | 12,593,282                     |
| Unassigned                                 | 8,501,247            | -                                      | -                            | -  | 8,501,247                      |
| <b>TOTAL FUND BALANCES</b>                 | <b>8,729,764</b>     | <b>187,557</b>                         | <b>11,724,697</b>            | <b>452,511</b>                             | <b>21,094,529</b>              |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 10,234,548</b> | <b>\$ 187,557</b>                      | <b>\$ 14,023,594</b>         | <b>\$ 478,388</b>                          |                                |

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

|  |                      |
|--|----------------------|
| Prepaid other post employment benefit obligations are not current financial resources and are not reported in the fund statements:   | 585,644              |
| Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:                   |                      |
| Governmental capital asset   | \$ 42,987,064        |
| Governmental accumulated depreciation  | <u>(20,830,699)</u>  |
| Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements:  | 1,702,963            |
| Other post employment benefits deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements:   | (89,771)             |
| Some revenues are unearned in the funds because they are not available to pay current period's expenditures:   | 11,965               |
| Long-term liabilities are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are: |                      |
| General obligation debt  | \$ (22,605,000)      |
| Premium  | (1,032,072)          |
| Accrued interest   | (197,682)            |
| Vested employee benefits   | (285,779)            |
| Net OPEB obligation  | <u>(2,480,297)</u>   |
| <b>Total net position - governmental activities</b>  | <b>\$ 18,860,865</b> |

The accompanying notes are an integral part of these statements.

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

|  | GENERAL<br>FUND     | NON-REFERENDUM<br>DEBT SERVICE<br>FUND | OTHER<br>CAPITAL<br>PROJECTS | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|---------------------|--|------------------------------|--|--------------------------------|
| <b>REVENUES</b>  |                     |  |                              |  |                                |
| Property taxes   | \$ 9,150,357        | \$ -                                   | \$ -                         | \$ 774,125                                 | \$ 9,924,482                   |
| Other local sources  | 243,565             | 1,220                                  | 54,760                       | 433,473                                    | 733,018                        |
| Interdistrict sources  | 1,038,764           | -                                      | -                            | -  | 1,038,764                      |
| Intermediate sources   | 18,956              | -                                      | -                            | -  | 18,956                         |
| State sources  | 13,505,198          | -                                      | -                            | 20,068                                     | 13,525,266                     |
| Federal sources  | 767,300             | -                                      | -                            | 316,977                                    | 1,084,277                      |
| Other sources  | 71,905              | -                                      | 5,785                        | 9,033                                      | 86,723                         |
| <b>TOTAL REVENUES</b>  | <b>24,796,045</b>   | <b>1,220</b>                           | <b>60,545</b>                | <b>1,553,676</b>                           | <b>26,411,486</b>              |
| <b>EXPENDITURES</b>  |                     |  |                              |  |                                |
| Current  |                     |  |                              |  |                                |
| Instruction  |                     |  |                              |  |                                |
| Regular instruction  | 8,736,384           | -                                      | -                            | 11,727                                     | 8,748,111                      |
| Vocational instruction                                       | 845,426             | -                                      | -                            | 1,149                                      | 846,575                        |
| Special instruction  | 2,955,283           | -                                      | -                            | 57   | 2,955,340                      |
| Other instruction  | 1,442,841           | -                                      | -                            | 23,541                                     | 1,466,382                      |
| Total instruction  | 13,979,934          | -                                      | -                            | 36,474                                     | 14,016,408                     |
| Support services   |                     |  |                              |  |                                |
| Pupil services   | 1,099,265           | -                                      | -                            | -  | 1,099,265                      |
| Instructional staff services                                 | 1,355,706           | -                                      | -                            | 9,723                                      | 1,365,429                      |
| General administration services                              | 483,875             | -                                      | -                            | -  | 483,875                        |
| Building administration services                             | 1,196,295           | -                                      | -                            | 24,179                                     | 1,220,474                      |
| Business services  | 4,612,371           | -                                      | 87,292                       | 678,704                                    | 5,378,367                      |
| Central services   | 419,144             | -                                      | -                            | 8,694                                      | 427,838                        |
| Insurance  | 189,233             | -                                      | -                            | -  | 189,233                        |
| Other support services                                       | 24,924              | -                                      | -                            | -  | 24,924                         |
| Community services   | -                   | -                                      | -                            | 110,453                                    | 110,453                        |
| Total support services                                       | 9,380,813           | -                                      | 87,292                       | 831,753                                    | 10,299,858                     |
| Non-program transactions                                     | 1,674,474           | -                                      | -                            | 2,499                                      | 1,676,973                      |
| Debt service   |                     |  |                              |  |                                |
| Principal  | -                   | 13,101,000                             | -                            | 790,000                                    | 13,891,000                     |
| Interest   | -                   | 41,319                                 | -                            | 161,681                                    | 203,000                        |
| Other  | -                   | 84,872                                 | 18,515                       | 20,949                                     | 124,336                        |
| Total debt service   | -                   | 13,227,191                             | 18,515                       | 972,630                                    | 14,218,336                     |
| Capital outlay   | 364,379             | -                                      | 5,781,041                    | 23,700                                     | 6,169,120                      |
| <b>TOTAL EXPENDITURES</b>                                    | <b>25,399,600</b>   | <b>13,227,191</b>                      | <b>5,886,848</b>             | <b>1,867,056</b>                           | <b>46,380,695</b>              |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(603,555)</b>    | <b>(13,225,971)</b>                    | <b>(5,826,303)</b>           | <b>(313,380)</b>                           | <b>(19,969,209)</b>            |
| <b>OTHER FINANCING (USES) SOURCES</b>                        |                     |  |                              |  |                                |
| Issuance of long-term debt                                   | -                   | 12,805,000                             | 17,551,000                   | -  | 30,356,000                     |
| Premium on debt issued                                       | -                   | 844,799                                | -                            | -  | 844,799                        |
| Payment to debt escrow agent                                 | -                   | (236,271)                              | -                            | -  | (236,271)                      |
| <b>TOTAL OTHER FINANCING<br/>(USES) SOURCES</b>              | <b>-</b>            | <b>13,413,528</b>                      | <b>17,551,000</b>            | <b>-</b>                                   | <b>30,964,528</b>              |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(603,555)</b>    | <b>187,557</b>                         | <b>11,724,697</b>            | <b>(313,380)</b>                           | <b>10,995,319</b>              |
| FUND BALANCE - BEGINNING OF YEAR                             | 9,333,319           | -                                      | -                            | 742,128                                    | 10,075,447                     |
| PRIOR PERIOD ADJUSTMENT                                      | -                   | -                                      | -                            | 23,763                                     | 23,763                         |
| <b>FUND BALANCE - END OF YEAR</b>                            | <b>\$ 8,729,764</b> | <b>\$ 187,557</b>                      | <b>\$ 11,724,697</b>         | <b>\$ 452,511</b>                          | <b>\$ 21,094,529</b>           |

The accompanying notes are an integral part of these statements.

**MOSINEE SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ 10,995,319

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

|  |    |                |           |
|--|----|----------------|-----------|
| Capital outlay reported in fund statements   | \$ | 6,169,120      |           |
| Less noncapitalized outlay   |    | (1,760,801)    |           |
| Depreciation expense reported in the statement of activities                         |    | (583,538)      |           |
| Net book value of capital assets disposed  |    | <u>(2,233)</u> |           |
| Amount by which capital outlays are greater than depreciation in the current period: |    |                | 3,822,548 |

The amount of the loan is reported in the governmental funds as a source of financing. In the statement of net position however, loans are not reported as a financing source, but rather constitute a long-term liability. The amount of loans reported in the governmental funds statement is: (30,356,000)

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

This year the accrual of these benefits decreased by: 38,224

Wisconsin Retirement System asset, deferred inflows of resources, liability, and deferred outflows of resources changes: (329,895)

OPEB supplemental pension deferred inflows of resources, liability, and deferred outflows of resources changes: (121,836)

OPEB healthcare deferred inflows of resources, liability, and deferred outflows of resources changes: 322,634

Certain revenues are unearned in the governmental funds because they are not available to pay current period expenditures. In the statement of activities these are recorded as revenue in the current year.

|   |  |           |  |
|---|--|-----------|--|
| Unearned revenue recognized in the governmental funds:      |  | (844,799) |  |
| Unearned revenue recognized in the statement of activities: |  | (5,439)   |  |

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

Amount of long-term debt principal payments in the current year is: 14,116,000

In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities it is reported as it accrues.

|  |    |                  |                  |
|--|----|------------------|------------------|
| Amount of interest and other debt costs paid during the current period is    | \$ | 338,607          |                  |
| Amount of interest and other debt costs accrued during the current period is |    | <u>(460,555)</u> |                  |
| Interest paid is less than interest accrued by:                              |    |                  | <u>(121,948)</u> |

**Change in net position - governmental activities \$ (2,485,192)**



**MOSINEE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

|   | <u>AGENCY FUND</u>       | <u>TRUST FUND</u>        |                            |
|---|--------------------------|--------------------------|----------------------------|
|   | STUDENT<br>ACTIVITY      | PRIVATE<br>PURPOSE       | EMPLOYEE<br>BENEFIT        |
| <b>ASSETS</b>                             |                          |                          |                            |
| Cash and investments                      | \$ 140,109               | \$ 189,730               | \$ 4,738,293               |
| <b>TOTAL ASSETS</b>                       | <u><u>140,109</u></u>    | <u><u>189,730</u></u>    | <u><u>4,738,293</u></u>    |
| <br><b>LIABILITIES</b>                    |                          |                          |                            |
| Accounts payable                          | 2,556                    | -                        | -                          |
| Due to student organizations              | 137,553                  | -                        | -                          |
| TOTAL LIABILITIES                         | <u>140,109</u>           | <u>-</u>                 | <u>-</u>                   |
| <br><b>NET POSITION</b>                   |                          |                          |                            |
| Held in trust                             | -                        | 189,730                  | 4,738,293                  |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <u><u>\$ 140,109</u></u> | <u><u>\$ 189,730</u></u> | <u><u>\$ 4,738,293</u></u> |

The accompanying notes are an integral part of these statements.

**MOSINEE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2018**

|   | TRUST FUND         |                     |
|---|--------------------|---------------------|
|   | PRIVATE<br>PURPOSE | EMPLOYEE<br>BENEFIT |
| <b>ADDITIONS</b>                        |                    |                     |
| Investment income                       | \$ 1,687           | \$ 58,905           |
| Contributions                           | 32,658             | 977,277             |
| <b>TOTAL ADDITIONS</b>                  | <b>34,345</b>      | <b>1,036,182</b>    |
| <b>DEDUCTIONS</b>                       |                    |                     |
| Disbursements                           | 47,300             | 350,727             |
| <b>TOTAL DEDUCTIONS</b>                 | <b>47,300</b>      | <b>350,727</b>      |
| <b>CHANGE IN NET POSITION</b>           | (12,955)           | 685,455             |
| <b>NET POSITION - BEGINNING OF YEAR</b> | 202,685            | 4,052,838           |
| <b>NET POSITION - END OF YEAR</b>       | <b>\$ 189,730</b>  | <b>\$ 4,738,293</b> |

The accompanying notes are an integral part of these statements.

**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**MOSINEE SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 - Summary of Significant Accounting Policies**

The financial statements of the Mosinee School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

**Reporting Entity** - The Mosinee School District is organized as a common school district. The District, governed by a nine member elected school board, operates grades K through 12 and is comprised of all or parts of nine taxing districts.

The District's basic financial statements do not include any components units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the District has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the District's financial accountability for a legally separate organization: the District is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

**Basis of Presentation**

**District-Wide Statements**

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

**MOSINEE SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2018

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental fund:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the District's primary operating fund.

Non-Referendum Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

Other Capital Project Fund - is 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.

The District has three fiduciary funds which account for assets held as an agent for various student organizations, an employee benefit trust and a private purpose trust.

**Measurement Focus and Basis of Accounting**

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**MOSINEE SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2018

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

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

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

Investments are stated at fair value, if applicable, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. 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 municipal accounting funds is allocated based on average investment balances.

**Property Tax Levy** - Under Wisconsin law, personal property taxes and first and second installment real estate taxes are collected by municipal treasurers who then make proportional settlement with the District and county treasurer for those taxes collected on their behalf. Third installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and the District before retaining any for county purposes. Taxes collected by the township are made in two installments, the first by the town, and the second by the county treasurer.

The District's property taxes are levied on or before November 1 on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31, and a final payment no later than the following July 31. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15, and by the 20 of each subsequent month thereafter. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance. The county assumes all responsibility for delinquent real estate property taxes.

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

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

**Due To/From Other Funds** - During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

reported as due to and from other funds. The amounts reported on the statement of net position for receivable/payable from external parties represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

**Interfund Transactions** - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

**Prepays** - Prepaid items represent payments for goods or services for which benefits extend beyond June 30.

**Capital Assets** - Capital assets are reported at actual cost or estimated historical costs. Donated assets are reported at estimated fair market value at the time received.

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

|                                 | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|---------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings                       | \$5,000                             | Straight-line                  | 20-45 years                      |
| Land improvements               | \$5,000                             | Straight-line                  | 15-20 years                      |
| Furniture and equipment         | \$5,000                             | Straight-line                  | 5-20 years                       |
| Computer and related technology | \$5,000                             | Straight-line                  | 5 years                          |

**Debt Premiums and Discounts** - In the government-wide financial statements, debt premiums and discounts are amortized over the life of the debt. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, premiums and discounts are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

**Compensated Absences** - The District's policy permits employees to accumulate earned, but unused vacation and sick pay benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide statements. A liability for those amounts is recorded in the government funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits where applicable.

**Pensions** - For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of

**MOSINEE SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2018

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows and Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has two items that qualify for reporting in this category. They are the Wisconsin Retirement System pension and OPEB supplemental pension reported in the government-wide statement of net position. The Wisconsin Retirement System pension and OPEB supplemental pension result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has three types of items, Wisconsin Retirement System pension, OPEB supplemental pension, and OPEB healthcare which qualify for reporting in this category. The Wisconsin Retirement System pension, OPEB supplemental pension and OPEB healthcare result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

**Estimates** - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Net Position Classifications** - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Fund Balance Classifications** - The District classifies its fund equity as follows: 1) nonspendable fund balance consists of equity that is not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the District itself, using its highest level of decision making authority - Board of Education policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Board of Education has not delegated authority to assign fund balances through its fund balance policy and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the District's policy to record the net loss against committed fund



**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

balance, then assigned fund balance and lastly to unassigned fund balance (GASB 54 default for not having a policy). The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**Change in Accounting Principle** - The District has implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in 2018.

**NOTE 2 - Cash and Investments**

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government investment pool administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund. No significant violations of these restrictions occurred during the year.

As of June 30, 2018, the District had the following investments:

| <u>Investment</u>                       | <u>Weighted Average<br/>Maturities</u> | <u>Fair<br/>Value</u> |
|---|--|-----------------------|
| Employee Benefit Trust                  | Less than one year                     | \$ 4,704,470          |
| Wisconsin Investment Series Cooperative | More than one year                     | 3,260,200             |
| Wisconsin Investment Series Cooperative | Less than one year                     | <u>12,415,994</u>     |
| Total                                   |  | <u>\$ 20,380,664</u>  |

**Determining Fair Value** - The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements:

- 1) Employee Benefit Trust is determined based on published market quotations (level 1 inputs).
- 2) Wisconsin Investment Series Cooperative is determined based on published market quotations (level 1 inputs).

**Income Allocation** - Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment.

**Interest Rate Risk** - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to those which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The District does not have an investment policy that would further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations.

**MOSINEE SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2018

**NOTE 2 - Cash and Investments - Continued**

The District does not have an investment policy that would further limit its investment choices. The Employee Benefit Trust and Wisconsin Investment Series Cooperative is not rated.

**Custodial Credit Risk** - Custodial credit is the risk that, in the event of a financial institution failure, the District's deposits may not be returned. The District does not have a policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2018, \$4,957,358 of the District's bank balance of \$8,428,743 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by municipal government securities held by the bank in the bank's name and a letter of credit. \$1,917,025 was uninsured and uncollateralized.

**NOTE 3 - Capital Assets**

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

|  | Beginning<br>Balance | Increases           | Decreases         | Ending<br>Balance    |
|--|----------------------|---------------------|-------------------|----------------------|
| Capital assets not being depreciated:                                      |                      |                     |                   |                      |
| Land   | \$ 381,661           | \$ -                | \$ -              | \$ 381,661           |
| Construction in progress   | -                    | 3,947,326           | -                 | 3,947,326            |
| Total capital assets not being depreciated                                 | <u>381,661</u>       | <u>3,947,326</u>    | <u>-</u>          | <u>4,328,987</u>     |
| Capital assets being depreciated:  |                      |                     |                   |                      |
| Land improvements  | 1,239,481            | 36,240              | -                 | 1,275,721            |
| Buildings and improvements   | 34,806,640           | 341,716             | -                 | 35,148,356           |
| Equipment  | 2,157,343            | 83,037              | (6,380)           | 2,234,000            |
| Total capital assets being depreciated                                     | <u>38,203,464</u>    | <u>460,993</u>      | <u>(6,380)</u>    | <u>38,658,077</u>    |
| Less accumulated depreciation for:   |                      |                     |                   |                      |
| Land improvements  | (601,164)            | (36,090)            | -                 | (637,254)            |
| Buildings and improvements   | (17,869,466)         | (489,482)           | -                 | (18,358,948)         |
| Equipment  | (1,780,678)          | (57,966)            | 4,147             | (1,834,497)          |
| Total accumulated depreciation   | <u>(20,251,308)</u>  | <u>(583,538)</u>    | <u>4,147</u>      | <u>(20,830,699)</u>  |
| Total capital assets being depreciated,<br>net of accumulated depreciation | <u>17,952,156</u>    | <u>(122,545)</u>    | <u>(2,233)</u>    | <u>17,827,378</u>    |
| Capital assets, net of accumulated depreciation                            | <u>\$ 18,333,817</u> | <u>\$ 3,824,781</u> | <u>\$ (2,233)</u> | <u>\$ 22,156,365</u> |

Depreciation expense was charged to governmental functions as follows:

Building administration services \$ 583,538

The District does not capitalize interest on general fixed asset projects.

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 4 - Long-Term Obligations**

Long-term obligations are as follows:

|                             | Beginning                   |                             |                               | Ending                      | Amounts                    |
|-----------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------|----------------------------|
|                             | Balance                     | Increases                   | Decreases                     | Balance                     | Due Within                 |
|                             |                             |                             |                               |                             | One Year                   |
| Bonds payable               | \$ 6,365,000                | \$ 17,030,000               | \$ (790,000)                  | \$ 22,605,000               | \$ 900,000                 |
| Notes payable               | -                           | 13,326,000                  | (13,326,000)                  | -                           | -                          |
| Premium                     | 221,813                     | 844,799                     | (34,540)                      | 1,032,072                   | 66,220                     |
| Vested vacation pay         | 18,104                      | 57,590                      | (56,862)                      | 18,832                      | 18,832                     |
| Vested sick pay             | 305,899                     | 56,333                      | (95,285)                      | 266,947                     | 266,947                    |
| Wisconsin Retirement System |                             |                             |                               |                             |                            |
| Net pension liability       | 704,654                     | 159,747                     | (864,401)                     | -                           | -                          |
| OPEB supplemental pension   | 2,444,541                   | 176,755                     | (140,999)                     | 2,480,297                   | 158,811                    |
| OPEB healthcare             | -                           | 921,321                     | (921,321)                     | -                           | -                          |
| <b>Total</b>                | <b><u>\$ 10,060,011</u></b> | <b><u>\$ 32,572,545</u></b> | <b><u>\$ (16,229,408)</u></b> | <b><u>\$ 26,403,148</u></b> | <b><u>\$ 1,410,810</u></b> |

In prior years, the general and food service funds liquidated vested employee benefits. Interest cost incurred during the year totaled \$324,948 and total paid during the year aggregated \$203,000.

**General Obligation Debt** - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The general obligation debt is expected to be repaid with general property taxes. General obligation debt at June 30, 2018 is comprised of the following individual issues:

| <u>Issue Description</u> | <u>Issue Dates</u> | <u>Interest Rates (%)</u> | <u>Dates of Maturity</u> | <u>Balance</u>              |
|--------------------------|--------------------|---------------------------|--------------------------|-----------------------------|
| Bonds                    | 6/17/15            | 2-3%                      | 4/1/27                   | \$ 5,575,000                |
| Bonds                    | 4/12/18            | 3-5%                      | 4/1/38                   | <u>17,030,000</u>           |
| Total                    |                    |                           |                          | <b><u>\$ 22,605,000</u></b> |

**General Obligation Debt Limit Calculation** - The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,056,482,545. The legal debt limit and margin of indebtedness as of June 30, 2018, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes follows:

|  |                             |
|--|-----------------------------|
| Debt limit (10 percent of \$1,056,482,545) | \$ 105,648,255              |
| Applicable long-term debt                  | (22,605,000)                |
| Amount available in debt service fund      | <u>272,029</u>              |
| Margin of indebtedness                     | <b><u>\$ 83,315,284</u></b> |

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 4 - Long-Term Obligations - Continued**

**Maturities of Long-Term Obligations** - Aggregate cash flow requirements for the retirement of long-term debt principal and interest are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|----------------------------|---------------------|---------------------|---------------------|
| 2019                       | \$ 900,000          | \$ 1,106,537        | \$ 2,006,537        |
| 2020                       | 1,210,000           | 761,528             | 1,971,528           |
| 2021                       | 1,250,000           | 715,153             | 1,965,153           |
| 2022                       | 1,300,000           | 666,903             | 1,966,903           |
| 2023                       | 1,350,000           | 613,428             | 1,963,428           |
| 2024-2028                  | 6,690,000           | 2,222,025           | 8,912,025           |
| 2029-2033                  | 5,005,000           | 1,217,999           | 6,222,999           |
| 2034-2038                  | 4,900,000           | 358,366             | 5,258,366           |
|                            | <u>\$22,605,000</u> | <u>\$ 7,661,939</u> | <u>\$30,266,939</u> |

**Cash Defeasance** - The District defeased \$225,000 of outstanding 2015 refunding bonds by depositing \$236,271 with an escrow agent to reduce future debt service payments. The transaction resulted in an economic gain of \$47,510 and a reduction of \$283,781 in future debt service payments.

**Defeased Debt** - The District defeased general obligation debt by depositing money in an irrevocable trust account for future debt service payments of the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At June 30, 2018, \$225,000 of defeased debt remains outstanding.

**NOTE 5 - Wisconsin Retirement System**

**General Information about the Pension Plan**

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

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

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

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 5 - Wisconsin Retirement System - Continued**

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

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

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

The WRS also provides death and disability benefits for employees.

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

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2007 | 3%                   | 10%                      |
| 2008 | 6.6                  | -                        |
| 2009 | (2.1)                | (42)                     |
| 2010 | (1.3)                | 22                       |
| 2011 | (1.2)                | 11                       |
| 2012 | (7)                  | (7)                      |
| 2013 | (9.6)                | 9                        |
| 2014 | 4.7                  | 25                       |
| 2015 | 2.9                  | 2                        |
| 2016 | .5                   | (5)                      |
| 2017 | 2                    | 4                        |

**Contributions** - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 5 - Wisconsin Retirement System - Continued**

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 \$864,401 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

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

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

At June 30, 2018, the District reported a liability (asset) of (\$2,560,636) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.08624232%, which was an increase of 0.00075078% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,108,698.

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

|   | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual experience  | \$ 3,253,353                   | \$ 1,521,810                  |
| Net differences between projected and actual earnings on pension plan investments                             | 2,740,625                      | 6,259,982                     |
| Changes in assumptions  | 505,931                        | -                             |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,904                         | 33,349                        |
| Employer contributions subsequent to the measurement date   | 446,655                        | -                             |
| Total   | \$ 6,957,468                   | \$ 7,815,141                  |

\$446,655 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 5 - Wisconsin Retirement System - Continued**

| Year Ending<br>June 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|------------------------|-----------------------------------|----------------------------------|
| 2019                   | \$ 2,607,409                      | \$ 2,332,395                     |
| 2020                   | 2,303,038                         | 2,332,395                        |
| 2021                   | 825,020                           | 1,711,612                        |
| 2022                   | 769,201                           | 1,438,698                        |
| Thereafter             | 6,145                             | 41                               |

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

|   |                                |
|---|--------------------------------|
| Actuarial Valuation Date:                         | December 31, 2016              |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2017              |
| Actuarial Cost Method:                            | Entry Age                      |
| Asset Valuation Method:                           | Fair Market Value              |
| Long-Term Expected Rate of Return:                | 7.2%                           |
| Discount Rate:                                    | 7.2%                           |
| Salary Increases:                                 |                                |
| Inflation   | 3.2%                           |
| Seniority/Merit                                   | .2% - 5.6%                     |
| Mortality:  | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments*                      | 2.1%                           |

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

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

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

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

**MOSINEE SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2018

**NOTE 5 - Wisconsin Retirement System - Continued**

| Core Fund Asset Class      | Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|----------------------------|--------------------|---|--|
| Global Equities            | 50                 | 8.2   | 5.3                                      |
| Fixed Income               | 24.5               | 4.2   | 1.4                                      |
| Inflation Sensitive Assets | 15.5               | 3.8   | 1  |
| Real Estate                | 8                  | 6.5   | 3.6                                      |
| Private Equity/Debt        | 8                  | 9.4   | 6.5                                      |
| Multi-Asset                | 4                  | 6.5   | 3.6                                      |
| Total Core Fund            | 110                | 7.3   | 4.4                                      |
| Variable Fund Asset Class  |                    |   |  |
| U.S. Equities              | 70                 | 7.5   | 4.6                                      |
| International Equities     | 30                 | 7.8   | 4.9                                      |
| Total Variable Fund        | 100                | 7.9   | 5  |

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

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

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

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

|   | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase to Discount Rate (8.20%) |
|---|--------------------------------------|-------------------------------|--------------------------------------|
| District's proportionate share of the net pension liability (asset) | \$ 6,625,241                         | \$ (2,560,636)                | \$ (9,542,188)                       |

**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>



**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 5 - Wisconsin Retirement System - Continued**

**Payables to the Pension Plan** - The District reported a payable of \$261,937 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**NOTE 6 - Supplemental Pension Defined Benefit Plan**

**General Information about the Supplemental Pension Plan**

**Plan Description** - The supplemental pension is a single employer defined benefit pension plan. Benefit terms are established by employee handbooks and may be modified by the Board of Education. The plan is administered by the District and included in the District's financial statements.

**Benefits Provided** - Administrators at least age 55 with 5 years of service in the District will receive \$10,500 for 5-9 years of service, or \$42,000 for 10-14 years of services, or \$57,750 for 15 and over years of service paid out in 60 or 120 monthly installments. Teachers at least age 55 with 13 years of service in the District will receive a \$47,000 benefit paid out in sixty monthly installments.

**Employees Covered** - As of the June 30, 2018 measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 16         |
| Inactive employees entitled to but not yet receiving benefits    | -          |
| Active employees   | <u>164</u> |
| Total  | <u>180</u> |

**Contributions** - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended June 30, 2018, contribution rates for plan members were \$0 per participant per month and \$175 - \$950 from the District, depending on the type of retiree plan. Plan members receiving benefits contributed \$0 and the District contributed \$140,999 to the plan.

**Actuarial Assumptions** - The net supplemental pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |   |
|--|---|
| Actuarial Valuation Date:                  | June 30, 2018   |
| Measurement Date of Net Pension Liability: | June 30, 2018   |
| Actuarial Cost Method:                     | Entry Age   |
| Asset Valuation Method:                    | Fair Market Value   |
| Long-Term Expected Rate of Return:         | 3%  |
| Discount Rate:                             | 3%  |
| Salary Increases:                          | 0%  |
| Mortality:                                 | RP-2014 Mortality Fully Generational using Projection Scale MP-2017 |

**MOSINEE SCHOOL DISTRICT**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
JUNE 30, 2018

**NOTE 6 - Supplemental Pension Defined Benefit Plan - Continued**

There were no material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

**Long-Term Expected Return on Plan Assets** - The long-term expected rate of return on plan investments was determined by expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. There are no plan assets.

**Discount Rate** - A discount rate of 3% was used to measure the total supplemental pension liability. This discount rate was based on the expected rate of return on pension plan investments of 3%. The projection of cash flows used to determine the discount rate assumed the 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 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 supplemental pension liability.

**Changes in the Net Pension Liability**

|  | Increase (Decrease)               |                                       |                                       |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
|  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
| Beginning balance  | \$ 2,444,541                      | \$ -                                  | \$ 2,444,541                          |
| Changes for the year:  |                                   |                                       |                                       |
| Service cost   | 153,167                           | -                                     | 153,167                               |
| Interest   | 105,310                           | -                                     | 105,310                               |
| Differences between expected and actual<br>experience            | (359,205)                         | -                                     | (359,205)                             |
| Changes of assumptions or other inputs                           | 277,483                           | -                                     | 277,483                               |
| Contributions - employer   | -                                 | 140,999                               | (140,999)                             |
| Benefit payments, including refunds of employee<br>contributions | (140,999)                         | (140,999)                             | -                                     |
| Net changes  | 35,756                            | -                                     | 35,756                                |
| Ending Balance   | \$ 2,480,297                      | \$ -                                  | \$ 2,480,297                          |

**Sensitivity of the Net Supplemental Pension Liability to Changes in the Discount Rate -**

The following presents the net supplemental pension liability calculated using the discount rate of 3 percent, as well as what the net supplemental pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2 percent) or 1-percentage-point higher (4 percent) than the current rate:

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 6 - Supplemental Pension Defined Benefit Plan - Continued**

|                                    | 1% Decrease to<br>Discount Rate<br>(2%) | Current Discount<br>Rate (3%) | 1% Increase to<br>Discount Rate<br>(4%) |
|------------------------------------|---|-------------------------------|---|
| Net supplemental pension liability | \$ 2,677,925                            | \$ 2,480,297                  | \$ 2,298,702                            |

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

For the year ended June 30, 2018, the District recognized pension expense of \$0.

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                | \$ 193,703                           | \$ 359,205                          |
| Changes in assumptions  | 181,595                              | 102,256                             |
| Net differences between projected and actual earnings on pension plan investments | -                                    | -                                   |
| Employer contributions subsequent to the measurement date                         | -                                    | -                                   |
| Total   | \$ 375,298                           | \$ 461,461                          |

\$0 reported as deferred outflows related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction on the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ending<br>June 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|------------------------|-----------------------------------|----------------------------------|
| 2019                   | \$ 25,267                         | \$ 31,500                        |
| 2020                   | 25,267                            | 31,500                           |
| 2021                   | 25,267                            | 31,500                           |
| 2022                   | 25,267                            | 31,500                           |
| 2023                   | 25,267                            | 31,500                           |
| Thereafter             | \$ 248,963                        | \$ 303,961                       |

**Payables to the Pension Plan** -The District reported a payable of zero for the outstanding amount of contributions to the supplemental pension plan required for the year ended June 30, 2018.

**NOTE 7 - Interfund Balance and Activity**

Interfund receivable and payable balances on June 30, 2018, are as follows:

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 7 - Interfund Balance and Activity - Continued**

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General                | Cooperative         | \$1,242       |

The above balances resulted from the timing differences 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. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

**NOTE 8 - Post Employment Benefits Other Than Pensions**

**General Information about the Post Employment Benefits Other Than Pensions**

**Plan Description** - The other post employment benefits (OPEB) other than pensions is a single-employer defined benefit OPEB plan. Benefit terms are established by employee handbooks and may be modified by the Board of Education. The plan is administered by the District and included in the District's financial statements.

**Benefits Provided** - Administrators at least age 55 with 5 years of service in the District will receive a \$500 monthly contribution towards medical premiums until the earlier of 10 years or Medicare eligible. The retiree is responsible for premium amounts exceeding the District's contribution. The District will also provide \$100,000 term life insurance coverage until Medicare eligible.

Teachers at least age 55 with 13 years of service in the District will receive \$150 for single or \$400 for family monthly contribution towards medical premiums until Medicare eligible. The retiree is responsible for premium amounts exceeding the District's contribution. The District will also provide \$100,000 term life insurance coverage until Medicare eligible.

**Employees Covered** - As of the June 30, 2018 measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 31         |
| Inactive employees entitled to but not yet receiving benefits    | -          |
| Active employees   | <u>164</u> |
| Total  | <u>195</u> |

**Contributions** - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on premiums and an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended June 30, 2018, contribution rates for Plan members were \$777 - \$1,353 per participant per month and \$150 - \$500 from the District, depending on the type of retiree plan. Plan members receiving benefits contributed \$110,195 and the District contributed \$726,083 to the plan.

**Actuarial Assumptions** - The net OPEB healthcare liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 8 - Post Employment Benefits Other Than Pensions - Continued**

|                                    |   |
|------------------------------------|---|
| Actuarial Valuation Date:          | June 30, 2018   |
| Measurement Date:                  | June 30, 2018   |
| Actuarial Cost Method:             | Entry Age   |
| Asset Valuation Method:            | Fair Market Value   |
| Long-Term Expected Rate of Return: | 1%  |
| Discount Rate:                     | 3%  |
| Salary Increases:                  | 3%  |
| Mortality:                         | RP 2014 Mortality Table Fully<br>Generational using Projection Scale<br>MP-2017 |
| Medical Care Cost Trend:           | 7.5% decreasing by .5% per year to<br>5%, and level thereafter                  |

The actuarial valuation was based upon the data provided by the District and utilized the premium rate history of the District's medical plans as well as the trends used in the prior valuation and projected a stream of expected premium rates for each year in the future based on the data as of June 30, 2018. The actuary did not complete an experience study due to insufficient experience due to enrollment for the experience to be credible.

**Long-Term Expected Return on Plan Assets** - The long-term expected rate of return on plan investments is was determined by expected future real rates of return (expected returns, net of plan investment expense and inflation) developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class  | Long-Term Real<br>Rate of Return | Target<br>Allocation |
|--------------|----------------------------------|----------------------|
| Fixed Income | 1.5%                             | 100%                 |

**Discount Rate** - A discount rate of 3% was used to measure the total OPEB healthcare liability. This discount rate was based on the expected rate of return on plan investments of 3%. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB healthcare liability.

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 8 - Post Employment Benefits Other Than Pensions - Continued**

**Changes in the Net OPEB Healthcare Liability**

|  | Increase (Decrease)                   |                           |                                     |
|--|---------------------------------------|---------------------------|-------------------------------------|
|  | Total OPEB<br>Healthcare<br>Liability | Fiduciary Net<br>Position | Net OPEB<br>Healthcare<br>Liability |
|  | (a)                                   | (b)                       | (a) - (b)                           |
| Beginning balance                                  | \$ 3,793,436                          | \$ 4,052,838              | \$ (259,402)                        |
| Changes for the year:                              |                                       |                           |                                     |
| Service cost                                       | 474,263                               | -                         | 474,263                             |
| Interest   | 124,423                               | -                         | 124,423                             |
| Differences between expected and actual experience | (3,607)                               | -                         | (3,607)                             |
| Contributions - employer                           | -                                     | 726,083                   | (726,083)                           |
| Net investment income                              | -                                     | 54,239                    | (54,239)                            |
| Benefit payments                                   | (240,532)                             | (240,532)                 | -                                   |
| Other changes                                      | -                                     | 140,999                   | (140,999)                           |
| Net changes  | <u>354,547</u>                        | <u>680,789</u>            | <u>(326,242)</u>                    |
| Ending Balance                                     | <u>\$ 4,147,983</u>                   | <u>\$ 4,733,627</u>       | <u>\$ (585,644)</u>                 |

**Sensitivity of the Net OPEB Healthcare (Asset) Liability to Changes in the Healthcare Cost Trend Rate** - The following presents the net OPEB healthcare liability calculated using the healthcare cost trend rate of 7.5 percent decreasing to 5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.5 percent decreasing to 4 percent) or 1-percentage-point higher (8.5 percent decreasing to 6 percent) than the current rate:

|                                       | 1% Decrease to<br>Healthcare Cost<br>Rate (6.5%<br>decreasing to 4%) | Current<br>Healthcare Cost<br>Rate (7.5%<br>decreasing to 5%) | 1% Increase to<br>Healthcare Cost<br>Rate (8.5%<br>decreasing to 6%) |
|---------------------------------------|--|---|--|
| Net OPEB healthcare (asset) liability | \$ (1,072,117)   | \$ (585,644)  | \$ (118,120)   |

**Sensitivity of the Net OPEB Healthcare (Asset) Liability to Changes in the Discount Rate** - The following presents the net OPEB healthcare liability calculated using the discount rate of 3 percent, as well as what the net OPEB healthcare liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2 percent) or 1-percentage-point higher (4 percent) than the current rate:

|                                       | 1% Decrease to<br>Discount Rate<br>(2%) | Current Discount<br>Rate (3%) | 1% Increase To<br>Discount Rate<br>(4%) |
|---------------------------------------|---|-------------------------------|---|
| Net OPEB healthcare (asset) liability | \$ (280,786)                            | \$ (585,644)                  | \$ (876,149)                            |

**Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Healthcare**

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 8 - Post Employment Benefits Other Than Pensions - Continued**

For the year ended June 30, 2018, the District recognized OPEB healthcare expense of \$867,082.

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                | \$ -                                 | \$ 3,608                            |
| Changes in assumptions  | -                                    | -                                   |
| Net differences between projected and actual earnings on pension plan investments | -                                    | -                                   |
| Employer contributions subsequent to the measurement date                         | -                                    | -                                   |
| Total   | \$ -                                 | \$ 3,608                            |

Zero reported as deferred outflows related to OPEB healthcare resulting from contributions subsequent to the measurement date will be recognized as a reduction on the net OPEB healthcare liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB healthcare will be recognized in expense as follows:

| Year ending<br>June 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|------------------------|-----------------------------------|----------------------------------|
| 2019                   | \$ -                              | \$ 373                           |
| 2020                   | -                                 | 373                              |
| 2021                   | -                                 | 373                              |
| 2022                   | -                                 | 373                              |
| 2023                   | -                                 | 373                              |
| Thereafter             | \$ -                              | \$ 1,743                         |

**Payables to the OPEB Healthcare Plan** - The District reported a payable of zero for the outstanding amount of contributions to the OPEB Healthcare plan required for the year ended June 30, 2018.

**NOTE 9 - Fund Balance and Net Position**

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

| <u>Governmental Fund</u> | <u>Purpose</u>          | <u>Amount</u> |
|--------------------------|-------------------------|---------------|
| Restricted               |                         |               |
| General                  | Self funded dental      | \$ 228,517    |
| Special revenue trust    | Donor specific expenses | \$ 124,420    |
| Non-Referendum debt      |                         |               |
| service                  | Principal and interest  | \$ 187,557    |
| Referendum debt          |                         |               |
| service                  | Principal and interest  | \$ 84,472     |

**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 9 - Fund Balance and Net Position - Continued**

|                                     |                            |               |
|-------------------------------------|----------------------------|---------------|
| Long-term capital improvement trust | DPI regulation             | \$ 505        |
| Other capital projects              | DPI regulation             | \$ 11,724,697 |
| Food service                        | Food service program       | \$ 178,877    |
| Community service                   | Community service projects | \$ 64,237     |

**Governmental Activities**

|                   |   |               |
|-------------------|---|---------------|
| <b>Restricted</b> |   |               |
| Special revenue   | Donor specific expenses                             | \$ 124,420    |
| Special revenue   | Food service program and community service projects | \$ 243,114    |
| Debt service      | Principal and interest                              | \$ 272,029    |
| Capital projects  | DPI regulation                                      | \$ 11,725,202 |
| Other activities  | Self funded dental                                  | \$ 228,517    |
| Other activities  | Wisconsin Retirement System pension                 | \$ 1,702,963  |

**NOTE 10 - Risk Management**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. The District manages these risks through the purchase of commercial insurance, except for self-insured dental benefits. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from coverage in the prior year.

**NOTE 11 - Commitments and Contingencies**

The District has a service agreement with Cooperative Education Service Agency #9 for services to be provided to the District in 2018-2019. Expected costs are \$255,615.

The District has a transportation agreement with estimated costs for the following school years:

|           |                    |
|-----------|--------------------|
| 2018-2019 | 1,262,345          |
| 2019-2020 | 1,293,903          |
|           | <u>\$2,556,248</u> |

On June 30, 2018, the District had entered into an estimated \$16,184,000 construction contract for energy efficiency upgrades to District buildings and a new science room addition. There is \$10,443,000 remaining to be completed on this contract.

The District is aware some older buildings contain some level of asbestos in which they will incur removal costs upon remodeling, selling, or abandoning these buildings at some future date. However, at this point, the District does not feel they have enough information to reasonably estimate the fair value of the asset retirement obligation and have not recorded a liability.

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



**MOSINEE SCHOOL DISTRICT**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
 JUNE 30, 2018

**NOTE 11 - Commitments and Contingencies - Continued**

management and the District's attorney that the likelihood is remote that any such claims or proceedings will have a material effect on the District's financial position or results of operations.

**NOTE 12 - Limitation of School District Revenue**

Wisconsin statutes limit the amount of revenue school districts may derive from general school aids and property taxes. This limitation does not apply to revenue needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or by a referendum prior to August 12, 1993 and (b) a referendum on or after August 12, 1993.

**NOTE 13 - Self-Funded Insurance**

Self-Insured Risk - The District's self insurance is accounted for in the general fund, with appropriate charges to other funds as payroll is incurred in the other funds. Benefit maximums contained in the plan limit the District's total liability under the plan. An administrator processes claims filed and the District is liable for administrative expenses.

Claims Liabilities - The District records an estimated liability for dental care claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities - The following represent the changes in approximate aggregate liabilities for health and dental care for the current and prior year.

|   | <u>Year Ended</u><br><u>June 30, 2018</u> | <u>Year Ended</u><br><u>June 30, 2017</u> |
|---|---|---|
| Beginning liability balance             | \$ 53,613                                 | \$ 186,387                                |
| Claims                                  | 201,682                                   | 54,281                                    |
| Claim payments and changes in estimates | <u>(204,823)</u>                          | <u>(187,055)</u>                          |
| Ending liability balance                | <u>\$ 50,472</u>                          | <u>\$ 53,613</u>                          |

Claim payments are principally funded through charges to employees, which are paid through payroll deductions, and employer contributions to the dental plan.

**NOTE 14 - Prior Period Adjustment**

The District made a prior period adjustment to the beginning fund balance in the special revenue trust fund for \$23,763. The adjustment increased the fund balance to record co-curricular activities in the special revenue trust fund as required by the Wisconsin Department of Public Instruction.

**NOTE 15 - Change in Accounting Principle**

The change in accounting principle adjustment of \$498,946 on the statement of activities is due to the adoption of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**MOSINEE SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2018**

|  | ORIGINAL BUDGETED AMOUNTS |                    |                     | FINAL BUDGETED AMOUNTS |                    |                     | ACTUAL AMOUNTS      |                    |                     | VARIANCE WITH                          |
|--|---------------------------|--------------------|---------------------|------------------------|--------------------|---------------------|---------------------|--------------------|---------------------|--|
|  | GENERAL                   | SPECIAL            |                     | GENERAL                | SPECIAL            |                     | GENERAL             | SPECIAL            |                     | FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|  |                           | EDUCATION          | TOTAL               |                        | EDUCATION          | TOTAL               |                     | EDUCATION          | TOTAL               |  |
| <b>REVENUES</b>  |                           |                    |                     |                        |                    |                     |                     |                    |                     |  |
| Property taxes   | \$ 9,153,927              | \$ -               | \$ 9,153,927        | \$ 9,153,927           | \$ -               | \$ 9,153,927        | \$ 9,150,357        | \$ -               | \$ 9,150,357        | \$ (3,570)                             |
| Other local sources  | 153,000                   | -                  | 153,000             | 153,000                | -                  | 153,000             | 243,565             | -                  | 243,565             | 90,565                                 |
| Interdistrict sources  | 1,129,329                 | 11,000             | 1,140,329           | 1,129,329              | 11,000             | 1,140,329           | 1,026,008           | 12,756             | 1,038,764           | (101,565)                              |
| Intermediate sources   | 10,160                    | 7,500              | 17,660              | 10,160                 | 7,500              | 17,660              | 8,892               | 10,064             | 18,956              | 1,296                                  |
| State sources  | 12,560,598                | 895,690            | 13,456,288          | 12,560,598             | 895,690            | 13,456,288          | 12,595,020          | 910,178            | 13,505,198          | 48,910                                 |
| Federal sources  | 282,457                   | 476,589            | 759,046             | 282,457                | 476,589            | 759,046             | 275,264             | 492,036            | 767,300             | 8,254                                  |
| Other sources  | -                         | -                  | -                   | -                      | -                  | -                   | 71,905              | -                  | 71,905              | 71,905                                 |
| <b>TOTAL REVENUES</b>  | <b>23,289,471</b>         | <b>1,390,779</b>   | <b>24,680,250</b>   | <b>23,289,471</b>      | <b>1,390,779</b>   | <b>24,680,250</b>   | <b>23,371,011</b>   | <b>1,425,034</b>   | <b>24,796,045</b>   | <b>115,795</b>                         |
| <b>EXPENDITURES</b>  |                           |                    |                     |                        |                    |                     |                     |                    |                     |  |
| Current  |                           |                    |                     |                        |                    |                     |                     |                    |                     |  |
| Instruction  |                           |                    |                     |                        |                    |                     |                     |                    |                     |  |
| Regular instruction  | 9,251,201                 | 69,227             | 9,320,428           | 9,251,201              | 69,227             | 9,320,428           | 8,666,497           | 69,887             | 8,736,384           | 584,044                                |
| Vocational instruction                                       | 819,846                   | -                  | 819,846             | 819,846                | -                  | 819,846             | 845,426             | -                  | 845,426             | (25,580)                               |
| Special instruction  | -                         | 2,961,328          | 2,961,328           | -                      | 2,961,328          | 2,961,328           | -                   | 2,955,283          | 2,955,283           | 6,045                                  |
| Other instruction  | 1,370,101                 | -                  | 1,370,101           | 1,370,101              | -                  | 1,370,101           | 1,442,841           | -                  | 1,442,841           | (72,740)                               |
| <b>Total instruction</b>                                     | <b>11,441,148</b>         | <b>3,030,555</b>   | <b>14,471,703</b>   | <b>11,441,148</b>      | <b>3,030,555</b>   | <b>14,471,703</b>   | <b>10,954,764</b>   | <b>3,025,170</b>   | <b>13,979,934</b>   | <b>491,769</b>                         |
| Support services   |                           |                    |                     |                        |                    |                     |                     |                    |                     |  |
| Pupil services   | 595,850                   | 416,920            | 1,012,770           | 595,850                | 416,920            | 1,012,770           | 656,085             | 443,180            | 1,099,265           | (86,495)                               |
| Instructional staff services                                 | 1,104,998                 | 184,098            | 1,289,096           | 1,104,998              | 184,098            | 1,289,096           | 1,143,737           | 211,969            | 1,355,706           | (66,610)                               |
| General administration services                              | 455,800                   | -                  | 455,800             | 455,800                | -                  | 455,800             | 483,875             | -                  | 483,875             | (28,075)                               |
| Building administration services                             | 1,136,673                 | -                  | 1,136,673           | 1,136,673              | -                  | 1,136,673           | 1,196,295           | -                  | 1,196,295           | (59,622)                               |
| Business services  | 4,320,452                 | 270,000            | 4,590,452           | 4,320,452              | 270,000            | 4,590,452           | 4,279,699           | 332,672            | 4,612,371           | (21,919)                               |
| Central services   | 434,618                   | 27,621             | 462,239             | 434,618                | 27,621             | 462,239             | 391,536             | 27,608             | 419,144             | 43,095                                 |
| Insurance  | 176,864                   | 19,105             | 195,969             | 176,864                | 19,105             | 195,969             | 167,051             | 22,182             | 189,233             | 6,736                                  |
| Other support services                                       | 28,002                    | -                  | 28,002              | 28,002                 | -                  | 28,002              | 24,924              | -                  | 24,924              | 3,078                                  |
| <b>Total support services</b>                                | <b>8,253,257</b>          | <b>917,744</b>     | <b>9,171,001</b>    | <b>8,253,257</b>       | <b>917,744</b>     | <b>9,171,001</b>    | <b>8,343,202</b>    | <b>1,037,611</b>   | <b>9,380,813</b>    | <b>(209,812)</b>                       |
| Non-program transactions                                     | 1,425,321                 | 135,000            | 1,560,321           | 1,425,321              | 135,000            | 1,560,321           | 1,526,905           | 147,569            | 1,674,474           | (114,153)                              |
| Capital outlay   | 273,462                   | 45,526             | 318,988             | 273,462                | 45,526             | 318,988             | 331,047             | 33,332             | 364,379             | (45,391)                               |
| <b>TOTAL EXPENDITURES</b>                                    | <b>21,393,188</b>         | <b>4,128,825</b>   | <b>25,522,013</b>   | <b>21,393,188</b>      | <b>4,128,825</b>   | <b>25,522,013</b>   | <b>21,155,918</b>   | <b>4,243,682</b>   | <b>25,399,600</b>   | <b>122,413</b>                         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>1,896,283</b>          | <b>(2,738,046)</b> | <b>(841,763)</b>    | <b>1,896,283</b>       | <b>(2,738,046)</b> | <b>(841,763)</b>    | <b>2,215,093</b>    | <b>(2,818,648)</b> | <b>(603,555)</b>    | <b>238,208</b>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                           |                    |                     |                        |                    |                     |                     |                    |                     |  |
| Transfer (to) / from other funds                             | (2,738,046)               | 2,738,046          | -                   | (2,738,046)            | 2,738,046          | -                   | (2,818,648)         | 2,818,648          | -                   | -                                      |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>(841,763)</b>          | <b>-</b>           | <b>(841,763)</b>    | <b>(841,763)</b>       | <b>-</b>           | <b>(841,763)</b>    | <b>(603,555)</b>    | <b>-</b>           | <b>(603,555)</b>    | <b>238,208</b>                         |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                      | <b>9,333,319</b>          | <b>-</b>           | <b>9,333,319</b>    | <b>9,333,319</b>       | <b>-</b>           | <b>9,333,319</b>    | <b>9,333,319</b>    | <b>-</b>           | <b>9,333,319</b>    | <b>-</b>                               |
| <b>FUND BALANCE - END OF YEAR</b>                            | <b>\$ 8,491,556</b>       | <b>\$ -</b>        | <b>\$ 8,491,556</b> | <b>\$ 8,491,556</b>    | <b>\$ -</b>        | <b>\$ 8,491,556</b> | <b>\$ 8,729,764</b> | <b>\$ -</b>        | <b>\$ 8,729,764</b> | <b>\$ 238,208</b>                      |

The accompanying notes are an integral part of these statements.

**MOSINEE SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**ON BUDGETARY ACCOUNTING AND CONTROL**  
**JUNE 30, 2018**

**NOTE 1 - Budgetary Information** - Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by a Board of Education resolution.

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

1. Based upon requests from District staff, the District Administration recommends budget proposals to the Board of Education.
2. The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
3. A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
4. Pursuant to the budget hearing, the Board of Education may make alterations to the proposed budget.
5. After the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
6. Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance.
7. Encumbrance accounting is not used.
8. Budgets are adopted on a basis consistent with generally accepted accounting principles.

**NOTE 2 - Excess of Actual Expenditure Over Budget** - The following functions had an excess of actual expenditures over budget.

|                           |                                  |            |
|---------------------------|----------------------------------|------------|
| General/Special Education | Vocational instruction           | \$ 25,580  |
| General/Special Education | Other instruction                | \$ 72,740  |
| General/Special Education | Pupil services                   | \$ 86,495  |
| General/Special Education | Instructional staff services     | \$ 66,610  |
| General/Special Education | General administration services  | \$ 28,075  |
| General/Special Education | Building administration services | \$ 59,622  |
| General/Special Education | Business services                | \$ 21,919  |
| General/Special Education | Non-program transactions         | \$ 114,153 |
| General/Special Education | Capital outlay                   | \$ 45,391  |

**MOSINEE SCHOOL DISTRICT**  
**WISCONSIN RETIREMENT SYSTEM SCHEDULES**  
**YEAR ENDED JUNE 30, 2018**

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

|   | <u>2018</u>    | <u>2017</u>  | <u>2016</u>  | <u>2015</u>    |
|---|----------------|--------------|--------------|----------------|
| Proportion of the net pension liability (asset)   | 0.08624232%    | 0.08549154%  | 8.49953500%  | 8.4141640%     |
| Proportionate share of the net pension liability (asset)  | \$ (2,560,636) | \$ 704,654   | \$ 1,381,158 | \$ (2,066,749) |
| Covered payroll   | \$12,711,804   | \$12,335,333 | \$12,475,777 | \$11,666,854   |
| Proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -20.14%        | 5.71%        | 11.07%       | -17.71%        |
| Plan fiduciary net position as a percentage of the total pension liability (asset)              | 102.93%        | 99.12%       | 98.20%       | 102.74%        |

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years \*

|   | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      |
|---|------------------|------------------|------------------|------------------|
| Contractually required contributions                                  | \$ 864,401       | \$ 814,135       | \$ 848,355       | \$ 816,680       |
| Contributions in relation to the contractually required contributions | <u>(864,401)</u> | <u>(814,135)</u> | <u>(848,355)</u> | <u>(816,680)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered payroll   | \$12,711,804     | \$12,335,333     | \$12,475,777     | \$11,666,854     |
| Contributions as a percentage of covered payroll                      | 6.80%            | 6.60%            | 6.80%            | 7.00%            |

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

The District implemented the Government Accounting Standards Board Statement No. 68 for the year ended June 30, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 preceding years.

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

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

Changes of assumptions - there were no changes in the assumptions.

**MOSINEE SCHOOL DISTRICT**  
**SUPPLEMENTAL PENSION DEFINED BENEFIT PLAN SCHEDULES**  
**YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**  
**Last 10 Fiscal Years**

|  | <u>2018</u>                | <u>2017</u>                | <u>2016</u>                | <u>2015</u>                |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Total Pension Liability</b>   |                            |                            |                            |                            |
| Service cost   | \$ 153,167                 | \$ 128,979                 | \$ -                       | \$ -                       |
| Interest   | 105,310                    | 95,533                     | -                          | -                          |
| Differences between expected and actual experience                         | (359,205)                  | 219,190                    | -                          | -                          |
| Changes of assumptions or other inputs                                     | 277,483                    | (115,711)                  | -                          | -                          |
| Benefit payments, including refunds of employee contributions              | (140,999)                  | (285,604)                  | -                          | -                          |
| Other changes  | -                          | -                          | 43,561                     | (107,210)                  |
| Net Changes in Total Pension Liability                                     | 35,756                     | 42,387                     | 43,561                     | (107,210)                  |
| Total Pension Liability - Beginning  | <u>2,444,541</u>           | <u>2,402,154</u>           | <u>2,358,593</u>           | <u>2,465,803</u>           |
| <b>Total Pension Liability - Ending (a)</b>                                | <b><u>\$ 2,480,297</u></b> | <b><u>\$ 2,444,541</u></b> | <b><u>\$ 2,402,154</u></b> | <b><u>\$ 2,358,593</u></b> |
| <b>Plan Fiduciary Net Position</b>   |                            |                            |                            |                            |
| Contributions - employer   | \$ 140,999                 | \$ 285,604                 | \$ 263,776                 | \$ 287,088                 |
| Benefit payments, including refunds of employee contributions              | <u>(140,999)</u>           | <u>(285,604)</u>           | <u>(263,776)</u>           | <u>(287,088)</u>           |
| Net Changes in Plan Fiduciary Net Position                                 | -                          | -                          | -                          | -                          |
| Plan Fiduciary Net Position - Beginning                                    | -                          | -                          | -                          | -                          |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                            | <b><u>\$ -</u></b>         | <b><u>\$ -</u></b>         | <b><u>\$ -</u></b>         | <b><u>\$ -</u></b>         |
| <b>Net Pension Liability - Ending (a) - (b)</b>                            | <b><u>\$ 2,480,297</u></b> | <b><u>\$ 2,444,541</u></b> | <b><u>\$ 2,402,154</u></b> | <b><u>\$ 2,358,593</u></b> |
| Plan fiduciary net position as a percentage of the total pension liability | 0.00%                      | 0.00%                      | 0.00%                      | 0.00%                      |
| Covered payroll  | \$ 7,423,570               | \$ 7,763,072               | \$ 9,607,818               | \$ 9,190,795               |
| Net pension liability as a percentage of covered payroll                   | 33.41%                     | 31.49%                     | 25.00%                     | 25.66%                     |

**SCHEDULE OF CONTRIBUTIONS**  
**Last 10 Fiscal Years**

|   | <u>2018</u>              | <u>2017</u>               | <u>2016</u>        | <u>2015</u>               |
|---|--------------------------|---------------------------|--------------------|---------------------------|
| Actuarially determined contributions                                  | \$ 264,493               | \$ 264,930                | \$ 263,776         | \$ 263,776                |
| Contributions in relation to the actuarially determined contributions | <u>(140,999)</u>         | <u>(285,604)</u>          | <u>(263,776)</u>   | <u>(287,088)</u>          |
| Contribution deficiency (excess)                                      | <b><u>\$ 123,494</u></b> | <b><u>\$ (20,674)</u></b> | <b><u>\$ -</u></b> | <b><u>\$ (23,312)</u></b> |
| Covered payroll   | \$ 7,423,570             | \$ 7,763,072              | \$ 9,607,818       | \$ 9,190,795              |
| Contributions as a percentage of covered payroll                      | 1.90%                    | 3.68%                     | 2.75%              | 3.12%                     |
| Actuarial valuation date  | 6/30/2018                | 6/30/2016                 | 6/30/2014          | 6/30/2014                 |
| Measurement date  | 6/30/2018                | 6/30/2016                 | 6/30/2014          | 6/30/2014                 |

The District implemented the Government Accounting Standards Board Statement No. 68 for the year ended June 30, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 preceding years.

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

Methods and assumptions used to determine actuarial calculations - entry age, fair market value asset valuation, 3% discount rate, 0% inflation, 0% salary increases, RP-2014 mortality fully generational using projection scale MP-2017.

Changes of benefit terms - there were no changes of benefit terms.

Changes of assumptions - there were no changes in the assumptions.

**MOSINEE SCHOOL DISTRICT**  
**OPEB HEALTHCARE DEFINED BENEFIT PLAN SCHEDULES**  
**YEAR ENDED JUNE 30, 2018**

SCHEDULE OF CHANGES IN THE NET OPEB HEALTHCARE LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years

|  | <u>2018</u>                |
|--|----------------------------|
| <b>Total OPEB Healthcare Liability</b>   |                            |
| Service cost   | \$ 474,263                 |
| Interest   | 124,423                    |
| Differences between expected and actual experience                                     | (3,607)                    |
| Benefit payments   | <u>(240,532)</u>           |
| Net Changes in Total OPEB Healthcare Liability   | 354,547                    |
| Total OPEB Healthcare Liability - Beginning  | 3,793,436                  |
| <b>Total OPEB Healthcare Liability - Ending (a)</b>                                    | <b><u>\$ 4,147,983</u></b> |
| <br><b>Plan Fiduciary Net Position</b>   |                            |
| Contributions - employer   | \$ 726,083                 |
| Net investment income  | 54,239                     |
| Benefit payments   | (240,532)                  |
| Other changes  | <u>140,999</u>             |
| Net Changes in Plan Fiduciary Net Position   | 680,789                    |
| Plan Fiduciary Net Position - Beginning  | 4,052,838                  |
| <b>Plan Fiduciary Net Position - Ending (b)</b>  | <b><u>\$ 4,733,627</u></b> |
| <br><b>Net OPEB Healthcare (Asset) Liability - Ending (a) - (b)</b>                    | <b><u>\$ (585,644)</u></b> |
| <br>Plan fiduciary net position as a percentage of the total OPEB healthcare liability | 114.12%                    |
| <br>Covered payroll  | \$ 10,192,191              |
| <br>Net OPEB Healthcare liability as a percentage of covered payroll                   | -5.75%                     |

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

|   | <u>2018</u>                |
|---|----------------------------|
| Actuarially determined contributions                                  | \$ 593,462                 |
| Contributions in relation to the actuarially determined contributions | (726,083)                  |
| Contribution deficiency (excess)                                      | <u><u>\$ (132,621)</u></u> |
| <br>Covered payroll   | <br>\$ 10,192,191          |
| <br>Contributions as a percentage of covered payroll                  | <br>7.12%                  |
| <br>Actuarial valuation date  | <br>6/30/2018              |
| Measurement date  | 6/30/2018                  |

The District implemented the Government Accounting Standards Board Statement No. 75 for the year ended June 30, 2018. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 9 preceding years.

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

Methods and assumptions used to determine actuarial calculations - entry age, fair market value asset valuation, 3% discount rate, 3% salary increases, RP 2017 mortality table fully generational using projection scale MP-2017.

Changes of benefit terms - there were no changes of benefit terms.

Changes of assumptions - there were no changes in the assumptions.

**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**OTHER  
SUPPLEMENTARY INFORMATION**



**MOSINEE SCHOOL DISTRICT**  
 COMBINING BALANCE SHEETS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

|  | SPECIAL REVENUE FUNDS |                  |                      |                        | REFERENDUM<br>APPROVED<br>DEBT SERVICE | CAPITAL PROJECT FUND                      | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|--|-----------------------|------------------|----------------------|------------------------|--|---|--|
|  | TRUST                 | FOOD<br>SERVICE  | COMMUNITY<br>SERVICE | PACKAGE<br>COOPERATIVE |  | LONG-TERM CAPITAL<br>IMPROVEMENT<br>TRUST |  |
| <b>ASSETS</b>                                  |                       |                  |                      |                        |  |   |  |
| Cash and investments                           | \$ 124,892            | \$203,004        | \$ 64,273            | \$ -                   | \$ 84,472                              | \$ 505                                    | \$ 477,146                                 |
| Receivables                                    |                       |                  |                      |                        |  |   |  |
| Due from other governments                     | -                     | -                | -                    | 1,242                  | -                                      | -   | 1,242                                      |
| <b>TOTAL ASSETS</b>                            | <b>124,892</b>        | <b>203,004</b>   | <b>64,273</b>        | <b>1,242</b>           | <b>84,472</b>                          | <b>505</b>                                | <b>478,388</b>                             |
| <b>LIABILITIES</b>                             |                       |                  |                      |                        |  |   |  |
| Accounts payable                               | 472                   | -                | -                    | -                      | -                                      | -   | 472  |
| Accrued payroll liabilities                    | -                     | 4,220            | 36                   | -                      | -                                      | -   | 4,256                                      |
| Due to other funds                             | -                     | -                | -                    | 1,242                  | -                                      | -   | 1,242                                      |
| Unearned revenue                               | -                     | 19,907           | -                    | -                      | -                                      | -   | 19,907                                     |
| <b>TOTAL LIABILITIES</b>                       | <b>472</b>            | <b>24,127</b>    | <b>36</b>            | <b>1,242</b>           | <b>-</b>                               | <b>-</b>                                  | <b>25,877</b>                              |
| <b>FUND BALANCES</b>                           |                       |                  |                      |                        |  |   |  |
| Restricted                                     | 124,420               | 178,877          | 64,237               | -                      | 84,472                                 | 505                                       | 452,511                                    |
| <b>TOTAL FUND BALANCES</b>                     | <b>124,420</b>        | <b>178,877</b>   | <b>64,237</b>        | <b>-</b>               | <b>84,472</b>                          | <b>505</b>                                | <b>452,511</b>                             |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 124,892</b>     | <b>\$203,004</b> | <b>\$ 64,273</b>     | <b>\$ 1,242</b>        | <b>\$ 84,472</b>                       | <b>\$ 505</b>                             | <b>\$ 478,388</b>                          |

**MOSINEE SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2018**

|  | SPECIAL REVENUE FUNDS |                  |                      |                        | REFERENDUM<br>APPROVED<br>DEBT SERVICE | CAPITAL PROJECT FUND                      | TOTAL                             |
|--|-----------------------|------------------|----------------------|------------------------|--|---|-----------------------------------|
|  | TRUST                 | FOOD<br>SERVICE  | COMMUNITY<br>SERVICE | PACKAGE<br>COOPERATIVE |  | LONG-TERM CAPITAL<br>IMPROVEMENT<br>TRUST | NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
| <b>REVENUES</b>  |                       |                  |                      |                        |  |   |                                   |
| Property taxes   | \$ -                  | \$ -             | \$ 50,000            | \$ -                   | \$ 724,125                             | \$ -                                      | \$ 774,125                        |
| Other local sources  | 130,762               | 302,101          | -                    | -                      | 608                                    | 2   | 433,473                           |
| State sources  | -                     | 10,345           | -                    | 9,723                  | -                                      | -   | 20,068                            |
| Federal sources  | -                     | 316,977          | -                    | -                      | -                                      | -   | 316,977                           |
| Other sources  | -                     | -                | 9,033                | -                      | -                                      | -   | 9,033                             |
| <b>TOTAL REVENUES</b>  | <b>130,762</b>        | <b>629,423</b>   | <b>59,033</b>        | <b>9,723</b>           | <b>724,733</b>                         | <b>2</b>                                  | <b>1,553,676</b>                  |
| <b>EXPENDITURES</b>  |                       |                  |                      |                        |  |   |                                   |
| Current  |                       |                  |                      |                        |  |   |                                   |
| Instruction  |                       |                  |                      |                        |  |   |                                   |
| Regular instruction  | 11,727                | -                | -                    | -                      | -                                      | -   | 11,727                            |
| Vocational instruction                                       | 1,149                 | -                | -                    | -                      | -                                      | -   | 1,149                             |
| Special instruction  | 57                    | -                | -                    | -                      | -                                      | -   | 57                                |
| Other instruction  | 23,541                | -                | -                    | -                      | -                                      | -   | 23,541                            |
| Total instruction  | 36,474                | -                | -                    | -                      | -                                      | -   | 36,474                            |
| Support service  |                       |                  |                      |                        |  |   |                                   |
| Instructional staff services                                 | -                     | -                | -                    | 9,723                  | -                                      | -   | 9,723                             |
| Building administration services                             | 24,179                | -                | -                    | -                      | -                                      | -   | 24,179                            |
| Business services  | 21,215                | 657,489          | -                    | -                      | -                                      | -   | 678,704                           |
| Central services   | 4,400                 | -                | 4,294                | -                      | -                                      | -   | 8,694                             |
| Community services   | -                     | -                | 110,453              | -                      | -                                      | -   | 110,453                           |
| Total support services                                       | 49,794                | 657,489          | 114,747              | 9,723                  | -                                      | -   | 831,753                           |
| Non-program transactions                                     | 2,499                 | -                | -                    | -                      | -                                      | -   | 2,499                             |
| Debt service   |                       |                  |                      |                        |  |   |                                   |
| Principal  | -                     | -                | -                    | -                      | 790,000                                | -   | 790,000                           |
| Interest   | -                     | -                | -                    | -                      | 161,681                                | -   | 161,681                           |
| Other  | -                     | -                | -                    | -                      | 20,949                                 | -   | 20,949                            |
| Total debt service   | -                     | -                | -                    | -                      | 972,630                                | -   | 972,630                           |
| Capital outlay   | 15,835                | -                | 7,865                | -                      | -                                      | -   | 23,700                            |
| <b>TOTAL EXPENDITURES</b>                                    | <b>104,602</b>        | <b>657,489</b>   | <b>122,612</b>       | <b>9,723</b>           | <b>972,630</b>                         | <b>-</b>                                  | <b>1,867,056</b>                  |
| <b>EXCESS (DEFICIENCY) OF<br/>REVENUES OVER EXPENDITURES</b> | <b>26,160</b>         | <b>(28,066)</b>  | <b>(63,579)</b>      | <b>-</b>               | <b>(247,897)</b>                       | <b>2</b>                                  | <b>(313,380)</b>                  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b>26,160</b>         | <b>(28,066)</b>  | <b>(63,579)</b>      | <b>-</b>               | <b>(247,897)</b>                       | <b>2</b>                                  | <b>(313,380)</b>                  |
| FUND BALANCES - BEGINNING OF YEAR                            | 74,497                | 206,943          | 127,816              | -                      | 332,369                                | 503                                       | 742,128                           |
| PRIOR PERIOD ADJUSTMENT                                      | 23,763                | -                | -                    | -                      | -                                      | -   | 23,763                            |
| <b>FUND BALANCES - END OF YEAR</b>                           | <b>\$124,420</b>      | <b>\$178,877</b> | <b>\$ 64,237</b>     | <b>\$ -</b>            | <b>\$ 84,472</b>                       | <b>\$ 505</b>                             | <b>\$ 452,511</b>                 |

**MOSINEE SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**YEAR ENDED JUNE 30, 2018**

|                              | BALANCE<br>JULY 1, 2017 | ADDITIONS             | (DEDUCTIONS)            | BALANCE<br>JUNE 30, 2018 |
|------------------------------|-------------------------|-----------------------|-------------------------|--------------------------|
| <b>ASSETS</b>                |                         |                       |                         |                          |
| Cash and investments         | \$ 152,982              | \$ 446,609            | \$ (459,482)            | \$ 140,109               |
| <b>TOTAL ASSETS</b>          | <b><u>152,982</u></b>   | <b><u>446,609</u></b> | <b><u>(459,482)</u></b> | <b><u>140,109</u></b>    |
| <b>LIABILITIES</b>           |                         |                       |                         |                          |
| Accounts payable             | -                       | 329,923               | (327,367)               | 2,556                    |
| Due to student organizations |                         |                       |                         |                          |
| Elementary                   | 3,109                   | -                     | (3,109)                 | -                        |
| Middle                       | 33,561                  | 125,688               | (117,043)               | 42,206                   |
| High                         | 116,312                 | 318,365               | (339,330)               | 95,347                   |
| <b>TOTAL LIABILITIES</b>     | <b><u>152,982</u></b>   | <b><u>773,976</u></b> | <b><u>(786,849)</u></b> | <b><u>140,109</u></b>    |

**MOSINEE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

| AWARDING AGENCY<br>PASS-THROUGH AGENCY<br>AWARD DESCRIPTION          | PASS-THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | FEDERAL<br>CATALOG<br>NUMBER | PROGRAM<br>OR AWARD<br>AMOUNT | RECEIVABLE                            | REVENUES                  |                     | RECEIVABLE                             | SUBRECIPIENT                 |             |
|--|---|------------------------------|-------------------------------|---------------------------------------|---------------------------|---------------------|--|------------------------------|-------------|
|  |   |                              |                               | (UNEARNED<br>REVENUE)<br>JULY 1, 2017 | GRANTOR<br>REIMBURSEMENTS | EXPENDITURES        | (UNEARNED<br>REVENUE)<br>JUNE 30, 2018 | PASS-THROUGH<br>EXPENDITURES |             |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                |   |                              |                               |                                       |                           |                     |  |                              |             |
| Wisconsin Department of Public Instruction                           |   |                              |                               |                                       |                           |                     |  |                              |             |
| <u>Child Nutrition Cluster</u>                                       |   |                              |                               |                                       |                           |                     |  |                              |             |
| School Breakfast Program   |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2016 - June 30, 2017   | 2017-373787-SB-546                              | 10.553                       | N/A                           | \$ 914                                | \$ 914                    | \$ -                | \$ -                                   | \$ -                         | -           |
| July 1, 2017 - June 30, 2018   | 2018-373787-SB-546                              |                              | N/A                           | -                                     | 28,896                    | 28,896              | -                                      | -                            | -           |
| Food Distribution  |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2017 - June 30, 2018   | None  | 10.555                       | N/A                           | -                                     | 65,811                    | 65,811              | -                                      | -                            | -           |
| National School Lunch Program  |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2016 - June 30, 2017   | 2017-373787-NSL-547                             | 10.555                       | N/A                           | 6,523                                 | 6,523                     | -                   | -                                      | -                            | -           |
| July 1, 2017 - June 30, 2018   | 2018-373787-NSL-547                             |                              | N/A                           | -                                     | 222,270                   | 222,270             | -                                      | -                            | -           |
| Total Child Nutrition Cluster  |   |                              |                               | 7,437                                 | 324,414                   | 316,977             | -                                      | -                            | -           |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE                                 |   |                              |                               | 7,437                                 | 324,414                   | 316,977             | -                                      | -                            | -           |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                  |   |                              |                               |                                       |                           |                     |  |                              |             |
| Wisconsin Department of Public Instruction                           |   |                              |                               |                                       |                           |                     |  |                              |             |
| <u>Title IA Cluster</u>  |   |                              |                               |                                       |                           |                     |  |                              |             |
| Title IA - Grants to Local Educational Agencies                      |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2016 - June 30, 2017   | 2017-373787-Title I-141                         | 84.010                       | N/A                           | 30,563                                | 30,563                    | -                   | -                                      | -                            | -           |
| July 1, 2017 - June 30, 2018   | 2018-373787-Title I-141                         |                              | \$ 178,563                    | -                                     | 122,670                   | 152,216             | 29,546                                 | -                            | -           |
| Total Title IA Cluster   |   |                              |                               | 30,563                                | 153,233                   | 152,216             | 29,546                                 | -                            | -           |
| <u>Special Education Cluster</u>                                     |   |                              |                               |                                       |                           |                     |  |                              |             |
| Special Education - Grants to States (IDEA Part B)                   |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2016 - June 30, 2017   | 2017-373787-IDEA-341                            | 84.027                       | N/A                           | 114,193                               | 114,193                   | -                   | -                                      | -                            | -           |
| July 1, 2017 - June 30, 2018   | 2018-373787-IDEA-341                            |                              | 412,910                       | -                                     | 366,134                   | 411,841             | 45,707                                 | -                            | -           |
| Special Education - Grants to States-High Cost Special Education     |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2017 - June 30, 2018   | 2018-373787-IDEA-341                            | 84.027                       | N/A                           | -                                     | 5,916                     | 5,916               | -                                      | -                            | -           |
| Special Education - Preschool Grants (IDEA Preschool)                |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2016 - June 30, 2017   | 2017-373787-Pre-S-347                           | 84.173                       | N/A                           | 8,694                                 | 8,694                     | -                   | -                                      | -                            | -           |
| July 1, 2017 - June 30, 2018   | 2018-373787-Pre-S-347                           |                              | 22,751                        | -                                     | 9,561                     | 19,612              | 10,051                                 | -                            | -           |
| Total Special Education Cluster                                      |   |                              |                               | 122,887                               | 504,498                   | 437,369             | 55,758                                 | -                            | -           |
| Title II-A - Supporting Effective Instruction State Grants           |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2016 - June 30, 2017   | 2017-373787-Title II-365                        | 84.367                       | N/A                           | 13,240                                | 13,240                    | -                   | -                                      | -                            | -           |
| July 1, 2017 - June 30, 2018   | 2018-373787-Title II-365                        |                              | 41,166                        | -                                     | 39,557                    | 41,006              | 1,449                                  | -                            | -           |
| Cooperative Educational Service Agency #9                            |   |                              |                               |                                       |                           |                     |  |                              |             |
| Career and Technical Education - Basic Grants to States (Perkins IV) |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2017 - June 30, 2018   | None  | 84.048                       | N/A                           | -                                     | 8,892                     | 8,892               | -                                      | -                            | -           |
| TOTAL U.S. DEPARTMENT OF EDUCATION                                   |   |                              |                               | 166,690                               | 719,420                   | 639,483             | 86,753                                 | -                            | -           |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                  |   |                              |                               |                                       |                           |                     |  |                              |             |
| Wisconsin Department of Health Services                              |   |                              |                               |                                       |                           |                     |  |                              |             |
| Medical Assistance   |   |                              |                               |                                       |                           |                     |  |                              |             |
| July 1, 2017 - June 30, 2018   | None  | 93.778                       | N/A                           | -                                     | 136,709                   | 136,709             | -                                      | -                            | -           |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICE:                   |   |                              |                               | -                                     | 136,709                   | 136,709             | -                                      | -                            | -           |
| <b>TOTAL FEDERAL AWARDS</b>  |   |                              |                               | <b>\$ 174,127</b>                     | <b>\$ 1,180,543</b>       | <b>\$ 1,093,169</b> | <b>\$ 86,753</b>                       | <b>\$ -</b>                  | <b>\$ -</b> |

The accompanying notes are an integral part of these statements.

**MOSINEE SCHOOL DISTRICT**  
**SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2018**

| AWARDING AGENCY<br>PASS-THROUGH AGENCY<br>AWARD DESCRIPTION | PASS-THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | STATE<br>I.D.<br>NUMBER | RECEIVABLE                            |                                      | EXPENDITURES         | RECEIVABLE                             |      | SUBRECIPIENT<br>PASS-THROUGH<br>EXPENDITURES |
|---|---|-------------------------|---------------------------------------|--------------------------------------|----------------------|--|------|--|
|   |   |                         | (UNEARNED<br>REVENUE)<br>JULY 1, 2017 | REVENUE<br>GRANTOR<br>REIMBURSEMENTS |                      | (UNEARNED<br>REVENUE)<br>JUNE 30, 2018 |      |  |
| <b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>           |   |                         |                                       |                                      |                      |  |      |  |
| Wisconsin Department of Public Instruction                  |   |                         |                                       |                                      |                      |  |      |  |
| Special Education and School Age Parents                    | 373787-100                                      | 255.101                 | \$ -                                  | \$ 910,177                           | \$ 910,177           | \$ -                                   | \$ - | -  |
| State School Lunch Aid                                      | 373787-107                                      | 255.102                 | -                                     | 8,354                                | 8,354                | -                                      | -    | -  |
| Common School Fund Library Aid                              | 373787-104                                      | 255.103                 | -                                     | 71,038                               | 71,038               | -                                      | -    | -  |
| General Transportation Aid                                  | 373787-102                                      | 255.107                 | -                                     | 86,174                               | 86,174               | -                                      | -    | -  |
| Equalization Aid  | 373787-116                                      | 255.201                 | 194,381                               | 11,447,804                           | 11,449,334           | 195,911                                | -    | -  |
| High Cost Special Education Aid                             | 373787-119                                      | 255.210                 | -                                     | 22,821                               | 22,821               | -                                      | -    | -  |
| Peer Review and Mentoring                                   | 373787-141                                      | 255.301                 | 23,822                                | 23,822                               | -                    | -                                      | -    | -  |
| School Breakfast Program                                    | 373787-108                                      | 255.344                 | -                                     | 1,991                                | 1,991                | -                                      | -    | -  |
| Educator Effectiveness Evaluation System                    | 373787-154                                      | 255.940                 | -                                     | -                                    | 13,520               | 13,520                                 | -    | -  |
| Per Pupil Aid   | 373787-113                                      | 255.945                 | -                                     | 905,400                              | 905,400              | -                                      | -    | -  |
| Career and Technical Education Incentive                    | 373787-151                                      | 255.950                 | -                                     | 17,738                               | 17,738               | -                                      | -    | -  |
| Assessment of Reading Readiness                             | 373787-166                                      | 255.956                 | -                                     | 3,640                                | 3,640                | -                                      | -    | -  |
| Tomahawk School District                                    |   |                         |                                       |                                      |                      |  |      |  |
| Peer Review and Mentoring                                   | 373787-141                                      | 255.301                 | -                                     | 12,500                               | 12,500               | -                                      | -    | -  |
| <b>TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>     |   |                         | <b>218,203</b>                        | <b>13,511,459</b>                    | <b>13,502,687</b>    | <b>209,431</b>                         |      | <b>-</b>                                     |
| <b>WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT</b>        |   |                         |                                       |                                      |                      |  |      |  |
| Northcentral Technical College                              |   |                         |                                       |                                      |                      |  |      |  |
| Youth Apprenticeship State Grant                            | None  | 445.107                 | (17,404)                              | 9,621                                | 15,060               | (11,965)                               |      | -  |
| <b>WISCONSIN DEPARTMENT OF ADMINISTRATION</b>               |   |                         |                                       |                                      |                      |  |      |  |
| Cooperative Educational Service Agency #9                   |   |                         |                                       |                                      |                      |  |      |  |
| TEACH   | None  | None                    | 4,336                                 | 12,817                               | 9,723                | 1,242                                  |      | -  |
| <b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>            |   |                         |                                       |                                      |                      |  |      |  |
| Payment in Lieu of Taxes                                    |   |                         |                                       |                                      |                      |  |      |  |
|   | None  | None                    | -                                     | 24,827                               | 24,827               | -                                      |      | -  |
| <b>WISCONSIN DEPARTMENT OF REVENUE</b>                      |   |                         |                                       |                                      |                      |  |      |  |
| Exempt Computer Aid   |   |                         |                                       |                                      |                      |  |      |  |
|   | None  | None                    | 8,170                                 | 8,170                                | 8,290                | 8,290                                  |      | -  |
| <b>TOTAL STATE FINANCIAL ASSISTANCE</b>                     |   |                         | <b>\$ 213,305</b>                     | <b>\$ 13,566,894</b>                 | <b>\$ 13,560,587</b> | <b>\$ 206,998</b>                      |      | <b>\$ -</b>                                  |

The accompanying notes are an integral part of these statements.

**MOSINEE SCHOOL DISTRICT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2018

**NOTE 1 - Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Mosinee School District. The information in these schedules is presented in accordance with the requirements of Uniform Guidance and *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

**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 Uniform Guidance, wherein certain types of expenditures are not allowable and are limited as to reimbursement.

**NOTE 3 - Special Education and School Age Parents Program**

2017-2018 eligible costs under the State Special Education Program are \$3,648,959.

**NOTE 4 - Food Distribution Program**

Non-monetary assistance is reported in the schedule of federal awards at the fair market value of the commodities received and used.

**NOTE 5 - 10% De Minimis Cost Rate**

Elected not to use.

**MOSINEE SCHOOL DISTRICT  
MOSINEE, WISCONSIN**

**OTHER REPORTS**

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

To the Board of Education  
Mosinee School District  
Mosinee, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mosinee School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mosinee School District's basic financial statements and have issued our report thereon dated November 8, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. We consider the 2018-001 and 2018-002 deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Mosinee School 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*.


### **Mosinee School District's Responses to Findings**

Mosinee School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Mosinee School 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin  
November 8, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE AND STATE SINGLE AUDIT GUIDELINES**

To the Board of Education  
Mosinee School District  
Mosinee, Wisconsin

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

We have audited the Mosinee School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *State Single Audit Guidelines* that could have a direct and material effect on each of the Mosinee School District's major federal and state programs for the year ended June 30, 2018. The Mosinee School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal and State Program***

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

***Report on Internal Control Over Compliance***

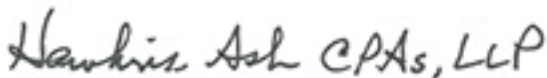
Management of the Mosinee School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered the Mosinee School District's internal control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

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

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

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

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin  
November 8, 2018

**MOSINEE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 JUNE 30, 2018

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

|  |       |     |       |               |
|--|-------|-----|-------|---------------|
| Material weakness identified?  | _____ | Yes | _X_   | No            |
| Significant deficiency(ies) identified not considered to be material weaknesses? | _X_   | Yes | _____ | None reported |
| Noncompliance material to the financial statements?                              | _____ | Yes | _X_   | No            |

*Federal Awards*

Internal control over financial reporting:

|  |       |     |     |               |
|--|-------|-----|-----|---------------|
| Material weakness identified?  | _____ | Yes | _X_ | No            |
| Significant deficiency(ies) identified not considered to be material weaknesses? | _____ | Yes | _X_ | None reported |

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

|  |       |     |     |    |
|--|-------|-----|-----|----|
|  | _____ | Yes | _X_ | No |
|--|-------|-----|-----|----|

Identification of major federal programs:

|  |   |
|--|---|
| <b><u>CFDA Number</u></b><br>10.553 / 10.555 | <b><u>Name of Federal Program or Cluster</u></b><br>Child Nutrition Cluster |
|--|---|

*State Assistance*

Internal control over financial reporting:

|  |       |     |     |               |
|--|-------|-----|-----|---------------|
| Material weakness identified?  | _____ | Yes | _X_ | No            |
| Significant deficiency(ies) identified not considered to be material weaknesses? | _____ | Yes | _X_ | None reported |

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

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*?

|  |       |     |     |    |
|--|-------|-----|-----|----|
|  | _____ | Yes | _X_ | No |
|--|-------|-----|-----|----|

Identification of major state programs:

**MOSINEE SCHOOL DISTRICT**  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
 JUNE 30, 2018

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

Dollar threshold used to distinguish between:

|                                     |           |
|-------------------------------------|-----------|
| Type A and Type B federal programs: | \$750,000 |
| Type A and Type B state programs:   | \$250,000 |

Auditee qualified as low-risk auditee?                        X   Yes                             No

**Section II - Financial Statement Findings and Questioned Costs**

**2018-001 - Preparation of Financial Statements**

Program: District-Wide

Criteria: Adequate internal controls necessitate personnel to have knowledge and training which would enable them to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: Personnel cannot prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding numbered 2017-001.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.

**2018-002 - Significant Audit Adjustment**

Program: District-Wide

Criteria: Generally accepted accounting principles.

Condition: A significant audit adjustment was required to prevent the District's financial statements from being misstated.

Questioned Costs: Not applicable.

**MOSINEE SCHOOL DISTRICT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
JUNE 30, 2018

Context: Internal controls did not identify that an adjustment should be recorded.

Effect: This weakness could result in undetected errors and irregularities and misstated interim financial reports.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding numbered 2017-002.

Recommendation: Improve the District's financial reporting internal controls to prevent these types of adjustments from occurring in the future. Document which accounting procedures are needed to be completed on a recurring basis to detect significant adjustments.

Management's Response: The District will incorporate financial reporting internal controls to detect significant adjustments, prevent misstated financial statements and increase the accuracy of the interim financial reports used by management.

**Section III - Federal and State Award Findings and Questioned Costs**

None

INTERIM SUPERINTENDENT OF SCHOOLS  
John H. Burnett  
BUSINESS MANAGER  
Brent J. Zimmerman  
DIRECTOR OF HUMAN RESOURCES  
& ACCOUNTING  
Darlene M. Unertl



DIRECTOR OF INSTRUCTION  
Julie K. Schell  
DIRECTOR OF BUILDINGS & GROUNDS  
Steven L. Kaiser  
DIRECTOR OF SPECIAL EDUCATION  
Mary A. Zimmerman

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN JUNE 30, 2018

### Summary Schedule of Prior Audit Findings

2017-001 - Preparation of Financial Statements - Repeat. Initially occurred 6/30/14.  
2017-002 - Significant Audit Adjustments - Repeat. Initially occurred 6/30/17.

### Corrective Action Plan

2018-001 - Preparation of Financial Statements - Contact: Brent Zimmerman, Business Manager. Completion date: N/A. Due to the complexities of governmental reporting in accordance with GAAP, i.e. financial statements and related disclosure reporting, District management has weighed the cost benefit of training current staff or hiring a Certified Public Accountant on staff for the purposes of preparing the external financial statements in accordance with GAAP. District management has concluded to outsource the preparation of the external financial statements and related disclosures to their certified public accounting firm, which is an acceptable practice according to *Government Auditing Standards*. District management will review and approve the externally prepared financial statements.

2018-002 - Significant Audit Adjustment - Contact: Brent Zimmerman, Business Manager. Completion date: June 30, 2019. The District will improve its financial reporting internal controls by reconciling accounts on a recurring basis to prevent significant audit adjustments. District management will review and approve the audit adjustments.