

School District of Manawa

Board of Education Agenda

January 29, 2019



1. Call to Order – President Johnson – **6:00 p.m.** – MES Boardroom, 800 Beech Street
2. Pledge of Allegiance
3. Roll Call
4. Verify Publication of Meeting
5. New Business
 - a. Feb. 6, 2019 – 2017-18 Audit Report by Erickson & Associates, S.C.
 - b. Consider Approval of Schematic Design Submittal
6. Next Meeting Dates:
 - a. Feb. 5, 2019 - Curriculum Committee Mtg - 4:00 p.m. - MES Board room
 - b. Feb. 5, 2019 – Finance Committee Meeting – 6:00 p.m. – MES Board Room
 - c. Feb. 6, 2019n - Buildings & Grounds Committee Meeting – 6:30 p.m. – MES Board Room
 - d. Feb. 11, 2019 - Policy & Human Resources Committee Meeting - 5:00 p.m. - MES Board Room
 - e. Feb. 13, 2019 – Spec BOE Mtg – 5:30 p.m. – Hoffman Update - MES Board Room
 - f. Feb. 18, 2019 - Reg BOE Mtg - 6:30 p.m. Rapid Improvement Study - 7:00 p.m. Open Session - MES Brd Rm
7. Adjourn

PLEASE NOTE: Any person with a qualifying disability under the Americans with Disabilities Act that requires the meeting or material to be in accessible format, please contact the District Administrator to request reasonable accommodation. The meeting room is wheelchair accessible.



Erickson & Associates, S.C.

Certified Public Accountants

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

December 27, 2018

To the Board of Education
School District of Manawa
Manawa, WI 54949

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Manawa (District) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter dated June 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017-2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. A sensitive estimate affecting the District's financial statements was:

The allocation of employees' salaries between the general fund and special education fund are based on guidance issued by Wisconsin Department of Public Instruction and time studies performed annually by certain employees required as their positions are partially funded with federal dollars.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A significant journal entry was recorded to adjust cash and amounts due to/from Funds 10 and 27. There were no unrecorded misstatements noted with the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 27, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Claim Forms - WI DPI Federal Reimbursement Claims

During our audit, we noticed that the District's WI DPI federal reimbursement claim forms were not being filed in a timely manner. While this does not rise to the level of a significant deficiency or a material weakness, we suggest the District develop procedures to assist with timely filing of its WI DPI federal claim forms since these programs comprise a significant portion of the District's total federal funding. We are recommending that the District submit claims at least semi-annually to assist with the District's cash flow needs and reduce the need for short-term borrowing.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) as listed in the table of contents. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the nonmajor governmental funds, nonmajor special revenue funds, general fund, and agency fund combining schedules, and the schedules of expenditures of federal and state awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America and the Wisconsin Department of Public Instruction, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Effect of New Accounting Pronouncements on Financial Statements

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

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

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

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Certified Public Accountants
Appleton, Wisconsin



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Certified Public Accountants

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MANAGEMENT LETTER

December 27, 2018

To the Board of Education
School District of Manawa
Manawa, WI 54949

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Manawa (District), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

Segregation of Duties:

The School District of Manawa has a limited number of people that are responsible for and perform substantially all of the bookkeeping and accounting functions. Good internal control requires a complete separation of duties with respect to the handling and recording of transactions. In order to provide for adequate separation of duties, additional personnel would have to be involved in the performance of the accounting and bookkeeping functions. We recognize this is not practicable at the present time because of budget constraints. However, we recommend that the Board of Education remain involved with oversight of the financial reporting for the District.

Financial Statement Preparation:

The District has historically relied upon its auditors to assist in the preparation of the district-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the District's internal controls. However, the additional costs of hiring staff experienced in preparing financial statements, along with additional training time, outweigh the derived benefits. We recommend that the individual responsible for accepting responsibility for the financial statements obtain the necessary skills, knowledge and experience to prepare the financial statements.

Journal Entry Preparation:

During our audit, we identified and proposed material and non-material journal entries of which one was considered significant to the financial statements. All entries were approved and posted by management. Various account balances needed auditor adjustment in order to produce financial statements in conformity with generally accepted accounting principles. Due to the quantity and qualitative nature of some of the entries, we consider this finding to be a significant deficiency. Our recommendation is that the District attempt to post all entries prior to the start of the audit and have procedures in place to determine the proper handling of unusual and infrequent transactions.

Deposits Not Being Made on a Timely Basis:

From discussions with the business manager, some of the District's deposits were not being made on a timely basis. Bank deposits must be made on a regular basis in order to allow management to prepare financial information that is needed to make informed financial decisions and allow the Board of Education to have the most up to date information for the decision making process. The checks that were not deposited on a timely basis were not material to the financial statements so this issue is not considered to be a material weakness but is a significant deficiency.

Conclusion

This communication is intended solely for the information and use of the Board of Education, management of the District, Wisconsin Department of Public Instruction, and other federal and state funding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Certified Public Accountants
Appleton, Wisconsin

SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2018

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

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**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
School District of Manawa
Manawa, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Manawa (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The nonmajor governmental funds, nonmajor special revenue funds, general fund, and agency funds combining schedules, listed as other supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Wisconsin Department of Public Instruction, and are also not a required part of the financial statements.

The nonmajor governmental funds, nonmajor special revenue funds, general fund, and agency funds combining schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 December 27, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

December 27, 2018

SCHOOL DISTRICT OF MANAWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

This section of the School District of Manawa (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial status, as reflected in total net position, decreased by \$708,288.
- The General Fund balance decreased from \$2,316,645 to \$1,878,929. The fund balance is 20% of the General Fund's expenditures. The original budget was adopted with the expectation of no increase or decrease in fund balance. The actual decrease in the General Fund was \$437,716. The board policy requires the fund equity shall not fall below 18% of the preceding year's expenditures.
- The District's main sources of revenue are local property taxes (36%) and general state aids (51%). The timing of these main revenue sources, along with an adequate fund balance, allows the District to maintain a positive cash flow throughout the fiscal year.

SCHOOL DISTRICT OF MANAWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts - management's discussion and analysis and the basic financial statements, including notes to the financial statements and supplementary information.

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

District-wide Financial Statements

- The *Statement of Net Position* compares assets to liabilities to give an overall view of the financial health of the District. This statement includes fixed assets and long-term liabilities.
- The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues - charges for services and/or operating grants and contributions. General revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue - recognizing the change in net position for the District from the previous year.

Fund Financial Statements

- The remaining statements: *Balance Sheet - Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* focus on individual parts of the District. Fund financial statements generally report operations in more detail than the district-wide statements.

The *Notes to 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.

Other Supplementary Information provides information specific to nonmajor governmental funds and schedules of federal and state awards.

SCHOOL DISTRICT OF MANAWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

The major features of the District's financial statements, including the scope of the activities reported and type of information contained, is shown in the following table. (Table #1)

Table #1

		-----Fund Financial Statements-----		
	District-wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds).	The activity of the District that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities the District operates similar to private business. <u>The District does not report any program for this designation.</u>	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. The private-purpose trust and employee benefit funds are reported here.
Required financial statements	Statement of net position and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balance.	Statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position and statement of changes in fiduciary net position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	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.	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, and expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid.

SCHOOL DISTRICT OF MANAWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Table #2

Condensed Statement of Net Position			
	<u>2018</u>	<u>2017</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$2,480,557	\$2,965,285	(16%)
Noncurrent Assets	\$797,217	\$-	100%
Capital Assets	\$6,410,575	\$6,740,939	(5%)
Total Assets	\$9,688,349	\$9,706,224	0%
<u>Deferred Outflows of Resources</u>	\$2,196,613	\$1,856,232	18%
<u>Liabilities</u>			
Current Liabilities	\$496,917	\$589,897	(16%)
Noncurrent Liabilities	\$-	\$357,354	(100%)
Total Liabilities	\$496,917	\$947,251	(48%)
<u>Deferred Inflows of Resources</u>	\$2,422,747	\$941,619	157%
<u>Net Position</u>			
Net investment in Capital Assets	\$6,410,575	\$6,740,939	(5%)
Restricted	\$128,536	\$427,075	(70%)
Unrestricted	\$2,426,187	\$2,505,572	(3%)
Total Net Position	\$8,965,298	\$9,673,586	(7%)

Statement of Net Position: (Table #2)

The District's overall financial status, as reflected in total net position, decreased by \$708,288 to \$8.97M or 7% from FY16-17 figures. The District reported total assets of \$9.70M, of which \$797,217 are noncurrent assets and \$6.41M are capital assets. The District reported deferred outflows of \$2.20M at June 30, 2018, relating to the WRS net pension liability. The District reported total liabilities of \$496,917, of which all are current liabilities. The District reported deferred inflows of resources in the amount of \$2.4M.

SCHOOL DISTRICT OF MANAWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Table #3

Changes in Net Position from Operating Results For Governmental Activities					
	<u>2017-18</u>	<u>%</u>	<u>2016-17</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program:					
Charges for Services	\$366,007	3%	\$372,188	5%	(2%)
Operating Grants & Cont.	\$841,399	9%	\$1,029,436	11%	(18%)
General:					
Property Taxes	\$3,402,254	36%	\$3,293,059	37%	3%
General State Aids	\$4,859,191	51%	\$4,065,368	45%	20%
Other	\$73,186	1%	\$206,524	2%	(65%)
Total Revenues	<u>\$9,542,037</u>	<u>100%</u>	<u>\$8,966,575</u>	<u>100%</u>	6%
Expenses:					
Instruction	\$4,242,277	42%	\$4,188,567	42%	1%
Support Services	\$4,451,842	43%	\$4,213,766	43%	6%
Nonprogram	\$807,171	8%	\$728,670	7%	11%
Food Service	\$277,025	3%	\$272,723	3%	2%
Community Service	\$36,657	0%	\$42,973	0%	(15%)
Interest and Fiscal Charges	\$4,294	0%	\$8,310	0%	(48%)
Unallocated Depreciation	\$431,059	4%	\$452,071	5%	(5%)
Total Expenses	<u>\$10,250,325</u>	<u>100%</u>	<u>\$9,907,080</u>	<u>100%</u>	3%
Change in Net Position	<u>\$(708,288)</u>		<u>(\$940,505)</u>		25%

SCHOOL DISTRICT OF MANAWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Revenues: (Table #3)

- For FY18, the District received \$9.54M in revenue. This is an increase of 6% or \$575,462 from the previous year. Property taxes increased from the prior year by \$109,195 to \$3.40M and general state aids increased by \$793,823 to \$4.86M. For FY18, 36% of total revenue came from local school property taxes, and 51% of the total came in the form of general state aids. The District received approximately 12% of all revenue in the form of specific use state aid, federal grants, contributions from individuals, and direct fees for services.
- Individuals who directly participated or received benefits from a program offering contributed \$366,007 of the cost, a decrease of \$6,181 from the prior year. Book and activity fees, admissions to athletic events, school lunch fees, open enrollment tuition, and building rental fees are included here.
- Individuals and federal and state government subsidized certain programs with grants and contributions of \$841,399, which is a decrease of \$188,037 from the prior year. Special education, transportation, breakfast, and lunch aids are included here.

Expenses: (Table #3)

- For FY18, the District's total expenditure amount was \$10.25M. This is an increase of \$343,245 from the prior year. For FY18 42% was directed to instruction and 43% was directed to support services. Nonprogram expenditure amounts were 8% of the total. The food service program represents 3%, and community service costs represented less than 1% of total expenditures.

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2018	2018
Instruction	\$4,242,277	\$3,676,479
Support Services	\$4,451,842	\$4,086,320
Nonprogram	\$807,171	\$801,914
Food Service	\$277,025	\$7,551
Community Service	\$36,657	\$35,302
Interest and Fiscal Charges	\$4,294	\$4,294
Unallocated Depreciation	\$431,059	\$431,059
Totals	\$10,250,325	\$9,042,919

SCHOOL DISTRICT OF MANAWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$10.25M.
- Net cost of governmental activities, \$9.04M, was financed by general revenues, which are primarily made up of property taxes, \$3.40M, and general state aids, \$4.86M. Miscellaneous and investment earnings accounted for \$73,186. In addition, District operations were subsidized by \$1.21M, which was collected through direct fees, operating grants, and contributions.

General Fund Budgetary Comparison:

- Consistent with current state statutes and regulations, an original budget is adopted in October to reflect the actual revenue cap and state aid certification. The District amended its originally adopted budget in 2017-18.
- The General Fund budget was originally approved with an expectation of no surplus or deficit. The actual results for the year showed a deficit of \$437,716.

Fund Balances:

- The District shows a total for all fund balances of \$2,013,701 as of June 30, 2018.
- The General Fund balance alone is \$1,878,929. The District utilizes this fund balance for funding short-term operations. The General Fund balance represents 20% of operating expenditures. The board policy requires the fund equity shall not fall below 18% of the preceding year's expenditures.
- Fund balance in the Food Service and Community Service Funds will be used to fund continuing operations in these funds.

Capital Asset and Debt Administration:

Capital Assets

- At year-end, the District had \$6.41M in net capital assets. Further detail can be found in Note 3 to the financial statements.

Long-term Debt

- At year-end, the District had no outstanding long-term debt. Further detail can be found in Note 5 to the financial statements.

SCHOOL DISTRICT OF MANAWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

Decisions That Will Impact the Future of the District:

- Enrollment trends - The pupil enrollment in the School District of Manawa has decreased by 21 FTEs. This is a 2.8% decrease. Since various state aids are dependent on enrollment, any increases or decreases in such aids would result in adjustments to property taxes or other sources.
- Open Enrollment - The State of Wisconsin has an open enrollment law that allows students to attend the school district of their choice with few restrictions. The State adjusts each district's general state aid payments based on the number of students who transfers in or out. The School District of Manawa continues a trend whereas more students open-enroll out of the District than open-enroll in. Based on current data for 2018-19, the number of students open-enrolling out increased by nine students and those open-enrolling in decreased by two students. Students that transfer out have a positive impact on the budget. The School District of Manawa receives aid on all resident students but must pay the district that they attend 73% of the revenue received if they transfer out. The District keeps 27% as revenue.
- Salaries/Fringe Benefits - The District continues to monitor the Federal Affordable Care Act as rules and regulations may be subject to legislative change or modification. The Board of Education will continue to review and evaluate the total compensation plan for District employees.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mrs. Carmen O'Brien, Business Manager, 800 Beech Street, Manawa, WI, 54949.

BASIC FINANCIAL STATEMENTS

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**STATEMENT OF NET POSITION
June 30, 2018**

ASSETS

Current assets:

Cash and investments	\$ 934,681
Taxes receivable	905,250
Accounts receivable	189,811
Inventory	5,837
Due from other governments	444,978
Total current assets	<u>2,480,557</u>

Noncurrent assets:

Net pension asset - WRS pension plan	<u>797,217</u>
--------------------------------------	----------------

Capital assets:

Sites, buildings and equipment	13,219,701
Less accumulated depreciation	<u>6,809,126</u>
Net capital assets	<u>6,410,575</u>

Total assets	<u>9,688,349</u>
--------------	------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to WRS pension	<u>2,196,613</u>
--	------------------

LIABILITIES

Current liabilities:

Unused vested employee benefits	30,061
Accounts payable	42,112
Accrued salaries and wages	310,518
Accrued payroll taxes and withholdings	108,697
Food service deposits	<u>5,529</u>
Total current liabilities	<u>496,917</u>

DEFERRED INFLOWS OF RESOURCES

Deferred intflows related to WRS pension	<u>2,422,747</u>
--	------------------

NET POSITION

Net investment in capital assets	6,410,575
Restricted	128,536
Unrestricted	<u>2,426,187</u>
Total net position	<u>\$ 8,965,298</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction:				
Undifferentiated curriculum	\$ 1,412,775	\$ 120,402	\$ 33,454	\$ (1,258,919)
Regular curriculum	1,385,466	120,401	27,539	(1,237,526)
Special curriculum	632,496	--	261,398	(371,098)
Other instruction	811,540	--	2,604	(808,936)
Total instruction	4,242,277	240,803	324,995	(3,676,479)
Support services:				
Pupil services	323,087	--	80,172	(242,915)
Instructional staff services	539,386	--	234,909	(304,477)
General administration	388,699	--	--	(388,699)
School building administration	441,464	--	7,639	(433,825)
Business administration	2,316,705	--	40,373	(2,276,332)
Other support services	442,501	--	2,429	(440,072)
Total support services	4,451,842	--	365,522	(4,086,320)
Nonprogram	807,171	--	5,257	(801,914)
Food service	277,025	123,849	145,625	(7,551)
Community service	36,657	1,355	--	(35,302)
Interest and fiscal charges	4,294	--	--	(4,294)
Unallocated depreciation	431,059	--	--	(431,059)
Totals	\$ 10,250,325	\$ 366,007	\$ 841,399	(9,042,919)
General revenues:				
General state aids				
Property taxes levied for:				
General purposes				
Community service				
Interest income				
Miscellaneous				
Total general revenues				
Change in net position				
Net position, beginning of year				
Net position, end of year				
				4,859,191
				3,362,254
				40,000
				3,564
				69,622
				8,334,631
				(708,288)
				9,673,586
				\$ 8,965,298

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL OF THESE STATEMENTS.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 800,217	\$ 134,464	\$ 934,681
Taxes receivable, net	905,250	--	905,250
Accounts receivable	189,811	--	189,811
Inventory	--	5,837	5,837
Due from other governments	444,978	--	444,978
Total assets	<u>\$ 2,340,256</u>	<u>\$ 140,301</u>	<u>\$ 2,480,557</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 42,112	\$ --	\$ 42,112
Accrued salaries and wages	310,518	--	310,518
Accrued payroll taxes and withholdings	108,697	--	108,697
Food service deposits	--	5,529	5,529
Total liabilities	<u>461,327</u>	<u>5,529</u>	<u>466,856</u>
 Fund balances:			
Nonspendable	--	5,837	5,837
Spendable:			
Restricted	--	122,699	122,699
Assigned	--	6,236	6,236
Unassigned	1,878,929	--	1,878,929
Total fund balances	<u>1,878,929</u>	<u>134,772</u>	<u>2,013,701</u>
 Total liabilities and fund balances	 <u>\$ 2,340,256</u>	 <u>\$ 140,301</u>	 <u>\$ 2,480,557</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

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

June 30, 2018

Total fund balances-governmental funds		\$	2,013,701
Total net position reported for governmental activities in the statement of net position is different because:			
WRS net pension assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.			797,217
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. The capital assets consisted of:			
Land	130,000		
Site improvements , net of \$349,268 accumulated depreciation	383,012		
Buildings, net of \$5,823,592 accumulated depreciation	5,456,360		
Equipment, net of \$636,266 accumulated depreciation	441,203		
Total capital assets			6,410,575
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			2,196,613
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			(2,422,747)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds, but rather is recognized as expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2018, are:			
Unused vested employee benefits	(30,061)		
Total long-term liabilities			(30,061)
Total net position of governmental activities		\$	8,965,298

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 3,439,489	\$ 193,891	\$ 3,633,380
Interdistrict sources	193,320	--	193,320
Intermediate sources	10,349	--	10,349
State sources	5,100,567	5,050	5,105,617
Federal sources	392,773	140,575	533,348
Other sources	51,553	14,470	66,023
Total revenues	9,188,051	353,986	9,542,037
Expenditures:			
Instruction:			
Undifferentiated curriculum	1,356,953	2,667	1,359,620
Regular curriculum	1,325,871	--	1,325,871
Special curriculum	645,022	--	645,022
Other instruction	822,597	3,242	825,839
Total instruction	4,150,443	5,909	4,156,352
Support services:			
Pupil services	317,814	1,511	319,325
Instructional staff services	532,867	--	532,867
General administration	383,498	--	383,498
School building administration	433,716	--	433,716
Business administration	2,330,000	120	2,330,120
Debt service	149,119	--	149,119
Other support services	520,939	3,955	524,894
Total support services	4,667,953	5,586	4,673,539
Nonprogram	807,171	--	807,171
Food service	--	277,684	277,684
Community service	--	36,058	36,058
Total expenditures	9,625,567	325,237	9,950,804
Excess of revenues over (under) expenditures	(437,516)	28,749	(408,767)
Other financing sources (uses):			
Operating transfers in	--	200	200
Operating transfers out	(200)	--	(200)
Net other financing sources (uses)	(200)	200	--
Net change in fund balances	(437,716)	28,949	(408,767)
Fund balances, beginning of year	2,316,645	105,823	2,422,468
Fund balances, end of year	\$ 1,878,929	\$ 134,772	\$ 2,013,701

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2018

Net change in fund balances-governmental funds	\$ (408,767)
The change in net position reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which capital expenditures is less than depreciation in the current period.	(330,364)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount contributed by the District that is more than the pension expense based on WRS calculations.	(115,583)
Capital lease proceeds are reported as financing sources in governmental funds and thus, contribute to the change in fund balance. In the statement of net position, however, new capital leases increase long-term liabilities and do not affect the statement of activities. Similarly, repayment of the principal portion of capital leases is an expenditure in the governmental funds but reduces the liabilities in the statement of net position. This is the amount by which repayments exceed proceeds in the current year.	144,825
Governmental funds report unused vested employee benefits on a pay-as-you-go basis. The district-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which the pay-as-you-go is less than the accrual basis in the current year.	<u>1,601</u>
Changes in net position of governmental activities	<u>\$ (708,288)</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

June 30, 2018

	Agency Funds	Private Purpose Trust Fund	Employee Benefit Trust Fund
ASSETS			
Cash	\$ 113,301	\$ 81,114	\$ --
Investments - OPEB	--	--	195,209
Investments - supplemental pension	--	--	220,130
Total assets	<u>113,301</u>	<u>81,114</u>	<u>415,339</u>
LIABILITIES			
Accounts payable	--	--	188,573
Due to student organizations	113,301	--	--
Total liabilities	<u>113,301</u>	<u>--</u>	<u>188,573</u>
NET POSITION			
Restricted for OPEB	--	--	106,823
Restricted for supplemental pension	--	--	119,943
Restricted for scholarships	--	81,114	--
Total net position	<u>\$ --</u>	<u>\$ 81,114</u>	<u>\$ 226,766</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

For the Year Ended June 30, 2018

	Private Purpose Trust Fund	Employee Benefit Trust Fund
ADDITIONS		
Gifts	\$ 51,880	\$ --
Investment income - Other	493	--
Net investment income - OPEB	--	13,613
Net investment income - supplemental pension	--	19,704
Total additions	<u>52,373</u>	<u>33,317</u>
DEDUCTIONS		
Scholarships	30,510	--
Employee benefit payments - supplemental pension	--	30,570
Total deductions	<u>30,510</u>	<u>30,570</u>
Change in net position	21,863	2,747
Net position, beginning of year	59,251	230,526
Net position, end of year	<u>\$ 81,114</u>	<u>\$ 233,273</u>

* Note - the District's supplemental pension plan net liability and OPEB net liability are not material to the financial statements taken as a whole and are not included with these financial statements.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

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

A. Reporting Entity

The School District of Manawa was established on October 25, 1962, as a unified school district. The District, governed by a seven member elected school board, operates grades K through 12 and is comprised of all or parts of ten taxing districts. The District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since it has decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and it is primarily accountable for fiscal matters. In addition, there are no component units, as defined in GASB Statement 61 that are included in the District's reporting entity.

B. Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, as prescribed by the Wisconsin Department of Public Instruction for elementary and secondary school districts, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District operates the following major governmental funds:

General Fund - the general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

The District operates the following nonmajor governmental funds:

Debt Service Fund - the debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District currently does not have a debt service fund.

Capital Projects Fund - the capital projects fund is used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by trust funds).

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses special revenue funds to account for its special revenue trust fund, food service, and community service funds.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Additionally, the District reports the following fund types:

Fiduciary Funds - fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include employee benefit trust, private-purpose trust, and agency funds. Employee benefit trust funds are set up to put aside monies for future post retirement benefits. Donations for scholarships and other bequests are accounted for in private-purpose trust funds. These trust funds are irrevocable and can only be dissolved after all the trust assets have been used for their intended purpose. The trust funds are accounted for in essentially the same manner as proprietary funds. Activities of student organizations are accounted for in an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Presentation

District-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between governmental and business-type activities of the District. The District did not have any business-type activities in place at June 30, 2018.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation between the district-wide statements and the governmental fund statements.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between the direct expenses and program revenues for each function or program of the governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and, therefore, are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. Their focus is on major funds rather than reported funds by type. Each major governmental fund is presented in a single column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, tuition, grants, and student fees.

Expenditures

Under the accrual basis of accounting, expenditures are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Accounting

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The legally adopted budget and budgetary expenditure control is exercised at the object level in the general fund and at the total expenditures level for all other funds. Reported budget amounts are as originally adopted or as amended by the Board of Education resolution.

F. Cash and Cash Equivalents

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 the date of acquisition. All funds share common (pooled) checking and investment accounts, unless regulations require separate investment accounts.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

G. Property Taxes

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

Property taxes are recognized as revenue in the period that the taxes are levied as if they are due in the current year and available to pay current liabilities. 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, 2018, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

H. Receivables

Receivables at June 30, 2018, consisted of taxes, accounts, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements.

Inventories are valued at the lower of cost or the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

The District's policy allows employees to earn varying amounts of sick and vacation pay for each year employed, accumulating to a maximum vested amount of ninety days. Insurance benefits for early retirees are earned at varying rates and are paid out accordingly. The payout of accumulated benefits is recorded as expenditures in the fiscal year or years that payouts are made.

The entire compensated absence liability is reported on the district-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available resources. The balance of the liability is not recorded.

K. Capital Assets and Depreciation

General capital assets are reported in the district-wide statement of net position, but not in the fund financial statements.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirement during the year. Donated fixed assets are recorded at their fair value as of the date received. The District has adopted the policy of not capitalizing assets with a cost of less than \$2,000 and a useful life of less than one year, unless their exclusion as a group would make the financial statements materially misleading. The District does not possess any infrastructure. All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings	50 years
Site improvements	10-50 years
Furniture, equipment, and vehicles	5-25 years

L. Interfund Activity

Short-term interfund loans are classified as interfund receivables/payables in the fund financial statements. These amounts are eliminated in the statement of net position.

M. Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the district-wide financial statements.

For governmental fund financial statements, accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

N. Deferred Outflows / Inflows of Resources

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items for reporting in this category related to the WRS pension liability.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District has items for reporting in this category relating to the WRS pension liability.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

O. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for the classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - this classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions of enabling legislation.

Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education - the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed fund balance at June 30, 2018.

Assigned fund balance - this classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Education, district administrator, and the business manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts in governmental funds, other than in the general fund that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - this fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

The Board of Education has set a general fund minimum fund balance target of at least 18% of expenditures and recurring transfers of both the general and special education funds. The special education fund does not meet the definition of a special revenue fund as defined in GASB pronouncements and the activity in this fund is consolidated with the general fund in the fund financial statements.

P. 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 the pension plans' fiduciary net position have been determined on the same basis as they are reported to the District. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Q. Use of Estimates

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

Note 2. Cash and Investments:

Cash and investments of the District are subject to various risks. Presented below is a discussion of specific risks and the District's policy related to each risk.

The District is required to invest its funds in accordance with Wisconsin Statute 66.0603 (1m). The Board of Education has adopted an investment policy pursuant to these statutes that allows the District to invest in the following:

Time deposits

Securities guaranteed by the U. S. Government

Securities of Wisconsin Municipal Units

Securities of Wisconsin Educational and Local Government Investment Pool

Bonds issued by a local exposition district

Bonds issued by a local professional baseball park district

Bonds issued by a local professional stadium district

Bonds issued by the University of Wisconsin Hospitals and Clinics Authority

Bonds issued by a local cultural arts district

Bonds issued by the Wisconsin Aerospace Authority

Securities which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired and received the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or other similar nationally recognized rating agency

Securities of an open-ended management investment company or investment trust, if the investment company does not charge a sales load, is registered under the Investment Company Act of 1940, and the portfolio is limited to bonds and securities issued by the federal government, bonds that are guaranteed by the federal government, or repurchase securities that are fully collateralized by bonds or securities

Under the 2005 Wisconsin Act 99, school districts are allowed to invest funds held in trust to provide for post-employment health care benefits and other post-employment benefits provided separately from a defined benefit pension plan in the same manner as authorized for investments under Wisconsin Statute 881.01 "Uniform Prudent Investor Act".

Under Wisconsin Statute 881.01, a trustee who invests and manages assets of the trust must comply with the prudent investor rule set forth in the statute. This rule requires the trustee of an employee benefit trust fund to exercise reasonable care, skill and caution when investing and managing the assets of the trust.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian. In addition, the State of Wisconsin has a State Guarantee Fund that provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

As of June 30, 2018, the carrying amount of the District's deposits was \$1,127,946 and the bank balance was \$1,397,503. Of the bank balance, \$632,116 was covered by FDIC insurance, and the remaining \$765,387 was uncollateralized and uninsured.

The District's investments are held in an irrevocable trust and are registered in the name of the corporate trustee for the benefit of the District. The District's investments are not exposed to custodial credit risk because the assets are held in the irrevocable trust and cannot be assigned to the obligations to the custodian in the case of the custodian becoming insolvent.

The carrying amount of the District's cash and investments totaled \$1,544,435 on June 30, 2018, as summarized below:

Petty cash funds	\$ 1,150
Deposits with financial institutions	1,127,946
Investments - BMO Harris Financial Group	415,339
Total	\$ 1,544,435

Reconciliation to the basic financial statements:

Statement of net position	\$ 934,681
Fiduciary funds:	
Employee Benefit Trust fund	415,339
Private Purpose Trust fund	81,114
Agency funds	113,301
Total	\$ 1,544,435

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. (Other than invested under Wisconsin State Statute 881.01), Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

The District does not have a formal policy to address credit risk, but the risk is mitigated by the fact that the District is not invested in any individual securities and is invested in index funds, which allow for a more diversified portfolio. The District's bond mutual funds and money market funds are not rated.

Following is the distribution of the District's investments by each investment type:

<i>Investment Type</i>	Original Cost	Fair Value
Money market funds	\$ 3,379	\$ 3,379
Fixed income exchange traded funds	120,519	115,902
Equity exchange traded funds	224,029	296,058
Totals	<u>\$ 347,927</u>	<u>\$ 415,339</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy to address interest rate risk, but the risk is mitigated by the fact that the District is not invested in any individual bond security and is invested in bond index funds, which allow for a more diversified portfolio.

Note 3. Changes in Capital Assets:

Changes in capital assets of the District are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
Land	\$ 130,000	\$ --	\$ --	\$ 130,000
Sites	732,280	--	--	732,280
Buildings	11,279,952	--	--	11,279,952
Equipment	1,013,667	100,695	36,893	1,077,469
Totals	<u>13,155,899</u>	<u>100,695</u>	<u>36,893</u>	<u>13,219,701</u>
Accumulated depreciation:				
Sites	319,934	29,334	--	349,268
Buildings	5,528,127	295,465	--	5,823,592
Equipment	566,899	103,506	34,139	636,266
Totals	<u>6,414,960</u>	<u>428,305</u>	<u>34,139</u>	<u>6,809,126</u>
Capital assets, net	<u>\$ 6,740,939</u>	<u>\$ (327,610)</u>	<u>\$ 2,754</u>	<u>\$ 6,410,575</u>

All depreciation expense was charged to unallocated depreciation.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Interfund Transactions:

Inter-fund transfers on the fund financial statements at June 30, 2018, consisted of the following:

Transfer from the general fund to the long-term capital improvement fund	<u>\$ 200</u>
--	---------------

The inter-fund transfer between the general fund and the long-term capital improvement fund was made to establish the long-term capital improvement fund.

Note 5. Short-term Revolving Line of Credit:

Beginning Balance	Additions	Reductions	Ending Balance
\$ --	\$ 300,000	\$ 300,000	\$ --

The \$750,000 line of credit was issued on October 31, 2017, and matured on October 31, 2018. The interest rate varied and was adjusted monthly based on the Wall Street Journal PRIME rate. The rate is not to exceed 5.25% through final maturity. The rate was 4.25% at June 30, 2018. The proceeds were used to finance continuing operations.

Total interest expense for the year ended June 30, 2018, for short-term notes totaled \$319.

Note 6. Long-term Obligations:

Long-term obligations of the District are as follows:

<i>Type</i>	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases payable	\$ 144,825	\$ --	\$ 144,825	\$ --	\$ --
WRS pension liability	227,946	--	227,946	--	--
Unused vested employee benefits	31,662	30,061	31,662	30,061	30,061
Totals	\$ 404,433	\$ 30,061	\$ 404,433	\$ 30,061	\$ 30,061

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$372,167,274. 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 is as follows:

Debt limit (10% of \$372,167,274)	\$ 37,216,727
Deduct long-term debt applicable to debt margin	<u> --</u>
Margin of indebtedness	<u>\$ 37,216,727</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 7. Fund Balance Reporting:

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2018:

<i>Description</i>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:			
Nonspendable:			
Inventory -			
food service	\$ --	\$ 5,837	\$ 5,837
Restricted:			
Special revenue			
trust fund	--	51,474	51,474
Capital projects	--	200	200
Food service	--	71,025	71,025
Assigned:			
Community service	--	6,236	6,236
Unassigned	<u>1,878,929</u>	<u>--</u>	<u>1,878,929</u>
Total fund balances	<u>\$ 1,878,929</u>	<u>\$ 134,772</u>	<u>\$ 2,013,701</u>

Note 8. Excess of Actual Expenditures Over Budget in Individual Funds:

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

General fund:	
Undifferentiated curriculum	\$ 1,829
Co-curricular activities	7,264
Pupil services	1,172
Instructional staff services	115,386
General administration	12,416
Debt service	147,619
Other support services	1,049
Nonprogram	149,820
Special Education Fund:	
Other support services	180
Nonprogram	1,357

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan:

Plan Description

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

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

Vesting

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired before 12/31/2016) are entitled to receive 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. Credible service includes the current service and prior service for which a participant received earnings and made contributions as required. Credible service also includes credible military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

Post-Retirement Adjustments

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

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0 %	10 %
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	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 Executive and Elected Officials category was merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$258,490 in contributions from the employer.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

Contribution rates as of June 30, 2018, are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executive, and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At June 30, 2018, the District reported a liability (asset) of (\$797,217) 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 0.02685031%, which was a decrease of 0.00080503% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$357,145.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,012,884	\$ 473,793
Net differences between projected and actual earnings on pension plan investments	853,253	1,948,954
Changes in assumptions	157,514	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,887	--
Employer contributions subsequent to the measurement date	152,075	--
Totals	\$ 2,196,613	\$ 2,422,747

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

\$152,075 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ending <i>June 30,</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 820,672	\$ 723,085
2019	723,423	723,085
2020	258,790	530,252
2021	239,739	446,325
Thereafter	1,914	--

Actuarial Assumptions

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

Actuarial valuation date	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2017
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

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

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

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:

**Retirement Funds
Asset Allocation Targets and
Expected Returns**

Core Fund Asset Class	Asset Allocation %	Rate of Return %	
		Long-Term Expected Nominal	Long-Term Expected Real
Global equities	50	8.2	5.3
Fixed income	24.5	4.2	1.4
Inflation sensitive assets	15.5	3.8	1.0
Real estate	8	6.5	3.6
Private equity/debt	8	9.4	6.5
Multi-asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S. equities	70	7.5	4.6
International equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

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

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

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the WRS Pension Plan - Continued:

Single Discount Rate

A single discount rate of 7.2% 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 7.2% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.2% 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 7.2%, 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 (6.2%) or 1-percentage-point higher (8.2%) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 2,062,674	\$ (797,217)	\$ (2,970,823)

Pension Plan Fiduciary Net Position

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

Note 10. Limitation on School District Revenues:

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

Note 11. Contingent Liabilities:

Risk management - the District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2018. No settlements exceeded insured amounts in the last three fiscal years.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 11. Contingent Liabilities - Continued:

Litigation - from time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and counsel that the likelihood is remote, due in part to insurance coverage, that any other such claims or proceedings will have a material effect on the District's financial position.

Note 12. Fair Value Measurement:

The District's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 - Investments reflect prices quoted in active markets

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active

Level 3 - Investments reflect prices based upon unobservable sources

The categorization of investments with the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The fair values of the District's investments were classified as follows:

	Level 1	Level 2	Level 3	Totals
Money market funds	\$ 3,379	\$ --	\$ --	\$ 3,379
Fixed income exchange traded funds	115,902	--	--	115,902
Equity exchange traded funds	296,058	--	--	296,058
Totals	<u>\$ 415,339</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 415,339</u>

Investments classified in the Level 1 of the fair value hierarchy are valued using prices provided by BMO Financial Group for the District's employee benefit trust.

Note 13. Subsequent Events:

The District has evaluated all other subsequent events through December 27, 2018, the date on which these financial statements were available to be issued.

In November 2018, a referendum was passed allowing the District to spend up to \$12 million on facility updates.

In November 2018, a referendum was passed allowing the District to spend up to \$365,000 for the 2019-2020 school year to demolish the vacant former elementary school building.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)**

Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
06/30/15	0.02850723%	\$ (700,023)	\$ 3,910,781	102.74%
06/30/16	0.02801930%	455,308	3,953,136	98.20%
06/30/17	0.02765534%	227,946	3,930,400	99.12%
06/30/18	0.02685031%	(797,217)	3,801,313	102.93%

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

2015 was the first year that this information was made available due to implementation of GASB 68.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Wisconsin Retirement System
Last 10 Fiscal Years*

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
06/30/15	\$ 273,756	\$ 273,756	\$ --	\$ 3,910,781	7.00%
06/30/16	268,814	268,814	--	3,953,136	6.80%
06/30/17	259,407	259,407	--	3,930,400	6.60%
06/30/18	258,490	258,490	--	3,801,313	6.80%

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

2015 was the first year that this information was made available due to implementation of GASB 68.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**NOTES TO REQUIRED WRS SCHEDULES
For the Year Ended June 30, 2018**

Note 1. Changes of Benefit Terms:

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

Note 2. Changes of Assumptions:

There were no changes in assumptions.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
GENERAL FUND**

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Local sources	\$ 3,444,004	\$ 3,444,004	\$ 3,439,489	\$ (4,515)
Interdistrict sources	232,606	232,606	193,320	(39,286)
Intermediate sources	4,500	4,500	2,604	(1,896)
State sources	4,927,442	4,930,007	4,927,499	(2,508)
Federal sources	149,120	149,120	141,188	(7,932)
Other sources	128,000	128,000	51,553	(76,447)
Total revenues	<u>8,885,672</u>	<u>8,888,237</u>	<u>8,755,653</u>	<u>(132,584)</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	1,357,005	1,355,124	1,356,953	(1,829)
Regular curriculum	1,381,637	1,382,247	1,325,871	56,376
Vocational curriculum	371,672	371,672	365,341	6,331
Physical curriculum	209,851	209,851	209,825	26
Co-curricular activities	167,754	167,992	175,256	(7,264)
Special needs	76,792	76,792	72,175	4,617
Total instruction	<u>3,564,711</u>	<u>3,563,678</u>	<u>3,505,421</u>	<u>58,257</u>
Support services:				
Pupil services	213,677	213,815	214,987	(1,172)
Instructional staff services	306,284	311,826	427,212	(115,386)
General administration	371,082	371,082	383,498	(12,416)
School building administration	445,800	443,718	433,716	10,002
Business administration	2,271,341	2,271,341	2,265,136	6,205
Central services	412,825	412,825	407,117	5,708
Debt service	1,500	1,500	149,119	(147,619)
Insurance and judgments	114,415	114,415	111,393	3,022
Other support services	--	--	1,049	(1,049)
Total support services	<u>4,136,924</u>	<u>4,140,522</u>	<u>4,393,227</u>	<u>(252,705)</u>
Nonprogram	652,094	652,094	801,914	(149,820)
Total expenditures	<u>8,353,729</u>	<u>8,356,294</u>	<u>8,700,562</u>	<u>(344,268)</u>
Excess of revenues under expenditures	531,943	531,943	55,091	(476,852)
Other financing sources (uses):				
Operating transfers out	<u>(531,943)</u>	<u>(531,943)</u>	<u>(492,807)</u>	<u>39,136</u>
Net change in fund balance	--	--	(437,716)	(437,716)
Fund balance, beginning of year	<u>2,316,645</u>	<u>2,316,645</u>	<u>2,316,645</u>	--
Fund balance, end of year	<u>\$ 2,316,645</u>	<u>\$ 2,316,645</u>	<u>\$ 1,878,929</u>	<u>\$ (437,716)</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL -
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intermediate sources	\$ --	\$ --	\$ 7,745	\$ 7,745
State sources	173,496	173,496	173,068	(428)
Federal sources	275,841	275,841	251,585	(24,256)
Total revenues	<u>449,337</u>	<u>449,337</u>	<u>432,398</u>	<u>(16,939)</u>
Expenditures:				
Instruction:				
Special curriculum	664,089	663,373	645,022	18,351
Support services:				
Pupil services	118,596	118,627	102,827	15,800
Instructional staff services	118,995	119,680	105,655	14,025
Business administration	74,500	74,500	64,864	9,636
Other support services	1,200	1,200	1,380	(180)
Total support services	<u>313,291</u>	<u>314,007</u>	<u>274,726</u>	<u>39,281</u>
Nonprogram	3,900	3,900	5,257	(1,357)
Total expenditures	<u>981,280</u>	<u>981,280</u>	<u>925,005</u>	<u>56,275</u>
Excess of revenues under expenditures	(531,943)	(531,943)	(492,607)	39,336
Other financing sources (uses):				
Operating transfers in	531,943	531,943	492,607	(39,336)
Net other financing sources (uses)	<u>531,943</u>	<u>531,943</u>	<u>492,607</u>	<u>(39,336)</u>
Net change in fund balance	--	--	--	--
Fund balance, beginning of year	--	--	--	--
Fund balance, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

OTHER SUPPLEMENTARY INFORMATION

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects Fund</u>	<u>Long-Term Capital Improvement Fund</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 134,264	\$ --	\$ 200	\$ 134,464
Inventory	<u>5,837</u>	<u>--</u>	<u>--</u>	<u>5,837</u>
Total assets	<u><u>\$ 140,101</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 140,301</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Food service deposits	<u>\$ 5,529</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,529</u>
Fund balances:				
Non-spendable	5,837	--	--	5,837
Spendable:				
Restricted	122,499	--	200	122,699
Assigned	<u>6,236</u>	<u>--</u>	<u>--</u>	<u>6,236</u>
Total fund balances	<u>134,572</u>	<u>--</u>	<u>200</u>	<u>134,772</u>
Total liabilities and fund balances	<u><u>\$ 140,101</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 140,301</u></u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

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

	Special Revenue	Capital Projects Fund	Long-Term Capital Improvement Fund	Totals
Revenues:				
Local sources	\$ 186,170	\$ 7,721	\$ --	\$ 193,891
State sources	5,050	--	--	5,050
Federal sources	140,575	--	--	140,575
Other sources	--	14,470	--	14,470
Total revenues	331,795	22,191	--	353,986
Expenditures:				
Instruction:				
Undifferentiated curriculum	2,667	--	--	2,667
Other instruction	3,242	--	--	3,242
Total instruction	5,909	--	--	5,909
Support services:				
Pupil services	1,511	--	--	1,511
Business administration	120	--	--	120
Other support services	3,955	--	--	3,955
Total support services	5,586	--	--	5,586
Food service	277,684	--	--	277,684
Community service	36,058	--	--	36,058
Total expenditures	325,237	--	--	325,237
Excess of revenues over expenditures	6,558	22,191	--	28,749
Other financing sources (uses):				
Operating transfer in	--	--	200	200
Net change in fund balances	6,558	22,191	200	28,949
Fund balances, beginning of year	128,014	(22,191)	--	105,823
Fund balances, end of year	\$ 134,572	\$ --	\$ 200	\$ 134,772

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2018

	<u>Special Revenue Trust Fund</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 51,474	\$ 76,554	\$ 6,236	\$ 134,264
Inventory	--	5,837	--	5,837
Total assets	<u>\$ 51,474</u>	<u>\$ 82,391</u>	<u>\$ 6,236</u>	<u>\$ 140,101</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Food service deposits	\$ --	\$ 5,529	\$ --	\$ 5,529
Fund balances:				
Non-spendable	--	5,837	--	5,837
Spendable:				
Restricted	51,474	71,025	--	122,499
Assigned	--	--	6,236	6,236
Total fund balances	<u>51,474</u>	<u>76,862</u>	<u>6,236</u>	<u>134,572</u>
Total liabilities and fund balances	<u>\$ 51,474</u>	<u>\$ 82,391</u>	<u>\$ 6,236</u>	<u>\$ 140,101</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -**

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2018

	Special Revenue Trust Fund	Food Service	Community Service	Totals
Revenues:				
Local sources	\$ 20,966	\$ 123,849	\$ 41,355	\$ 186,170
State sources	--	5,050	--	5,050
Federal sources	--	140,575	--	140,575
Total revenues	20,966	269,474	41,355	331,795
Expenditures:				
Instruction:				
Undifferentiated curriculum	2,667	--	--	2,667
Other instruction	3,242	--	--	3,242
Total instruction	5,909	--	--	5,909
Support services:				
Pupil services	1,511	--	--	1,511
Business administration	120	--	--	120
Other support services	3,955	--	--	3,955
Total support services	5,586	--	--	5,586
Food service	--	277,684	--	277,684
Community service	--	--	36,058	36,058
Total expenditures	11,495	277,684	36,058	325,237
Net change in fund balances	9,471	(8,210)	5,297	6,558
Fund balances, beginning of year	42,003	85,072	939	128,014
Fund balances, end of year	\$ 51,474	\$ 76,862	\$ 6,236	\$ 134,572

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**COMBINING BALANCE SHEET -
GENERAL FUND**

June 30, 2018

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Eliminations</u>	<u>General Fund Combined</u>
ASSETS				
Cash and investments	\$ 800,217	\$ --	\$ --	\$ 800,217
Taxes receivable, net	905,250	--	--	905,250
Accounts receivable	188,623	1,188	--	189,811
Due from other governments	221,977	223,001	--	444,978
Due from other funds	185,031	--	(185,031)	--
Total assets	<u>\$ 2,301,098</u>	<u>\$ 224,189</u>	<u>\$ (185,031)</u>	<u>\$ 2,340,256</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 42,112	\$ --	\$ --	\$ 42,112
Accrued salaries and wages	276,148	34,370	--	310,518
Accrued payroll taxes & withholdings	103,909	4,788	--	108,697
Due to other funds	--	185,031	(185,031)	--
Total liabilities	<u>422,169</u>	<u>224,189</u>	<u>(185,031)</u>	<u>461,327</u>
Fund balances:				
Unassigned	<u>1,878,929</u>	<u>--</u>	<u>--</u>	<u>1,878,929</u>
Total liabilities and fund balances	<u>\$ 2,301,098</u>	<u>\$ 224,189</u>	<u>\$ (185,031)</u>	<u>\$ 2,340,256</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GENERAL FUND**

For the Year Ended June 30, 2018

	General Fund	Special Education Fund	Eliminations	General Fund Combined
Revenues:				
Local sources	\$ 3,439,489	\$ --	\$ --	\$ 3,439,489
Interdistrict sources	193,320	--	--	193,320
Intermediate sources	2,604	7,745	--	10,349
State sources	4,927,499	173,068	--	5,100,567
Federal sources	141,188	251,585	--	392,773
Other sources	51,553	--	--	51,553
Total revenues	8,755,653	432,398	--	9,188,051
Expenditures:				
Instruction:				
Undifferentiated curriculum	1,356,953	--	--	1,356,953
Regular curriculum	1,325,871	--	--	1,325,871
Vocational curriculum	365,341	--	--	365,341
Physical curriculum	209,825	--	--	209,825
Special curriculum	--	645,022	--	645,022
Co-curricular activities	175,256	--	--	175,256
Special needs	72,175	--	--	72,175
Total instruction	3,505,421	645,022	--	4,150,443
Support services:				
Pupil services	214,987	102,827	--	317,814
Instructional staff services	427,212	105,655	--	532,867
General administration	383,498	--	--	383,498
School building administration	433,716	--	--	433,716
Business administration	2,265,136	64,864	--	2,330,000
Central services	407,117	--	--	407,117
Debt service	149,119	--	--	149,119
Insurance and judgements	111,393	--	--	111,393
Other support services	1,049	1,380	--	2,429
Total support services	4,393,227	274,726	--	4,667,953
Nonprogram	801,914	5,257	--	807,171
Total expenditures	8,700,562	925,005	--	9,625,567
Excess of revenues under expenditures	55,091	(492,607)	--	(437,516)
Other financing sources (uses):				
Operating transfers in	--	492,607	(492,607)	--
Operating transfers out	(492,807)	--	492,607	(200)
Net other financing sources (uses)	(492,807)	492,607	--	(200)
Net change in fund balances	(437,716)	--	--	(437,716)
Fund balances, beginning of year	2,316,645	--	--	2,316,645
Fund balances, end of year	\$ 1,878,929	\$ --	\$ --	\$ 1,878,929

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**COMBINING BALANCE SHEET -
AGENCY FUNDS**

June 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS				
Cash	<u>\$ 86,388</u>	<u>\$ 210,295</u>	<u>\$ 183,382</u>	<u>\$ 113,301</u>
LIABILITIES				
Due to student organizations: JR/SR High School	<u>\$ 86,388</u>	<u>\$ 210,295</u>	<u>\$ 183,382</u>	<u>\$ 113,301</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

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

Awarding Agency/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 06/30/17	Total Expenditures	Grantor Reimbursement	Accrued Receivable 06/30/18
U.S. DEPARTMENT OF AGRICULTURE						
WI Department of Public Instruction:						
<i>Child Nutrition Cluster:</i>						
National School Breakfast	10.553	2018-683276-SB-546	\$ 490	\$ 17,255	\$ 17,745	\$ --
National School Lunch-noncash	10.555	2018-683276-NSL-001	--	21,015	21,015	--
National School Lunch-cash	10.555	2018-683276-NSL-547	2,183	102,305	104,488	--
Child Nutrition Cluster totals			<u>2,673</u>	<u>140,575</u>	<u>143,248</u>	<u>--</u>
U.S. DEPARTMENT OF EDUCATION						
WI Department of Public Instruction:						
Title IA	84.010	2018-683276-Title I-141	28,629	118,748	28,629	118,748
Title II-A Teacher/Principal Training	84.367	2018-683276-Title II-365	4,429	18,456	4,429	18,456
			<u>33,058</u>	<u>137,204</u>	<u>33,058</u>	<u>137,204</u>
<i>Special Education Cluster:</i>						
IDEA Flow Through	84.027	2018-683276-IDEA-341	154,729	207,483	154,729	207,483
IDEA Preschool Entitlement	84.173	2018-683276-Pre-S-347	1,832	15,518	1,832	15,518
Special Education Cluster totals			<u>156,561</u>	<u>223,001</u>	<u>156,561</u>	<u>223,001</u>
CESA #6:						
LVEC - Carl Perkins	84.048	N/A	--	2,604	2,604	--
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
WI Department of Health Services						
Medical Assistance Program	93.778	N/A	--	32,568	32,568	--
Totals			<u>\$ 192,292</u>	<u>\$ 535,952</u>	<u>\$ 368,039</u>	<u>\$ 360,205</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

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

Awarding Agency/ Pass-Through Agency/ Award Description	State ID Number	Pass-Through Identification Number	Accrued Receivable 06/30/17	Expenditures	Grantor Reimbursement	Accrued Receivable 06/30/18
WI DEPARTMENT OF PUBLIC INSTRUCTION						
Special Education and School Age Parents	255.101	683276-100	\$ --	\$ 173,068	\$ 173,068	\$ --
State School Lunch Aid	255.102	683276-107	--	3,060	3,060	--
Common School Fund Library Aid	255.103	683276-104	--	30,790	30,790	--
General Transportation Aid	255.107	683276-102	--	24,256	24,256	--
WI School Day Milk Program	255.115	683276-109	--	1,008	1,008	--
General Equalization Aids	255.201	683276-116	69,357	4,524,841	4,517,175	77,023
Career and Technical Ed Grants	255.950	683276-152	--	1,900	1,900	--
School Breakfast Program	255.344	683276-108	--	982	982	--
Per Pupil Aid	255.945	683276-113	--	334,350	334,350	--
Educator Effectiveness Grant	255.940	683276-154	--	4,880	--	4,880
Assessments of Reading Readiness	255.956	683276-166	--	1,308	1,308	--
CESA #5:						
Special Education and School Age Parents	255.101	N/A	--	4,787	4,787	--
CESA #6:						
Special Education and School Age Parents	255.101	N/A	--	2,959	2,959	--
Totals			<u>\$ 69,357</u>	<u>\$ 5,108,189</u>	<u>\$ 5,095,643</u>	<u>\$ 81,903</u>

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND
STATE AWARDS**

For the Year Ended June 30, 2018

Note 1. Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of the School District of Manawa and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Wisconsin Public School District Audit Manual. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements. Pass-through entity identifying numbers are presented where available.

Note 2. Special Education and School Age Parents Program:

The 2017-2018 eligible costs under the state special education program as reported by the District are \$668,534. The 2018-2019 estimated aid reimbursement for this program is \$172,014.



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

Board of Education
School District of Manawa
Manawa, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Manawa (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 summary of auditor's results as 2018-001, 2018-002, and 2018-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

School District of Manawa's Responses to Findings

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

Purpose of this Report

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
December 27, 2018



Erickson & Associates, S.C.

Certified Public Accountants

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

Board of Education
School District of Manawa
Manawa, Wisconsin

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
December 27, 2018



Erickson & Associates, S.C.

Certified Public Accountants

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

Board of Education
School District of Manawa
Manawa, Wisconsin

Report on Compliance for Each State Program

We have audited the School District of Manawa's (District) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that are required to be conducted on each of the District's state programs with limited required procedures for the year ended June 30, 2018. The District's state programs that have limited procedures are identified in the accompanying summary of auditor's results.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the limited compliance requirements for each of the District's state programs with limited required procedures based on our audit of the limited procedures required. We conducted our audit of compliance in accordance with the audit requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. An audit includes examining, on a test basis, evidence about the District's compliance with those limited 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 with the limited compliance requirements for each state program with limited required procedures. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each State Program

In our opinion, the District complied, in all material respects, with the limited requirements referred to above for each of its state programs with limited required procedures for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
December 27, 2018

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**SUMMARY OF AUDITOR'S RESULTS
For the Year Ended June 30, 2018**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report on financial statements:	Unmodified opinion
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements?	No

State Awards

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

Identification of major state programs:

255.201	General Equalization Aids
255.945	Per Pupil Aid

Other Programs with Limited Required Procedures:

Internal control over programs with required procedures:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with <i>Wisconsin Public School District Audit Manual</i> ?	No

Identification of state programs with limited required procedures:

255.101	Special Education and School Age Parents
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Financial Statement Findings:

2018-001 Lack of Adequate Segregation of Duties

- Condition: The size of the District's office staff precludes an adequate segregation of accounting and reporting functions necessary to ensure an adequate internal control system. The District primarily operates its accounting and reporting functions with two individuals.
- Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting, the selection and application for accounting principles, and the safeguarding of assets. Proper segregation of duties provides a system of checks and balances on the accounting system and reduces the risk of errors and irregularities, both intentional and unintentional.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

SUMMARY OF AUDITOR'S RESULTS - CONTINUED
For the Year Ended June 30, 2018

2018-001 Lack of Adequate Segregation of Duties - Continued

Cause: The additional costs with hiring additional support staff to achieve complete segregation of duties would outweigh the derived benefits.

Effect: The lack of adequate segregation of duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Identification of a Repeat Finding: This is a repeat finding from previous audits, see 2017-001.

Recommendation: The District should continue to evaluate the cost/benefit of hiring additional support staff to achieve complete segregation of duties. The Board of Education should remain involved with review of and oversight regarding the District's financial statements and budgets.

Views of Responsible Officials: See District's corrective action plan.

2018-002 Financial Statement Preparation

Condition: The District has historically relied upon its auditors to assist in the preparation of the district-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the District's internal controls.

Criteria: We are required to report on whether the District is able to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting district-wide and fund financial statements, including the related footnotes.

Cause: The additional costs with hiring staff experienced in preparing financial statements, along with additional training time, outweigh the derived benefits.

Effect: Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

Identification of a Repeat Finding: This is a repeat finding from previous audits, see 2017-002.

Recommendation: The District should continue to evaluate the cost/benefit of outsourcing the task of preparing the financial statements to external accountants.

Views of Responsible Officials: See District's corrective action plan.

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**SUMMARY OF AUDITOR'S RESULTS - CONTINUED
For the Year Ended June 30, 2018**

2018-003 Journal Entry Preparation

- Condition:** During our audit, we identified and proposed material and nonmaterial adjustments, which were approved and posted by management.
- Criteria:** We are required to report a finding if we identify material misstatements in the financial statements that were not initially identified by the District's internal controls, even if management subsequently corrects the misstatements.
- Cause:** Various account balances needed auditor adjustments in order to produce financial statements in conformity with generally accepted accounting principles.
- Effect:** Various account balances were not in conformity with generally accepted accounting principles.

Identification of a Repeat Finding: This is a repeat finding from previous audits, see 2017-003.

Recommendation: The District should attempt to post all entries prior to the start of the audit and have procedures in place to determine the proper handling of unusual and infrequent transactions.

Views of Responsible Officials: See District's corrective action plan.

2018-004 Deposits Not Being Made on a Timely Basis

- Condition:** During our audit, we noted that some deposits of funds received via check were not being made on a timely basis.
- Criteria:** Deposits of funds to the District need to be made on a timely basis in order to ensure that the monthly financial reporting is accurate.
- Cause:** Deposits were not being made on a regular basis.
- Effect:** If the deposits are not being made on a regular basis, the District's monthly financial statements would not be correct based on the checks that are received by the District.

Identification of a Repeat Finding: A portion of this issue is a repeat finding from previous audits, see 2017-004.

Recommendation: The District needs to make deposits to the bank on a regular basis and more frequently when there is an increase in funds coming into the District's business office.

Views of Responsible Officials: See District's corrective action plan

**SCHOOL DISTRICT OF MANAWA
MANAWA, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2018**

Status of Prior Year Audit Findings

The findings noted in the 2017 summary of auditor's results have been reported to the proper federal and state agencies.

2017-001 Lack of Adequate Segregation of Duties

Management continues to believe that due to budget constraints, it is not practicable for the District to hire additional staff to correct this finding. This is considered to be a repeat finding.

2017-002 Financial Statement Preparation

Management continues to believe that due to budget constraints, it is not practicable for the District to hire additional staff to correct this finding. This is considered to be a repeat finding.

2017-003 Number and Type of Journal Entries

Management continues to put procedures in place to correct this finding, however new unusual and infrequent adjustments may not be recorded. There were significant audit journal entries prepared with the 2017-2018 audit but less to the extent that the finding has been changed to a significant deficiency for the current year versus a material weakness in the previous year.

2017-004 Bank Reconciliations and Deposits Not Being Made on a Timely Basis

Management fully addressed the issue of performing timely bank reconciliations, however deposits were not being made on a timely basis. The deposits we noted that were not made on a timely basis were not material amounts so we feel that this issue is no longer a material weakness for the 2017-2018 fiscal year but is a significant deficiency with the 2017-2018 audit.

2017-005 Utilization of Accounting Software

Management addressed this finding in fiscal year 2017-2018 so this is no longer a finding for the 2017-2018 audit.



School District of Manawa

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CORRECTIVE ACTION PLAN

2018-001 Lack of Adequate Segregation of Duties

Corrective Action Plan: The District has evaluated the cost/benefit of hiring additional support staff to achieve proper separation of duties and at this point it is not possible due to budget constraints.

Anticipated Completion Date: Ongoing

2018-002 Financial Statement Preparation

Corrective Action Plan: The District has evaluated the cost/benefit of outsourcing the task of preparing the financial statements to an external accountant. It would be cost prohibitive to hire additional staff or outsource the task to an outside accountant. However, management of the District has obtained the necessary skills, knowledge, and experience to accept responsibility for the preparation of the District's financial statements.

Anticipated Completion Date: Ongoing

2018-003 Number and Type of Journal Entries

Corrective Action Plan: The District will make every effort to detect and correct misstatements in the general ledger and post all entries prior to the start of the audit.

Anticipated Completion Date: June 30, 2019

2018-004 Deposits Not Being Made on a Timely Basis

Corrective Action Plan: The District will make more frequent deposits of funds that come to the District office to ensure that the receipts are being posted in the correct period.

Anticipated Completion Date: June 30, 2019

Contact Information: For more information regarding these findings please contact Carmen O'Brien, Business Manager, 800 Beech Street, Manawa, WI 54949 (tel. 920-596-2525).

Sincerely,

Carmen O'Brien, Business Manager

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