

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Audited Financial Statements
Year Ended June 30, 2019

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Oconomowoc, Wisconsin

Audited Financial Statements

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Independent Auditors' Report

To the School Board
Oconomowoc Area School District
Oconomowoc, 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 Oconomowoc Area School District ("District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

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 financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Wisconsin State Single Audit Guidelines, and are also not a required part of the basic financial statements.

The financial information listed in the table of contents as other supplemental information is the responsibility of management and was 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



November 21, 2019
Milwaukee, Wisconsin

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Statement of Net Position
June 30, 2019

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Current assets: | |
| Cash | \$ 3,083,927 |
| Investments | 28,741,990 |
| Taxes receivable | 12,124,186 |
| Accounts receivable | 74,552 |
| Interest receivable | 24,775 |
| Prepaid expenses | 49,712 |
| Due from other governments | 742,074 |
| Total current assets | 44,841,216 |
| Capital assets: | |
| Nondepreciable | 41,721,007 |
| Depreciable, net of accumulated depreciation | 64,502,508 |
| Total capital assets | 106,223,515 |
| Total assets | 151,064,731 |
| Deferred Outflows of Resources: | |
| Deferred outflows related to pensions - WRS | 15,355,134 |
| Deferred outflows related to pensions - Principal | 611,885 |
| Deferred outflows related to OPEB - life insurance | 195,686 |
| Total deferred outflows of resources | 16,162,705 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 869,160 |
| Accrued interest | 717,148 |
| Accrued salaries and related items | 5,649,657 |
| Other deposits payable | 173 |
| Unearned revenue | 86,742 |
| Current portion of long-term obligations | 5,675,239 |
| Total current liabilities | 12,998,119 |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term obligations | 83,478,121 |
| Net pension liability - WRS | 5,962,934 |
| Net pension liability - Principal | 3,748,698 |
| Net OPEB liability - life insurance | 1,117,720 |
| Total supplemental pension liability | 2,363,455 |
| Total OPEB liability | 2,766,259 |
| Unamortized premium on debt issuance | 3,703,774 |
| Total noncurrent liabilities | 103,140,961 |
| Total liabilities | 116,139,080 |
| Deferred Inflows of Resources: | |
| Deferred inflows related to pensions - WRS | 8,254,650 |
| Deferred inflows related to pensions - Principal | 270,454 |
| Deferred inflows related to OPEB - life insurance | 298,978 |
| Total deferred inflows of resources | 8,824,082 |
| Net Position: | |
| Net investment in capital assets | 13,520,842 |
| Restricted for: | |
| Debt service | 1,956,194 |
| Capital projects | 11,890,923 |
| Food service | 714,312 |
| Other activities | 514,764 |
| Unrestricted | 13,667,239 |
| Total net position | \$ 42,264,274 |

The accompanying notes to financial statements
are an integral part of these statements.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Statement of Activities
Year Ended June 30, 2019

| | Program Revenues | | | | Net (Expenses) |
|--|-----------------------------|---|---|--|-----------------------|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular instruction | \$ 29,424,977 | \$ 398,351 | \$ 2,260,420 | \$ --- | \$ (26,766,206) |
| Special education instruction | 7,387,361 | --- | 3,386,382 | --- | (4,000,979) |
| Vocational instruction | 1,439,649 | --- | 5,812 | --- | (1,433,837) |
| Other instruction | 2,967,764 | 392,446 | 136,582 | --- | (2,438,736) |
| Total instruction | 41,219,751 | 790,797 | 5,789,196 | --- | (34,639,758) |
| Support services: | | | | | |
| Pupil services | 2,917,503 | --- | 14,205 | --- | (2,903,298) |
| Instructional staff services | 3,365,285 | --- | 347,038 | --- | (3,018,247) |
| General administration services | 1,335,796 | 59,132 | 37,088 | --- | (1,239,576) |
| School administration services | 3,417,642 | --- | --- | --- | (3,417,642) |
| Business services | 895,427 | --- | --- | --- | (895,427) |
| Operation and maintenance of plant | 7,150,382 | 152,935 | --- | 123,950 | (6,873,497) |
| Pupil transportation | 2,592,066 | 11,567 | 143,564 | --- | (2,436,935) |
| Central services | 1,325,877 | --- | --- | --- | (1,325,877) |
| Other support services | 1,326,611 | --- | --- | --- | (1,326,611) |
| Community services | 608,112 | 44,872 | --- | --- | (563,240) |
| Food service | 1,769,533 | 1,527,122 | 428,252 | --- | 185,841 |
| Interest and fees on long-term debt | 2,954,510 | --- | --- | --- | (2,954,510) |
| Unallocated depreciation | 1,784,014 | --- | --- | --- | (1,784,014) |
| Total support services | 31,442,758 | 1,795,628 | 970,147 | 123,950 | (28,553,033) |
| Total governmental activities | \$ 72,662,509 | \$ 2,586,425 | \$ 6,759,343 | \$ 123,950 | (63,192,791) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purposes | | | | | 44,002,729 |
| Property taxes, levied for debt service | | | | | 7,729,509 |
| Property taxes, levied for specific purposes | | | | | 562,000 |
| Other taxes | | | | | 1,315 |
| Federal and state aid not restricted to specific purposes: | | | | | |
| General | | | | | 12,528,765 |
| Other | | | | | 3,835,263 |
| Interest and investment earnings | | | | | 909,471 |
| Loss on disposal of assets | | | | | (140,501) |
| Special Item: Insurance proceeds | | | | | 115,478 |
| Miscellaneous | | | | | 499,860 |
| | | | | | 6,851,098 |
| Changes in net position | | | | | 6,851,098 |
| Net position - beginning of year | | | | | 34,673,527 |
| Prior period adjustment | | | | | 739,649 |
| Net position - beginning of year as adjusted | | | | | 35,413,176 |
| Net position - end of year | | | | | \$ 42,264,274 |

The accompanying notes to financial statements
are an integral part of these statements.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Balance Sheet
Governmental Funds
June 30, 2019

| | <u>General</u> | <u>Capital Projects</u> | <u>Non-major Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|----------------------------|---|
| Assets: | | | | |
| Cash | \$ 1,730,503 | \$ --- | \$ 1,353,424 | \$ 3,083,927 |
| Investments | 16,486,885 | 10,367,322 | 1,887,783 | 28,741,990 |
| Taxes receivable | 12,124,186 | --- | --- | 12,124,186 |
| Accounts receivable | 29,849 | --- | 44,703 | 74,552 |
| Interest receivable | --- | 24,775 | --- | 24,775 |
| Prepaid expenditures | 49,638 | --- | 74 | 49,712 |
| Due from other funds | --- | 1,500,000 | --- | 1,500,000 |
| Due from other governments | 742,074 | --- | --- | 742,074 |
| Total assets | \$ 31,163,135 | \$ 11,892,097 | \$ 3,285,984 | \$ 46,341,216 |
| Liabilities and Fund Balances: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 827,185 | \$ 1,174 | \$ 40,801 | \$ 869,160 |
| Accrued salaries and related items | 5,645,116 | --- | 4,541 | 5,649,657 |
| Other deposits payable | --- | --- | 173 | 173 |
| Unearned revenue | 31,543 | --- | 55,199 | 86,742 |
| Due to other funds | 1,500,000 | --- | --- | 1,500,000 |
| Total liabilities | 8,003,844 | 1,174 | 100,714 | 8,105,732 |
| Fund Balances: | | | | |
| Nonspendable | 49,638 | --- | --- | 49,638 |
| Restricted | 12 | 11,890,923 | 3,185,270 | 15,076,205 |
| Assigned | 344,973 | --- | --- | 344,973 |
| Unassigned | 22,764,668 | --- | --- | 22,764,668 |
| Total fund balances | 23,159,291 | 11,890,923 | 3,185,270 | 38,235,484 |
| Total liabilities and fund balances | \$ 31,163,135 | \$ 11,892,097 | \$ 3,285,984 | \$ 46,341,216 |

The accompanying notes to financial statements
are an integral part of these statements.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position**

June 30, 2019

Total fund balances - governmental funds \$ 38,235,484

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

| | | |
|--------------------------|---------------------|-------------|
| Cost of the assets | \$ 136,841,408 | |
| Accumulated depreciation | <u>(30,617,893)</u> | 106,223,515 |

The following are recorded as a liabilities on the statement of net position, but are not reported in the governmental funds

| | | |
|--------------------------------------|------------------|--------------|
| Net pension liability - WRS | 5,962,934 | |
| Net pension liability - Principal | 3,748,698 | |
| Net OPEB liability - life insurance | 1,117,720 | |
| Total supplemental pension liability | 2,363,455 | |
| Total OPEB liability | <u>2,766,259</u> | (15,959,066) |

Deferred outflows and inflows of resources related to pension and OPEB plans are applicable to future periods, and therefore, are not reported in the governmental funds. 7,338,623

Long-term debt, and related items, are not due and payable in the current period, and therefore are not reported in the governmental funds. Long-term debt and related items at year-end consist of:

| | | |
|--------------------------------------|----------------|--------------|
| Bonds payable | 88,195,000 | |
| Capital leases payable | 803,899 | |
| Unamortized premium on debt issuance | 3,703,774 | |
| Compensated absences | <u>154,461</u> | (92,857,134) |

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the governmental funds. (717,148)

Total net position - governmental activities \$ 42,264,274

The accompanying notes to financial statements
are an integral part of these statements.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

| | <u>General</u> | <u>Capital Projects</u> | <u>Non-major Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-----------------------------|----------------------------|---|
| Revenues: | | | | |
| Local | \$ 45,562,652 | \$ 478,077 | \$ 10,287,857 | \$ 56,328,586 |
| Interdistrict | 1,522,422 | --- | --- | 1,522,422 |
| Intermediate | 29,706 | --- | --- | 29,706 |
| State | 18,906,220 | --- | 13,997 | 18,920,217 |
| Federal | 1,971,088 | --- | 414,255 | 2,385,343 |
| Other | 298,978 | 63,830 | --- | 362,808 |
| Total revenues | 68,291,066 | 541,907 | 10,716,109 | 79,549,082 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Current | 34,748,345 | --- | 390,549 | 35,138,894 |
| Interdistrict | 3,625,554 | --- | --- | 3,625,554 |
| Capital outlay | 543,628 | --- | --- | 543,628 |
| Support Services: | | | | |
| Current | 24,262,734 | 1,347,758 | 2,338,312 | 27,948,804 |
| Capital outlay | 1,561,180 | 27,260,801 | 132,040 | 28,954,021 |
| Debt service | --- | --- | 8,362,864 | 8,362,864 |
| Total expenditures | 64,741,441 | 28,608,559 | 11,223,765 | 104,573,765 |
| Excess (deficiency) of revenues over expenditures | 3,549,625 | (28,066,652) | (507,656) | (25,024,683) |
| Other Financing Sources (Uses): | | | | |
| Operating transfers | (2,304,058) | 1,500,000 | 804,058 | --- |
| Capital lease proceeds | 384,180 | --- | --- | 384,180 |
| Total other financing sources | (1,919,878) | 1,500,000 | 804,058 | 384,180 |
| Special Item: | | | | |
| Insurance proceeds | 115,478 | --- | --- | 115,478 |
| Net change in fund balances | 1,745,225 | (26,566,652) | 296,402 | (24,525,025) |
| Fund Balances - Beginning of year | 20,777,698 | 38,457,575 | 2,888,868 | 62,124,141 |
| Prior period adjustment | 636,368 | --- | --- | 636,368 |
| Fund Balances - Beginning of year as adjusted | 21,414,066 | 38,457,575 | 2,888,868 | 62,760,509 |
| Fund Balances - End of year | \$ 23,159,291 | \$ 11,890,923 | \$ 3,185,270 | \$ 38,235,484 |

The accompanying notes to financial statements
are an integral part of these statements.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities**
Year Ended June 30, 2019

Total net change in fund balances - governmental funds \$ (24,525,025)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.

| | | |
|----------------------|-------------------|------------|
| Depreciation expense | \$ (2,558,589) | |
| Capital outlays | <u>29,497,649</u> | 26,939,060 |

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown. (140,501)

Proceeds received for the issuance of debt is an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. (384,180)

Capital leases

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|----------------|----------------|-----------|
| Bonds payable | 5,375,000 | |
| Capital leases | <u>481,401</u> | 5,856,401 |

Amortization reduces the balance of the unamortized premium on debt issuance liability. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds. 286,547

In the statement of activities, post-employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. 782,259

In the statement of activities, supplemental pension benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. 370,522

In the statement of activities, Principal pension benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. 324,043

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used.

| | | |
|---|--------------|-------------|
| Cost of WRS pension benefits earned net of employee contributions | (3,864,890) | |
| District WRS pension contributions | 1,724,759 | |
| Cost of OPEB - life insurance benefits earned net of employee contributions | (152,384) | |
| District OPEB - life insurance contributions | <u>8,345</u> | (2,284,170) |

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (154,461)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (219,397)

Change in net position of governmental activities \$ 6,851,098

The accompanying notes to financial statements
are an integral part of these statements.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Statement of Fiduciary Net Position

June 30, 2019

| | <u>Agency Fund</u> | <u>Private Purpose Trusts</u> | <u>Employee Retirement Plan</u> |
|---------------------------|------------------------|-----------------------------------|-------------------------------------|
| Assets: | | | |
| Cash | \$ 319,460 | \$ 4,557 | \$ --- |
| Investments | --- | --- | 10,738,790 |
| Total assets | <u>319,460</u> | <u>4,557</u> | <u>10,738,790</u> |
| Liabilities: | | | |
| Accounts payable | 2 | --- | --- |
| Other deposits payable | 330 | --- | --- |
| Due to student groups | 319,128 | --- | --- |
| Total liabilities | <u>319,460</u> | <u>---</u> | <u>---</u> |
| Net position: | | | |
| Restricted | --- | 4,557 | 10,738,790 |
| Total net position | <u>\$ ---</u> | <u>\$ 4,557</u> | <u>\$ 10,738,790</u> |

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

| | <u>Private Purpose Trusts</u> | <u>Employee Retirement Plan</u> |
|---|-----------------------------------|-------------------------------------|
| Additions: | | |
| Interest | \$ 7 | \$ --- |
| Net investment earnings | --- | 602,608 |
| Contributions: | | |
| Employer | --- | 605,243 |
| Plan members | --- | 58,789 |
| Total additions | <u>7</u> | <u>1,266,640</u> |
| Deductions: | | |
| Scholarships awarded | 500 | --- |
| Benefits | --- | 907,365 |
| Administrative expenses | --- | 13,417 |
| Total deductions | <u>500</u> | <u>920,782</u> |
| Change in net position | (493) | 345,858 |
| Net position - beginning of year | 5,050 | --- |
| Prior period adjustment | --- | 10,392,932 |
| Net position - beginning of year as adjusted | <u>5,050</u> | <u>10,392,932</u> |
| Net position - June 30, 2019 | <u>\$ 4,557</u> | <u>\$ 10,738,790</u> |

The accompanying notes to financial statements
are an integral part of these statements.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies

A. Introduction

The Oconomowoc Area School District ("District") is organized as a common school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the District are discussed below.

B. Component Units

GAAP require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

C. Basis of Presentation

District-Wide Statements

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

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

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

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

The District reports 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. It is also used to account for activities associated with providing educational programs for students with disabilities.

Capital Projects Fund – This fund accounts for the financial resources of the District to be used for capital expenditures related to buildings and sites.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund. The District accounts for fiduciary activities for the Oconomowoc Area School District Retirement Plan in an employee retirement plan fund.

D. Measurement Focus and Basis of Accounting

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

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

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

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements

June 30, 2019

(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Cash

The District's cash is considered to be cash on hand and demand deposits. Cash balances for individual funds are pooled unless maintained in segregated accounts.

F. Investments

The District's investments are stated at fair value, except for highly liquid market investments with maturities of one year or less at the time of purchase, which are stated at amortized cost. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The District generally holds all investments until maturity or until market values equal or exceed cost.

As discussed in Footnote 2, the District categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity Funds and Fixed Income: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Adjustments necessary to record investments at fair value are recorded in the statement of activities, statements of revenues, expenditures and changes in fund balances and statement of changes in fiduciary net position as increases or decreases in investment income.

Investment balances for individual funds are pooled unless maintained in segregated accounts.

G. Receivables

Property taxes are recognized as revenues in the year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Dodge, Jefferson and Waukesha Counties purchase the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

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

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Interfund Transactions

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds. Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2019 are as follows:

| <u>Purpose</u> | <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------------|------------------------|---------------------|---------------------|
| Transfers: | | | |
| Fund future capital projects | Capital Projects Trust | General | \$ 1,500,000 |
| Debt payments | Debt Service | General | <u>804,058</u> |
| | | | <u>\$ 2,304,058</u> |
| Receivables/Payables: | | | |
| Fund future capital projects | Capital Projects Trust | General | \$ <u>1,500,000</u> |

I. Capital Assets

Capital assets are reported at actual cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

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

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Site improvements | \$ 1,000 | Straight-line | 10 - 20 years |
| Buildings | 1,000 | Straight-line | 50 years |
| Building improvements | 1,000 | Straight-line | 15 - 20 years |
| Equipment and furniture | 1,000 | Straight-line | 5 - 15 years |

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

J. Other Assets

Prepaid insurance represents payments made by the District for which benefits extend beyond June 30th and have not yet been earned by the recipient. Inventory and prepaid supplies are valued at cost using the first-in/first-out (FIFO) method. Costs are recorded as expenditures at the time individual inventory items are consumed. Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses and/or inventories.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements

June 30, 2019

(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

L. Accumulated Unpaid Vacation and Sick Pay

Unused accumulated employee vacation is paid out upon retirement or termination of employment for certain classifications of employees. Sick leave can be accumulated up to a maximum of 100 days for certain classifications of employees, but accumulated hours are not paid out upon termination of employment. The District accrued that vacation leave which it deems probable of payout. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid vacation expected to be paid using expendable available resources is reported as a liability.

M. Net Position

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

The District applies restricted resources when expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

The GASB has defined the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent either because they are not in spendable form and cannot be converted to cash or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board prior to year-end. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the School Board.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, the School Board has authorized the Business Manager to assign funds.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

N. Fund Balance (Continued)

- *Unassigned* - the residual classification for the General Fund (fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund), and deficit fund balances within other funds.

Order of Fund Balance Spending Policy: The District has established the following order of spending when various funding sources exist: (1) Restricted, (2) Committed, (3) Assigned, (4) Unassigned.

O. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

Q. Other Post-Employment Benefits (OPEB) – Life Insurance

The fiduciary net position of the Local Retiree Life Insurance Fund (“LRLIF”) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

R. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 21, 2019). Except for the subsequent lease agreements discussed in notes 4 and 14, there were no subsequent events that required recognition or disclosure.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

2. Cash and Investments

Cash and investments as shown on the District's statement of net position are subject to the following risks:

| | Custodial Balance | Carrying Amount | Risks |
|--|------------------------------|----------------------------|-------------------------------------|
| Cash: | | | |
| Demand deposits | \$ 4,083,002 | \$ 3,407,844 | Custodial |
| Petty cash | --- | 100 | |
| Investment: | | | |
| Wisconsin Investment Series Coop (WISC) | | | |
| Certificates of deposit | 488,711 | 488,711 | Custodial and interest rate |
| Savings deposit account | 15,369,949 | 15,369,949 | Custodial |
| Cash Management Series | 1,115,056 | 1,115,056 | Custodial, credit and interest rate |
| Investment Series Fund | 7,035,158 | 5,280,991 | Custodial, credit and interest rate |
| Limited Term Duration | 2,555,059 | 2,555,059 | Custodial, credit and interest rate |
| Mortgage backed securities | 3,932,224 | 3,932,224 | Custodial and credit |
| Oconomowoc Area School District Retirement Plan: | | | |
| Principal Investment: | | | |
| Equity funds | 7,257,613 | 7,257,613 | Custodial |
| Fixed income (bond funds) | 2,852,294 | 2,852,294 | Custodial, credit and interest rate |
| Other fixed income | 628,883 | 628,883 | Custodial |
| Total cash and investments | \$ 45,317,949 | \$ 42,888,724 | |

Reconciliation to Financial Statements:

Per statement of net position:

| | |
|-------------|--------------|
| Cash | \$ 3,083,927 |
| Investments | 28,741,990 |

Per statement of fiduciary net position:

| | |
|-----------------------------------|----------------------|
| Cash | 324,017 |
| Investments | 10,738,790 |
| Total cash and investments | \$ 42,888,724 |

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation ("FDIC") in the amount of \$250,000. Deposits in each local and area bank, are also insured by the State Deposit Guarantee Fund ("SDGF") in the amount of \$400,000 per financial institution. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual districts.

Custodial Risk: Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and the WISC Investments were \$32,149,834 at June 30, 2019 and the custodians' carrying value was \$34,579,159, of which \$650,000 was fully insured and \$33,929,159 was uninsured and uncollateralized. The District does not have a policy regarding custodial risk for deposits.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements

June 30, 2019

(Continued)

2. Cash and Investments (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes.

Average effective duration provides a measure of a fund's interest rate sensitivity. The higher the average effective duration the greater the risk that the fund's value will change as interest rates change. The average effective duration of the Limited Term Duration Series held by WISC is 0.71. The average effective duration of the fixed income (bond funds) range from 3.53 to 6.06.

The Cash Management Series has no minimum investment period, allows check writing privileges, and the average weighted maturity is ninety days or less. The Investment Series Fund are pooled funds investing in U.S. government obligations, agencies and commercial paper. The Investment Series Fund requires a 14-day minimum investment period and one business day withdrawal notice. The Limited Term Duration requires the District maintain a minimum balance of \$100,000 and withdrawals may only be made as of the end of a calendar quarter upon at least 30 days' advance written notice. The average weighted maturity of the investments in WISC ranges from 26 to 54 days.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by assignment of a rating by a nationally recognized rating organization. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk. The WISC investments were rated as follows:

| <u>Investment</u> | <u>Average Credit Quality</u> |
|------------------------------|-------------------------------|
| Cash Management Series | AAAm |
| Investment Class | AAAm |
| Limited Term Duration Series | AA+ |

Separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated. Accounts held at The Principal Financial Group are not subject to concentration of credit risk, custodial credit risk or foreign currency risk.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 2 or Level 3 inputs.

At June 30, 2019 the Oconomowoc Area School District Retirement Plan had over 5% of net position invested in the following:

| | | |
|--|----|-----------|
| Principal Global Investors – Equity income SEP Acct | \$ | 1,618,892 |
| Principal Global Investors – Large Cap S&P 500 Index | | 703,156 |
| T. Rowe Price/Brown Advisory – Large Cap Growth 1 SEP Acct | | 1,657,955 |
| Causeway/Barrow Hanley – Overseas SEP Acct | | 1,523,813 |
| Mellon Investments Corp – Bond Market Index SEP Acct | | 1,118,065 |
| Principal Global Investors – Core Plus Bd | | 1,573,644 |
| Principal Real Estate – US Property | | 628,883 |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

2. Cash and Investments (Continued)

The following summarizes the classification of investments within the statement of net position by classification and method of valuation in accordance with the requirements of accounting principles generally accepted in the United States of America for the year ending June 30, 2019:

| | Fair Value | | | Exempt from Disclosure | Total |
|---------------------------|----------------------|---------------|---------------|------------------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | | |
| WISC | \$ --- | \$ --- | \$ --- | \$ 28,741,990 | \$ 28,741,990 |
| Equity funds | 7,257,613 | --- | --- | --- | 7,257,613 |
| Fixed income (bond funds) | 3,852,294 | --- | --- | --- | 3,852,294 |
| Other fixed income | 628,883 | --- | --- | --- | 628,883 |
| Total | \$ 10,738,790 | \$ --- | \$ --- | \$ 28,741,990 | \$ 39,480,780 |

WISC investments are exempt from fair value disclosure due to investments being valued at amortized cost.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental Cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law.

A separate financial report for WISC is prepared in accordance with GASB. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies)
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options
- A local government investment pool, subject to certain conditions

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

3. Capital Assets

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

| | Balance July 1, 2018 | Additions | Reductions | Transfers | Balance June 30, 2019 |
|--|----------------------------|---------------|------------|-------------|-----------------------------|
| Capital assets not being depreciated | | | | | |
| Sites | \$ 5,079,668 | \$ --- | \$ --- | \$ --- | \$ 5,079,668 |
| Construction in progress | 10,659,305 | 28,023,013 | --- | (2,040,979) | 36,641,339 |
| Total capital assets not being depreciated | 15,738,973 | 28,023,013 | --- | (2,040,979) | 41,721,007 |
| Capital assets being depreciated | | | | | |
| Site improvements | 6,682,408 | 84,635 | --- | --- | 6,767,043 |
| Building and improvements | 77,682,622 | 656,847 | --- | 2,040,979 | 80,380,448 |
| Furniture and equipment | 7,867,870 | 733,154 | 628,114 | --- | 7,972,910 |
| Total capital assets being depreciated | 92,232,900 | 1,474,636 | 628,114 | 2,040,979 | 95,120,401 |
| Less accumulated depreciation | 28,546,917 | 2,558,589 | 487,613 | --- | 30,617,893 |
| Total capital assets being depreciated, net of accumulated depreciation | 63,685,983 | (1,083,953) | 140,501 | 2,040,979 | 64,502,508 |
| Governmental activities capital assets, net of accumulated depreciation | \$ 79,424,956 | \$ 26,939,060 | \$ 140,501 | \$ --- | \$ 106,223,515 |

Depreciation is allocated as follows on the Statement of Activities.

| | |
|------------------------------------|---------------------|
| Regular instruction | \$ 95,230 |
| Special education instruction | 1,353 |
| Vocational instruction | 10,005 |
| Other instruction | 130,096 |
| Pupil services | 6,471 |
| Instructional staff services | 868 |
| General administrative services | 134,043 |
| Operation and maintenance of plant | 249,059 |
| Pupil transportation | 8,047 |
| Food service | 51,486 |
| Central service | 87,917 |
| Unallocated depreciation | 1,784,014 |
| Total depreciation expense | <u>\$ 2,558,589</u> |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

4. Long-Term Liabilities

Long-term liabilities of the District are as follows:

| Type | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Amounts due within one year |
|----------------------|-------------------------|-------------------|---------------------|-----------------------------|-----------------------------------|
| G.O. Bonds | \$ 93,570,000 | \$ --- | \$ 5,375,000 | \$ 88,195,000 | \$ 5,265,000 |
| Capital leases | 901,120 | 384,180 | 481,401 | 803,899 | 410,239 |
| Compensated absences | 127,565 | 26,896 | --- | 154,461 | --- |
| Total | \$ 94,598,685 | \$ 411,076 | \$ 5,856,401 | \$ 89,153,360 | \$ 5,675,239 |

Subsequent to year-end the District entered into two new capital lease agreements. One lease requires annual principal and interest payments of \$15,122 for five years, with the final payment due August 31, 2023. The other lease requires annual principal and interest payments of \$70,532 for three years, with the final payment due August 31, 2021.

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2019 on long-term liabilities was \$3,018,825 and \$3,238,223, respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

Long-term debt at June 30, 2019 is comprised of the following individual issues:

| Description | Issue Dates | Interest Rates (%) | Dates of Maturity | Balance June 30, 2019 |
|----------------------------------|----------------|-----------------------|----------------------|--------------------------|
| \$3,600,000 G.O. Refunding Bond | 8/26/10 | 1.00 – 3.45 % | 4/1/27 | \$ 1,635,000 |
| \$4,570,000 G.O. Refunding Bond | 9/17/14 | 2.00 – 3.15 | 3/1/26 | 3,140,000 |
| \$10,000,000 G.O. Refunding Bond | 9/17/14 | 1.00 – 3.00 | 4/1/27 | 9,460,000 |
| \$25,570,000 G.O. Refunding Bond | 4/9/15 | 2.00 – 3.00 | 4/1/25 | 21,870,000 |
| \$8,885,000 G.O. Refunding Bond | 12/29/16 | 3.50 | 4/1/36 | 8,885,000 |
| \$28,280,000 G.O. Refunding Bond | 5/15/17 | 2.00 – 3.20 | 4/1/33 | 23,215,000 |
| \$19,990,000 G.O. Refunding Bond | 4/20/18 | 3.30 | 4/1/38 | 19,990,000 |
| Total | | | | \$ 88,195,000 |

The 2018 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$5,610,130,604. The legal debt limit and margin of indebtedness as of June 30, 2019, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

| | |
|---|-----------------------|
| Debt limit (10% of \$5,610,130,604) | \$ 561,013,060 |
| Deduct long-term debt applicable to debt margin | 88,195,000 |
| Margin of indebtedness | \$ 472,818,060 |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

4. Long-Term Liabilities (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt and capital leases as of June 30, 2019 follow:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|-----------------------|
| 2020 | \$ 5,675,239 | \$ 2,889,312 | \$ 8,564,551 |
| 2021 | 5,916,434 | 2,749,017 | 8,665,451 |
| 2022 | 5,637,226 | 2,511,131 | 8,148,357 |
| 2023 | 5,680,000 | 2,364,290 | 8,044,290 |
| 2024 | 5,855,000 | 2,210,521 | 8,065,521 |
| 2025-2029 | 25,725,000 | 8,212,370 | 33,937,370 |
| 2030-2034 | 21,085,000 | 4,404,488 | 25,489,488 |
| 2035-2038 | 13,425,000 | 967,155 | 14,392,155 |
| Totals | \$ 88,998,899 | \$ 26,308,284 | \$ 115,307,183 |

5. Fund Balances

As of June 30, 2019, fund balance components other than unassigned fund balances consist of the following:

| | <u>Nonspendable</u> | <u>Restricted</u> | <u>Assigned</u> |
|---------------------------------|---------------------|----------------------|-------------------|
| General fund: | | | |
| Prepaid expenditures | \$ 49,638 | \$ --- | \$ --- |
| Unspent Common School Fund | --- | 12 | --- |
| High school HVAC/boiler project | --- | --- | 344,973 |
| Special revenue trust | --- | 514,764 | --- |
| Food service program | --- | 714,312 | --- |
| Debt service | --- | 1,956,194 | --- |
| Capital projects | --- | 11,890,923 | --- |
| Total | \$ 49,638 | \$ 15,076,205 | \$ 344,973 |

6. Defined Benefit Pension Plan - WRS

Plan Description

The Wisconsin Retirement System (WRS) is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 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>.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan – WRS (Continued)

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 on or before 12/31/16) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

Vested participants may retire at 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.

WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

| <u>Year</u> | <u>Core Fund Adjustment</u> | <u>Variable Fund Adjustment</u> |
|-------------|---------------------------------|-------------------------------------|
| 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 |
| 2018 | 2.4 | 17 |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan – WRS (Continued)

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as for 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 \$1,724,759 in contributions from the employer.

Contribution rates as of June 30, 2019 are:

| <u>Employee Category</u> | <u>Employee</u> | <u>Employer</u> |
|--|-----------------|-----------------|
| General (including teachers, executives and elected officials) | 6.55% | 6.55% |
| Protective with Social Security | 6.55% | 10.55% |
| Protective without Social Security | 6.55% | 14.95% |

Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported a liability of \$5,962,934 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.1676%, which was an increase of 0.0008% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$3,864,890.

At June 30, 2019, the District reported deferred outflows and 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 | \$ 4,644,221 | \$ 8,209,315 |
| Changes in assumptions | 1,005,132 | --- |
| Net difference between projected and actual earnings on pension plan investments | 8,708,456 | --- |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | --- | 45,335 |
| Employer contributions subsequent to the measurement date | 997,325 | --- |
| Total | \$ 15,355,134 | \$ 8,254,650 |

OCONOMOWOC AREA SCHOOL DISTRICT
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Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan – WRS (Continued)

Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

The amount of \$997,325 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------|--------------------------------------|-------------------------------------|
| 2020 | \$ 8,426,252 | \$ 6,222,748 |
| 2021 | 5,559,710 | 5,012,848 |
| 2022 | 5,451,229 | 4,482,662 |
| 2023 | 3,959,924 | 1,575,701 |

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the asset calculated from the December 31, 2017 actuarial valuation.

OCONOMOWOC AREA SCHOOL DISTRICT
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Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan – WRS (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 as of December 31, 2018 are summarized in the following table:

| <u>Core Fund Asset Class</u> | <u>Current Asset Allocation</u> | <u>Long-Term Expected Nominal Rate of Return</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|---|--|---|
| Global Equities | 49.0% | 8.1% | 5.5% |
| Fixed Income | 24.5 | 4.0 | 1.5 |
| Inflation Sensitive Assets | 15.5 | 3.8 | 1.3 |
| Real Estate | 9.0 | 6.5 | 3.9 |
| Private Equity/Debt | 8.0 | 9.4 | 6.7 |
| Multi-Asset | 4.0 | 6.7 | 4.1 |
| Total Core Fund | 110.0 | 7.3 | 4.7 |
| | | | |
| <u>Variable Fund Asset Class</u> | | | |
| U.S. Equities | 70.0% | 7.6% | 5.0% |
| International Equities | 30.0 | 8.5 | 5.9 |
| Total Variable Fund | 100.0 | 8.0 | 5.4 |

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

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

Single Discount rate. A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OCONOMOWOC AREA SCHOOL DISTRICT
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Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan – WRS (Continued)

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.00%) | Current Discount Rate (7.00%) | 1% Increase To Discount Rate (8.00%) |
|--|---|--|---|
| District's proportionate share of the net pension (asset) liability | \$ 23,697,324 | \$ 5,962,934 | \$ (7,223,960) |

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

Payables to the pension plan at June 30, 2019 were \$836,150. This represents contributions earned as of June 30, 2019, but for which payment was not remitted to the pension plan until subsequent to year-end.

7. Oconomowoc Area School District Retirement Plan

Description of Plan

The Oconomowoc Area School District Retirement Plan ("OASD Retirement Plan") is a single-employer defined benefit pension plan sponsored by the Oconomowoc Area School District.

There are no non-employer contributing entities or special funding situations, as defined by GASB 67 and 68, for this plan.

The Board of Education of the Oconomowoc Area School District has the authority to modify the plan.

Employees participating in the OASD Retirement Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

| | |
|--|------------|
| Active plan members | 29 |
| Inactive plan members entitled to but not yet receiving benefits | 19 |
| Disabled plan members entitled to benefits | 1 |
| Retired plan members or beneficiaries currently receiving benefits | 73 |
| Total plan members | 122 |

The OASD Retirement Plan is closed to new entrants as of August 13, 2012.

OCONOMOWOC AREA SCHOOL DISTRICT
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Notes to Financial Statements
June 30, 2019
(Continued)

7. Oconomowoc Area School District Retirement Plan (Continued)

Plan Benefits

The following is a summary of plan provisions:

| | |
|----------------------------------|---|
| Plan Eligibility | |
| Class | Immediate plan entry on date of hire. An eligible employee means a full-time, non-certified staff employee of the employer and excludes an employee customarily employed by the employer for less than 10 months per year or an employee who participates in the Wisconsin Retirement System by nature of his employment with the employer. Entry into the plan was frozen effective 08/13/2012. After that date, no employee or former employee shall become an active participant, and no inactive participant or former participant shall again become an active participant. |
| Normal Retirement Benefit | |
| Age | Attained age 65 |
| Service | One year as active participant in plan |
| Form | Monthly annuity payable for life |
| Amount (accrued benefit) | 1.8% of average compensation times credited service. Maximum benefit equal to 70% of average compensation An active participant's retirement benefit under the normal form on his retirement date will not be less than the greater of his Required Contribution Accrued Benefit on his retirement date, or the monthly benefit under the normal form that is the actuarial equivalent of his Required Contribution Account on such date. |
| Early Retirement Benefit | |
| Requirements | Earlier of a) or b): a) Age 58 with 20 years of continuous experience b) Age 60 with 15 years of continuous experience |
| Form | Same as normal retirement benefits |
| Amount | Accrued benefit on early retirement date without reduction |
| Late Retirement Benefit | |
| Age | No maximum age |
| Form | Same as normal retirement benefit |
| Amount | Accrued benefit on late retirement date |
| Termination Benefit | |
| Vesting percentage | On or subsequent to six years of service 20%, plus 20% for each additional year in excess of six, up to 100% |
| Form | Same as Normal Retirement Benefit with income deferred until Normal Retirement Date |
| Amount | Accrued benefit on date of termination multiplied by vesting percentage |
| Disability Benefit | |
| Age | Attained age 45 |
| Service | Ten years of continuous service |
| Form | Monthly income payable until normal retirement, death or recovery |
| Amount | Accrued benefit as of date of disability adjusted for any plan benefit increases effective prior to retirement date Service while a participant is receiving a monthly disability benefit counts towards continuous service. This also applies to participants who are on long-term disability but not yet eligible for a monthly annuity. |
| Death benefit | |
| Active participants | Present value of the deferred Accrued Benefit payable immediately. Interest will be credited at 4% compounded annually from the date of death to the date of payment if over one year. |
| Inactive participants | Present value of the deferred Accrued Benefit calculated at date of termination with interest credited at 4% compounded annually to date of death. |

OCONOMOWOC AREA SCHOOL DISTRICT
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Notes to Financial Statements
June 30, 2019
(Continued)

7. Oconomowoc Area School District Retirement Plan (Continued)

Contributions

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses.

In accordance with the plan's governing document, employees may be required to contribute to the plan.

Employees are currently required to contribute 5.00% of salary.

For the year ended June 30, 2019, the District recognized OASD Retirement Plan contributions of \$605,243. Plan members receiving benefits contributed \$58,789.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date. Changes in the District's net pension liability were as follows:

| | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability (a-b) |
|---|--|---------------------------------------|--|
| Balance 6/30/18 - measurement date 6/30/17 | \$ 14,133,485 | \$ 9,642,395 | \$ 4,491,090 |
| Benefit payments made in the prior fiscal year | (894,399) | (894,399) | --- |
| Service cost | 200,531 | --- | 200,531 |
| Interest | 866,122 | --- | 866,122 |
| Differences between expected and actual | (103,159) | --- | (103,159) |
| Change in assumptions or other input | (60,950) | --- | (60,950) |
| Employee contributions | --- | 91,299 | (91,299) |
| Employer contributions | --- | 708,524 | (708,524) |
| Net investment income | --- | 859,074 | (859,074) |
| Administrative expenses | --- | (13,961) | 13,961 |
| Net changes | <u>8,145</u> | <u>750,537</u> | <u>(742,392)</u> |
| Balance 6/30/19 - measurement date 6/30/18 | \$ 14,141,630 | \$ 10,392,932 | \$ 3,748,698 |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

7. Oconomowoc Area School District Retirement Plan (Continued)

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to pensions

At June 30, 2019, the District reported a liability of \$3,748,698 for the OASD Retirement Plan net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. No material changes to benefit terms occurred between the actuarial valuation date and the measurement date.

For the year ended June 30, 2019, the District recognized pension expense of \$281,200.

At June 30, 2019, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 6,642 | \$ 44,877 |
| Changes in assumptions | --- | 31,656 |
| Net difference between projected and actual earnings on pension plan investments | --- | 193,921 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | --- | --- |
| Employer contributions subsequent to the measurement date | 605,243 | --- |
| Total | \$ 611,885 | \$ 270,454 |

The amount of \$605,243 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows (Inflows) of Resources |
|----------------------------|---|
| 2020 | \$ (22,452) |
| 2021 | (19,210) |
| 2022 | (170,056) |
| 2023 | (52,094) |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

7. Oconomowoc Area School District Retirement Plan (Continued)

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

| | |
|---|--|
| Actuarial Valuation Date: | June 30, 2018 |
| Measurement Date of Net Pension Liability | June 30, 2018 |
| Asset method | Market value of assets, as of the measurement date |
| Discount Rate and basis | 6.25% Long-term rate of return assumption |
| Municipal bond rate and basis | 3.93% Barclays Municipal GO Long Term (17+ Y) Index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date. |
| Actuarial Cost Method: | Entry age normal cost method, level percent of pay. Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages, through retirement. |
| Interest rate of employee accumulations | 4.00% as defined in plan document |
| Inflation | 2.00% increase per year |
| Upcoming salary increases | Table S-5 from the Actuary's Pension Handbook plus 1.5% |
| Compensation limit increase | 2.00% increase per year |
| Mortality | Total dataset mortality rates from RP-2006 (underlying baseline table from SOA RP-2014 study based on experience data for private pension plans as of 2006, the central year of experience data 2004-2008). |

Long-Term Rate of Return

The expected long-term rate of return assumption as of the end of period is 6.25%.

The actual weighted average asset allocation for the four quarterly dates from 09/30/2017 to 06/30/2018 is used as an approximation of the plan's target asset allocation over the upcoming period and is shown below. Based on this analysis we believe the assumption selected is in the range of reasonable rates that could be used for this period.

| <u>Asset Class</u> | <u>Expected arithmetic return</u> | <u>Expected geometric return</u> | <u>Target allocation %</u> |
|-------------------------------|---|--|--------------------------------|
| US Equity – Large Cap | 7.85% | 6.50% | 37.16% |
| US Equity – Mid Cap | 8.10 | 6.50 | 4.15 |
| US Equity – Small Cap | 8.55 | 6.50 | 2.16 |
| Non-US Equity | 8.10 | 6.50 | 20.26 |
| REITs | 7.95 | 6.10 | 0.41 |
| Real Estate (direct property) | 5.80 | 5.50 | 6.07 |
| Cash | 1.55 | 1.55 | 0.00 |
| TIPS | 3.05 | 2.85 | 0.61 |
| Core Bond | 3.75 | 3.60 | 21.67 |
| High Yield | 6.70 | 6.30 | 7.52 |

OCONOMOWOC AREA SCHOOL DISTRICT
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Notes to Financial Statements
June 30, 2019
(Continued)

7. Oconomowoc Area School District Retirement Plan (Continued)

Long-Term Rate of Return (Continued)

Basis used to determine expected long-term return on plan assets

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2016. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2016 is 20-30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies.

Money-Weighted Rate of Return

The annual money-weighted rate of return on plan investments, net of plan investment expense was 8.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to determine the end of period Total Pension Liability is 6.25%. The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2018 to 2106. Benefit payments after 2106 are projected to be \$0. The long-term rate of return of 6.25% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.93% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the June 30, 2018 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

Sensitivity of the District's net pension liability to changes in the discount rate. The following presents the District's net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

| | 1% Decrease to Discount Rate (5.25%) | | Current Discount Rate (6.25%) | | 1% Increase To Discount Rate (7.25%) |
|---|---|----|--|----|---|
| District's proportionate share of the net pension (asset) liability | \$ 5,369,286 | \$ | 3,748,698 | \$ | 2,391,008 |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

8. Other Post-Employment Benefits – Life Insurance

Plan Description

The Local Retiree Life Insurance Fund (“LRLIF”) is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (“ETF”) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

OPEB - LRLIF Plan Fiduciary Net Position

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

Benefits provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member’s working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of June 30, 2019 are:

| <u>Coverage Type</u> | <u>Employer Contribution</u> |
|------------------------------|-------------------------------------|
| 50% Post Retirement Coverage | 40% of employee contribution |
| 25% Post Retirement Coverage | 20% of employee contribution |

OCONOMOWOC AREA SCHOOL DISTRICT
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Notes to Financial Statements
June 30, 2019
(Continued)

8. Other Post-Employment Benefits – Life Insurance (Continued)

Contributions (Continued)

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are as listed below:

| |
|--|
| <p>Life Insurance Employee Contribution Rates* For the year ended December 31, 2018</p> |
|--|

| Attained Age | Basic | Supplemental |
|--|--------|--------------|
| Under 30 | \$0.05 | \$0.05 |
| 30-34 | 0.06 | 0.06 |
| 35-39 | 0.07 | 0.07 |
| 40-44 | 0.08 | 0.08 |
| 45-49 | 0.12 | 0.12 |
| 50-54 | 0.22 | 0.22 |
| 55-59 | 0.39 | 0.39 |
| 60-64 | 0.49 | 0.49 |
| 65-69 | 0.57 | 0.57 |
| *Disabled members under age 70 receive a waiver-of-premium benefit | | |

During the reporting period, the LRLIF recognized \$8,345 in contributions from the employer.

OPEB Liabilities – Life Insurance, OPEB Expense – Life Insurance, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Life Insurance

At June 30, 2019, the District reported a liability of \$1,117,720 for its proportionate share of the net OPEB liability – life insurance. The net OPEB liability – life insurance was measured as of December 31, 2018, and the total OPEB liability – life insurance used to calculate the net OPEB liability – life insurance was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net OPEB liability – life insurance was based on the District’s share of contributions to the OPEB – life insurance plan relative to the contributions of all participating employers. At December 31, 2018, the District’s proportion was 0.4332%, which was an increase of 0.0157% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$152,384.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

8. Other Post-Employment Benefits – Life Insurance (Continued)

OPEB Liabilities – Life Insurance, OPEB Expense – Life Insurance, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Life Insurance (Continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB – life Insurance from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ --- | \$ 56,701 |
| Net difference between projected and actual earnings on OPEB – life insurance plan investments | 26,712 | --- |
| Changes in assumptions | 106,648 | 242,277 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 57,646 | --- |
| Employer contributions subsequent to the measurement date | 4,680 | --- |
| Total | \$ 195,686 | \$ 298,978 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB – life Insurance will be recognized in OPEB – life Insurance expense as follows:

| <u>Year Ended June 30,</u> | | Deferred Outflows of Resources | | Deferred Inflows of Resources |
|----------------------------|----|---|----|--|
| 2020 | \$ | 41,334 | \$ | 48,898 |
| 2021 | | 36,654 | | 48,898 |
| 2022 | | 36,654 | | 48,898 |
| 2023 | | 32,903 | | 48,898 |
| 2024 | | 29,038 | | 48,898 |
| 2025 | | 19,103 | | 54,488 |

Actuarial assumptions

The total OPEB liability – life insurance in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | January 1, 2018 |
| Measurement Date of Net OPEB Liability (Asset) – Life Insurance | December 31, 2018 |
| Actuarial Cost Method: | Entry Age Normal |
| 20 Year Tax-Exempt Municipal Bond Yield: | 4.10% |
| Long-Term Expected Rate of Return: | 5.00% |
| Discount Rate: | 4.22% |
| Salary Increases | |
| Inflation: | 3.20% |
| Seniority/Merit: | 0.1% - 5.6% |
| Mortality: | Wisconsin 2018 Mortality Table |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

8. Other Post-Employment Benefits – Life Insurance (Continued)

Actuarial assumptions (Continued)

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure total OPEB liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The total OPEB liability for December 31, 2018 is based upon a roll-forward of the asset calculated from the December 31, 2017 actuarial valuation.

Long-term expected Return on Plan Asset. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Local OPEB – ETF Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2018

| <u>Asset Class</u> | <u>Index</u> | <u>Target Allocation</u> | <u>Long-Term Expected Geometric Real Rate of Return</u> |
|-----------------------------------|-------------------------|--------------------------|---|
| US Government Bonds | Barclays Government | 1% | 1.44% |
| US Credit Bonds | Barclays Credit | 40% | 2.69% |
| US Long Credit Bonds | Barclays Long Credit | 4% | 3.01% |
| US Mortgages | Barclays MBS | 54% | 2.25% |
| US Municipal Bonds | Bloomberg Barclays Muni | 1% | 1.68% |
| Inflation | | | 2.30% |
| Long-Term Expected Rate of Return | | | 5.00% |

Single Discount rate. A single discount rate of 4.22% was used to measure the total OPEB liability – life insurance for the current year as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability – life insurance is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

8. Other Post-Employment Benefits – Life Insurance (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability – life insurance to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability – life insurance calculated using the discount rate of 4.22 percent, as well as what the District's proportionate share of the net OPEB liability – life insurance would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

| | 1% Decrease to Discount Rate (3.22%) | Current Discount Rate (4.22%) | 1% Increase to Discount Rate (5.22%) |
|---|---|--|---|
| District's proportionate share of the net OPEB liability – life insurance | \$ 1,590,030 | \$ 1,117,720 | \$ 753,439 |

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

There were no payables to the OPEB – Life Insurance plan at June 30, 2019.

9. Supplemental Pension Plan

Description of Plan and Plan Benefits

The District administers a single-employer defined benefit supplemental pension plan to eligible employees. Eligible employees shall receive an annual contribution to a TSA plan upon retirement. Contribution requirements are established through personnel policy guidelines and may be amended by action of the governing board.

Employees participating in the supplemental pension plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

| | |
|--|------------|
| Retirees currently receiving benefit payments | 38 |
| Active employees fully eligible but not yet receiving benefit payments | --- |
| Active employees not fully eligible | 136 |
| Number of participating employees | 174 |

Benefit Payments

For fiscal year 2019, the District paid \$403,222 for supplemental pensions as benefits came due.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

9. Supplemental Pension Plan (Continued)

Total Supplemental Pension Liability

The District recognizes its *total supplemental pension liability*, rather than a *net supplemental pension liability*. In order for the District to recognize a *net supplemental pension liability*, assets must be accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

No assets are accumulated in a trust that meets all of the above criteria because the District's contributions are not irrevocable. Accordingly, the District's total supplemental pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total supplemental pension liability.

The District's total supplemental pension liability was determined by an actuarial valuation as of July 1, 2017, using a measurement date of June 30, 2019. Changes in the District's total supplemental pension liability were as follows:

| | | |
|---|----|-------------------------|
| Balance 6/30/18 - measurement date 6/30/18 | \$ | 2,733,977 |
| Changes for the year: | | |
| Service cost | | 20,941 |
| Interest on the total pension liability | | 11,759 |
| Benefit payments | | <u>(403,222)</u> |
| Net changes | | <u>(370,522)</u> |
| Balance 6/30/19- measurement date 6/30/19 | \$ | <u><u>2,363,455</u></u> |

Actuarial Assumptions

Actuarial assumptions used to determine the total supplemental pension liability as of June 30, 2019 were based on the results of an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. Key assumptions, applied to all periods included in the measurement, are as follows:

| | |
|----------------------------|--|
| Valuation date | July 1, 2017 |
| Measurement date | June 30, 2019 |
| Reporting date | June 30, 2019 |
| Actuarial cost method | Entry age normal (level percent of salary) |
| Discount rate | 3.75% (based on all years of projected payments discounted at a municipal bond rate of 3.75%) |
| Municipal bond rate source | Current yield for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher |
| Mortality assumptions | Wisconsin 2012 Mortality Table |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

9. Supplemental Pension Plan (Continued)

Discount Rate

The following presents the total supplemental pension liability calculated using the discount rate of 3.75%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1% lower (2.75%) or 1% higher (4.75%) than the current rate:

| | <u>1% Decrease to Discount Rate (2.75%)</u> | <u>Current Discount Rate (3.75%)</u> | <u>1% Increase to Discount Rate (4.75%)</u> |
|--------------------------------------|---|--|---|
| Total supplemental pension liability | \$ 2,487,936 | \$ 2,363,455 | \$ 2,244,864 |

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

For the year ended June 30, 2019, the District recognized pension expense of \$32,700. At June 30, 2019, the District did not have any deferred outflows of resources or deferred inflows of resources related to the supplemental pensions.

10. Other Postemployment Benefits

Description of Plan and Plan Benefits

The District administers a single-employer defined benefit healthcare plan. The District offers voluntary retirement benefits to its teachers, administrators, administrative assistants, custodians and other full-time employees who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other postemployment benefit ("OPEB"), the later commonly referred to as an implicit rate subsidy.

Employees participating in the plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

| | |
|--|------------|
| Retirees currently receiving benefit payments | 217 |
| Active employees fully eligible but not yet receiving benefit payments | --- |
| Active employees not fully eligible | --- |
| Number of participating employees | <u>217</u> |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

10. Other Postemployment Benefits (Continued)

Total OPEB Liability

No assets are accumulated in a trust that meets all the criteria in GASB Statement No. 75, paragraph 4 because the District's contributions are not irrevocable. Accordingly, the District's total OPEB liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total OPEB liability.

The District's total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017. Changes in the District's total OPEB liability were as follows:

| | | |
|---|-----------|-------------------------|
| Balance 6/30/18 - measurement date 6/30/18 | \$ | 3,548,518 |
| Changes for the year: | | |
| Service cost | | --- |
| Interest on the total OPEB liability | | 137,886 |
| Benefit payments | | <u>(920,145)</u> |
| Net changes | | <u>(782,259)</u> |
| Balance 6/30/19 - measurement date 6/30/19 | \$ | <u>2,766,259</u> |

Actuarial Assumptions

Actuarial assumptions used to determine the total OPEB liability as of June 30, 2019 were based on the results of an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. Key assumptions, applied to all periods included in the measurement, are as follows:

| | | | | |
|----------------------------|--|-------------|----------------|-------------|
| Valuation date | July 1, 2017 | | | |
| Measurement date | June 30, 2019 | | | |
| Reporting date | June 30, 2019 | | | |
| Actuarial cost method | Entry age normal (level percent of salary) | | | |
| Medical care trend | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> |
| | 2018 | 6.6% | 2023 and 2024 | 6.0% |
| | 2019 and 2020 | 7.0% | 2025 and 2026 | 5.5% |
| | 2021 and 2022 | 6.5% | 2027 and later | 5.0% |
| Discount rate | 3.75% (based on all years of projected payments discounted at a municipal bond rate of 3.75%) | | | |
| Municipal bond rate source | Current yield for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher | | | |
| Mortality assumptions | Wisconsin 2012 Mortality Table | | | |
| Salary increase | 2.00% | | | |

Discount Rate

The following presents the total OPEB liability calculated using the discount rate of 3.75%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.75%) or 1% higher (4.75%) than the current rate:

| | | | | | | |
|----------------------|----|--------------------|----|------------------|----|--------------------|
| | | 1% Decrease | | Current | | 1% Increase |
| | | (2.75%) | | (3.75%) | | (4.75%) |
| Total OPEB liability | \$ | <u>2,915,673</u> | \$ | <u>2,766,259</u> | \$ | <u>2,633,439</u> |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

10. Other Postemployment Benefits (Continued)

Healthcare Cost Trend Rates

The following presents the total OPEB liability calculated using the healthcare cost trend rate of 7.0% (decreasing to 5.5%), as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.0% decreasing to 4.5%) or 1% higher (8.0% decreasing to 6.5%) than the current rate:

| | 1% Decrease (6.0%) | | Healthcare Cost Trend Rates (7.0%) | | 1% Increase (8.0%) |
|----------------------|-------------------------------|----|---|----|-------------------------------|
| Total OPEB liability | \$ <u>2,751,960</u> | \$ | <u>2,766,259</u> | \$ | <u>2,779,445</u> |

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$915,302. At June 30, 2019, the District did not have any deferred outflows of resources or deferred inflows of resources related to the OPEB plan.

11. Limitation on School District Revenues

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

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

12. Risk Management

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

13. Commitments and Contingencies

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2019 are not likely to have a material adverse impact on the District's financial position.

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

The District entered into contracts for various construction and building improvement projects at the District's Buildings. As of June 30, 2019, the contract amounts for these projects totaled \$45,982,601, of which \$40,140,182 has been expended.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

14. Operating Leases

The District leases various equipment for administrative, staff and student services. Payments on these leases for the year ended June 30, 2019 totaled \$535,659. Future payments on these leases are as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|--------------------------|
| 2020 | \$ 514,783 |
| 2021 | 241,227 |
| 2022 | 17,758 |
| 2023 | <u>2,605</u> |
| Total | \$ <u>776,373</u> |

Subsequent to year-end the District entered into a new operating lease agreement. The lease requires annual payments of \$132,632 for a three-year term maturing August 31, 2021.

15. Effect of New Accounting Standards on Financial Statements

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

- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 87, *Leases*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*
- GASB Statement No. 90, *Majority equity interest (Amendment of GASBs 14 and 61)*
- GASB Statement No. 91, *Conduit debt obligations*

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

16. Prior Period Adjustments

Governmental Funds

Certain adjustments have been made to the June 30, 2018 fund balances in the governmental funds. An adjustment of \$636,368 was made during the year ended June 30, 2019 to increase the fund balances of the governmental funds as of June 30, 2018. The purpose of the corresponding entry was to record certain employee benefits in accordance with the modified accrual basis of accounting.

Fiduciary Funds

The prior year statement of fiduciary net position and statement of changes in fiduciary net position did not include the Employee Retirement Plan. An adjustment of \$10,392,932 was made to record beginning net position for the fiduciary fund.

Deferred Outflows

An adjustment has been made to the June 30, 2018 governmental activities net position in addition to those noted in the governmental funds discussion above. During the year ended June 30, 2019, it was discovered the wrong amount was reported for deferred outflows related pensions - Principal. An adjustment was made to increase the deferred outflows related pensions - Principal and net position by \$103,281 as of June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2019

| | <u>Fund 10 Budget</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|--|-----------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| Revenues: | | | | |
| Local | \$ 45,298,949 | \$ 45,298,949 | \$ 45,562,652 | \$ 263,703 |
| Interdistrict | 1,588,475 | 1,588,475 | 1,511,659 | (76,816) |
| Intermediate | 15,299 | 15,299 | 29,706 | 14,407 |
| State | 16,978,438 | 16,978,438 | 17,007,707 | 29,269 |
| Federal | 604,659 | 604,659 | 627,933 | 23,274 |
| Other | 100,000 | 100,000 | 298,978 | 198,978 |
| Total revenues | <u>64,585,820</u> | <u>64,585,820</u> | <u>65,038,635</u> | <u>452,815</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Current | 29,476,661 | 29,476,661 | 28,073,256 | 1,403,405 |
| Interdistrict | 3,715,000 | 3,715,000 | 3,582,124 | 132,876 |
| Capital outlay | 603,507 | 603,507 | 506,862 | 96,645 |
| Support Services: | | | | |
| Current | 22,605,652 | 22,605,652 | 22,127,048 | 478,604 |
| Capital outlay | 1,488,822 | 1,488,822 | 1,561,180 | (72,358) |
| Total expenditures | <u>57,889,642</u> | <u>57,889,642</u> | <u>55,850,470</u> | <u>2,039,172</u> |
| Excess of revenues over expenditures | <u>6,696,178</u> | <u>6,696,178</u> | <u>9,188,165</u> | <u>2,491,987</u> |
| Other Financing Sources (uses): | | | | |
| Operating transfers in (out) | (7,080,358) | (7,080,358) | (7,942,598) | (862,240) |
| Capital lease proceeds | 384,180 | 384,180 | 384,180 | --- |
| Total other financing sources (uses) | <u>(6,696,178)</u> | <u>(6,696,178)</u> | <u>(7,558,418)</u> | <u>(862,240)</u> |
| Special Item: | | | | |
| Insurance proceeds | --- | --- | 115,478 | 115,478 |
| Net change in fund balances | <u>---</u> | <u>---</u> | <u>1,745,225</u> | <u>1,745,225</u> |
| Fund Balances - Beginning of year | <u>20,777,698</u> | <u>20,777,698</u> | <u>20,777,698</u> | <u>---</u> |
| Prior period adjustment | --- | --- | 636,368 | (636,368) |
| Fund Balances - Beginning of year as adjusted | <u>20,777,698</u> | <u>20,777,698</u> | <u>21,414,066</u> | <u>(636,368)</u> |
| Fund Balances - End of year | <u>\$ 20,777,698</u> | <u>\$ 20,777,698</u> | <u>\$ 23,159,291</u> | <u>\$ 2,381,593</u> |

See Independent Auditors' Report and accompanying notes to required supplementary information.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2019

| | Fund 27 Budget | | | Variance with Final Budget Positive (Negative) |
|--|-----------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| Interdistrict | \$ 42,000 | \$ 42,000 | \$ 10,763 | \$ (31,237) |
| State | 1,800,000 | 1,800,000 | 1,898,513 | 98,513 |
| Federal | 1,622,757 | 1,622,757 | 1,343,155 | (279,602) |
| Total revenues | <u>3,464,757</u> | <u>3,464,757</u> | <u>3,252,431</u> | <u>(212,326)</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Current | 7,406,966 | 7,406,966 | 6,675,089 | 731,877 |
| Interdistrict | 165,000 | 165,000 | 43,430 | 121,570 |
| Capital outlay | 36,766 | 36,766 | 36,766 | --- |
| Support Services: | | | | |
| Current | 2,132,325 | 2,132,325 | 2,135,686 | (3,361) |
| Total expenditures | <u>9,741,057</u> | <u>9,741,057</u> | <u>8,890,971</u> | <u>850,086</u> |
| Excess (deficiency) of revenues over expenditures | (6,276,300) | (6,276,300) | (5,638,540) | 637,760 |
| Other Financing Sources (uses): | | | | |
| Operating transfers in (out) | 6,276,300 | 6,276,300 | 5,638,540 | (637,760) |
| Net change in fund balances | --- | --- | --- | --- |
| Fund Balances - Beginning of year | --- | --- | --- | --- |
| Fund Balances - End of year | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ ---</u> |

See Independent Auditors' Report and accompanying notes to required supplementary information.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Schedule of Proportionate Share of the Net Pension Asset (Liability)
Year Ended June 30, 2019

Wisconsin Retirement System
Last 10 Fiscal Years*

| WRS Fiscal Year End Date | Proportion of the Net Pension Asset (Liability) | Proportionate Share of the Net Pension Asset (Liability) | Covered Payroll | Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Asset (Liability) |
|-------------------------------------|--|---|------------------------|--|---|
| 12/31/2014 | 0.1623% | \$ 3,986,757 | \$ 22,746,966 | 17.53% | 102.74% |
| 12/31/2015 | 0.1631% | (2,650,790) | 23,459,384 | 11.30% | 98.20% |
| 12/31/2016 | 0.1648% | (1,358,099) | 24,061,306 | 5.64% | 99.12% |
| 12/31/2017 | 0.1668% | 4,953,838 | 25,039,290 | 19.78% | 102.93% |
| 12/31/2018 | 0.1676% | (5,962,934) | 25,742,711 | 23.16% | 96.45% |

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

*GASB Pronouncements 67 and 68 require the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

Schedule of Contributions
Year Ended June 30, 2019

Wisconsin Retirement System
Last 10 Fiscal Years*

| WRS Fiscal Year End Date | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------------|---|--|---|------------------------|---|
| 12/31/2014 | \$ 1,592,288 | \$ 1,592,288 | \$ --- | \$ 22,746,966 | 7.09% |
| 12/31/2015 | 1,595,228 | 1,595,228 | --- | 23,459,385 | 6.83% |
| 12/31/2016 | 1,590,654 | 1,590,654 | --- | 24,061,306 | 6.61% |
| 12/31/2017 | 1,702,671 | 1,702,671 | --- | 25,039,290 | 6.80% |
| 12/31/2018 | 1,724,759 | 1,724,759 | --- | 25,742,711 | 6.70% |

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

*GASB Pronouncements 67 and 68 require the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

See Independent Auditors' Report and accompanying notes to required supplementary information.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Schedule of Changes in Net Pension Liability and Related Ratios
Year Ended June 30, 2019

Oconomowoc Area School District Retirement Plan
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|
| Total Pension Liability | | | | | |
| Service Cost | \$ 200,531 | \$ 220,165 | \$ 218,183 | \$ 215,060 | \$ 211,418 |
| Interest | 866,122 | 845,526 | 882,292 | 833,064 | 809,416 |
| Benefit payments | (894,399) | (837,777) | (836,090) | (825,983) | (839,320) |
| Differences between expected and actual | (103,159) | 117,352 | (268,103) | 59,792 | 126,116 |
| Changes of assumptions | (60,950) | (90,807) | 1,054,344 | 421,208 | 18,056 |
| Change in benefit terms | --- | --- | --- | --- | --- |
| Net change in total pension liability | 8,145 | 254,459 | 1,050,626 | 703,141 | 325,686 |
| Total pension liability - beginning | 14,133,485 | 13,879,026 | 12,828,400 | 12,125,259 | 11,799,573 |
| Total pension liability - ending (a) | \$ 14,141,630 | \$ 14,133,485 | \$ 13,879,026 | \$ 12,828,400 | \$ 12,125,259 |
| Fiduciary Net Position | | | | | |
| Employee contributions | \$ 91,299 | \$ 98,633 | \$ 98,272 | \$ 111,166 | \$ 110,127 |
| Employer contributions | 708,524 | 579,908 | 523,846 | 388,834 | 428,990 |
| Net investment income | 859,074 | 1,113,491 | (141,839) | 290,135 | 1,400,303 |
| Benefit payments | (894,399) | (837,777) | (836,090) | (825,983) | (839,320) |
| Administrative expenses | (13,961) | (17,487) | (9,500) | (22,420) | (23,978) |
| Net change in fiduciary net position | 750,537 | 936,768 | (365,311) | (58,268) | 1,076,122 |
| Fiduciary net position - beginning | 9,642,395 | 8,705,627 | 9,070,938 | 9,129,206 | 8,053,084 |
| Fiduciary net position - ending (b) | \$ 10,392,932 | \$ 9,642,395 | \$ 8,705,627 | \$ 9,070,938 | \$ 9,129,206 |
| Net pension liability - ending (a) - (b) | \$ 3,748,698 | \$ 4,491,090 | \$ 5,173,399 | \$ 3,757,462 | \$ 2,996,053 |
| Fiduciary net position as a percentage of total pension liability | 73.49% | 68.22% | 62.73% | 70.71% | 75.29% |
| Covered payroll | \$ 1,730,464 | \$ 1,922,063 | \$ 1,976,451 | \$ 2,251,278 | \$ 2,302,404 |
| Net pension liability as a percentage of covered payroll | 216.63% | 233.66% | 261.75% | 166.90% | 130.13% |
| Measurement Date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| End of period assumptions: | | | | | |
| Long-term rate of return on assets | 6.25% | 6.25% | 6.25% | 7.00% | 7.00% |
| Interest rate | 6.25% | 6.25% | 6.25% | 7.00% | 7.00% |
| Salary increase assumption | S5 + 1.50% |
| COLA increase assumption | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Retirement age assumption | Table | Table | Table | Table | Table |
| Plan changes | None | None | None | None | None |

*GASB Pronouncement 67 and 68 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

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

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Schedule of Employer Contributions
Year Ended June 30, 2019

Oconomowoc Area School District Retirement Plan
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|--------------------|--------------------|------------------|---------------|
| Actuarial determined ER contributions | \$ 511,332 | \$ 523,492 | \$ 465,979 | \$ 446,701 | \$ 539,117 |
| ER contributions received by the plan | 708,524 | 579,908 | 523,846 | 388,834 | 539,117 |
| Contribution deficiency/(excess) | \$ (197,192) | \$ (56,416) | \$ (57,867) | \$ 57,867 | \$ - |
| Covered payroll | \$ 1,730,464 | \$ 1,922,063 | \$ 1,976,451 | \$ 2,251,278 | \$ 2,302,404 |
| ER contributions received as a percentage of covered employee payroll | 40.94% | 30.17% | 26.50% | 17.27% | 23.42% |
| Measurement Date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

Actuarial Determined Contributions Methods and Assumptions:

| | Entry age normal |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarial cost method | Market value |
| Asset valuation method | 6.25% | 6.25% | 6.25% | 7.00% | 7.00% |
| Long-term rate of return on assets | 6.25% | 6.25% | 6.25% | 7.00% | 7.00% |
| Interest rate | S5 + 1.50% |
| Salary increase assumption | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| COLA increase assumption | Table | Table | Table | Table | Table |
| Retirement age assumption | None | None | None | None | None |
| Plan changes | | | | | |

*GASB Pronouncement 67 and 68 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

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

Schedule of Investment Returns
Year Ended June 30, 2019

Oconomowoc Area School District Retirement Plan
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted return on plan investments, net of investment | 8.97% | 13.28% | -1.62% | 3.26% | 17.85% |

*GASB Pronouncement 67 and 68 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

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

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Schedule of Proportionate Share of the Net OPEB - Life Insurance Asset (Liability)
Year Ended June 30, 2019

Local Retiree Life Insurance
Last 10 Fiscal Years*

| WRS Fiscal Year | District's Proportion of the Net OPEB - Life Insurance Asset (Liability) | District's Proportionate Share of the Net OPEB - Life Insurance Asset (Liability) | District's Covered- Employee Payroll | Net OPEB - Life Insurance Asset (Liability) as a Percentage of Covered- Employee Payroll | Plan Fiduciary Net Position as a Percentage of Total OPEB - Life Insurance Asset (Liability) |
|------------------------|---|--|---|---|---|
| End Date | | | | | |
| 12/31/2017 | 0.4175% | \$ (1,256,031) | \$ 17,556,354 | 7.15% | 44.81% |
| 12/31/2018 | 0.4332% | (1,117,720) | 26,376,000 | 4.24% | 48.69% |

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

*GASB Pronouncement 75 requires the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

Schedule of Contributions - OPEB - Life Insurance
Year Ended June 30, 2019

Local Retiree Life Insurance
Last 10 Fiscal Years*

| WRS Fiscal Year | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered- Employee Payroll | Contributions as a Percentage of Covered- Employee Payroll |
|------------------------|---|--|---|----------------------------------|---|
| End Date | | | | | |
| 12/31/2017 | \$ 7,928 | \$ 7,928 | \$ --- | \$ 17,556,354 | 0.05% |
| 12/31/2018 | 8,345 | 8,345 | --- | 26,376,000 | 0.03% |

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

*GASB Pronouncement 75 requires the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

See Independent Auditors' Report and accompanying notes to required supplementary information.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Schedule of Changes in Total Supplemental Pension Liability and Related Ratios

Year Ended June 30, 2019

Last 10 Fiscal Years*

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|
| Total Supplemental Pension Liability | | | |
| Service Cost | \$ 20,941 | \$ 22,723 | \$ 38,949 |
| Interest | 11,759 | 12,783 | 60,609 |
| Change of benefit terms | --- | --- | --- |
| Differences between expected and actual experiences | --- | --- | --- |
| Changes of assumptions or other input | --- | --- | --- |
| Effect of plan changes** | --- | 1,647,553 | 5,653,916 |
| Benefit payments | (403,222) | (555,919) | (580,417) |
| Net change in total supplemental pension liability | <u>(370,522)</u> | <u>1,127,140</u> | <u>5,173,057</u> |
| Total supplemental pension liability - beginning | <u>2,733,977</u> | <u>1,606,837</u> | <u>(3,566,220)</u> |
| Total supplemental pension liability - ending | <u>\$ 2,363,455</u> | <u>\$ 2,733,977</u> | <u>\$ 1,606,837</u> |
| Covered payroll | \$ 33,117,408 | \$ 31,593,543 | \$ 31,052,000 |
| Total supplemental pension liability as a percentage of covered payroll | 7.1% | 8.7% | 5.2% |
| Measurement Date | June 30, 2019 | June 30, 2018 | June 30, 2017 |

*GASB Pronouncement 73 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

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

**Plan changes reflect change from OPEB to pension benefit for those retiring after 6/30/18.

See Independent Auditors' Report and accompanying notes to required supplementary information.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Schedule of Changes in Total OPEB Liability and Related Ratios

Year Ended June 30, 2019

Last 10 Fiscal Years*

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Total OPEB Liability | | |
| Service Cost | \$ --- | \$ --- |
| Interest | 137,886 | 167,027 |
| Change of benefit terms | --- | --- |
| Differences between expected and actual experiences | --- | --- |
| Changes of assumptions or other input | --- | --- |
| Benefit payments | (920,145) | (1,072,549) |
| Net change in total OPEB liability | <u>(782,259)</u> | <u>(905,522)</u> |
| Total OPEB liability - beginning | <u>3,548,518</u> | <u>4,454,040</u> |
| Total OPEB liability - ending | <u>\$ 2,766,259</u> | <u>\$ 3,548,518</u> |
| Covered-employee payroll | \$ 33,117,408 | \$ 31,593,543 |
| Total OPEB liability as a percentage of covered-employee payroll | 8.4% | 11.2% |
| Measurement Date | June 30, 2019 | June 30, 2018 |

*GASB Pronouncement 75 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

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

See Independent Auditors' Report and accompanying notes to required supplementary information.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Required Supplementary Information
June 30, 2019

Note A – Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with GAAP. An explanation of the differences between revenues, expenditures, and other financing sources (uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below.

| | General Fund | Special Education Fund |
|---|---------------------|-----------------------------------|
| Revenues | | |
| Actual amounts (budgetary basis) | \$ 65,038,635 | \$ 3,252,431 |
| Reclassification of special education | 3,252,431 | (3,252,431) |
| Total revenues (GAAP) | 68,291,066 | --- |
| Expenditures | | |
| Actual amounts (budgetary basis) | 55,850,470 | 8,890,971 |
| Reclassification of special education | 8,890,971 | (8,890,971) |
| Total expenditures (GAAP) | 64,741,441 | --- |
| Excess of Revenues Over (Under) Expenditures | | |
| Actual amounts (budgetary basis) | 9,188,165 | (5,638,540) |
| Reclassification of special education | (5,638,540) | 5,638,540 |
| Excess of revenues over (under) expenditures (GAAP) | 3,549,625 | --- |
| Other Financing Sources (Uses) | | |
| Actual amounts (budgetary basis) | (7,558,418) | 5,638,540 |
| Reclassification of special education | 5,638,540 | (5,638,540) |
| Total other financing sources (uses) (GAAP) | (1,919,878) | --- |
| Other Financing Sources (Uses) | | |
| Actual amounts (budgetary basis) | 115,478 | --- |
| Reclassification of special education | --- | --- |
| Total other financing sources (uses) (GAAP) | 115,478 | --- |
| Net Change in Fund Balance | | |
| Actual amounts (budgetary basis and GAAP) | 1,745,225 | --- |
| Fund Balance – Beginning of year | | |
| Actual amounts (budgetary basis and GAAP) | 20,777,698 | --- |
| Prior Period Adjustment (budgetary basis and GAAP) | 636,368 | --- |
| Fund Balance – Beginning of year as adjusted | 21,414,066 | --- |
| Fund Balance – End of year | | |
| Actual amounts (budgetary basis and GAAP) | \$ 23,159,291 | \$ --- |

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Required Supplementary Information
June 30, 2019
(Continued)

Note B – Excess of Actual Expenditures over Budget in Individual Funds

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2019:

| | |
|--------------------------------|------------|
| <u>General:</u> | |
| Instructional staff services | \$ 100,307 |
| Business administration | 156,711 |
| Transfers to another fund | 862,240 |
| Other non-program transactions | 77,998 |
| <u>Special education:</u> | |
| Pupil services | \$ 23,542 |
| Instructional staff services | 5,084 |

The excess expenditures were funded with revenues in excess of budget and existing fund balances.

Note C – Wisconsin Retirement System

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

Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015-2017. Based on the experience study conducted in 2018, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

Note D – Oconomowoc Area School District Retirement Plan

There were no changes of benefit terms. The mortality assumption has been updated to reflect historical data to 2015. No methods affecting the comparability of results were changed since the last valuation report was completed.

Note E – Local Retiree Life Insurance Fund

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

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

Note F – Supplemental Pension Plan Information

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 73, paragraph 4:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

There were no changes to the supplemental pension plan that significantly affect trends in amounts reported.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Notes to Required Supplementary Information
June 30, 2019
(Continued)

Note F – Supplemental Pension Plan Information (Continued)

Methods and assumptions used in calculating actuarially determined contributions include:

| | |
|----------------------------|--|
| Valuation date | July 1, 2017 |
| Measurement date | June 30, 2019 |
| Reporting date | June 30, 2019 |
| Actuarial cost method | Entry age normal (level percent of salary) |
| Discount rate | 3.75% (based on all years of projected payments discounted at a municipal bond rate of 3.75%) |
| Municipal bond rate source | Current yield for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher |
| Mortality assumptions | Wisconsin 2012 Mortality Table |

Note G – OPEB Plan Information

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75, paragraph 4:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

There were no changes to the OPEB plan that significantly affect trends in amounts reported.

Methods and assumptions used in calculating actuarially determined contributions include:

| | | | | |
|----------------------------|--|-------------|----------------|-------------|
| Valuation date | July 1, 2017 | | | |
| Measurement date | June 30, 2019 | | | |
| Reporting date | June 30, 2019 | | | |
| Actuarial cost method | Entry age normal (level percent of salary) | | | |
| Medical care trend | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> |
| | 2018 | 6.6% | 2023 and 2024 | 6.0% |
| | 2019 and 2020 | | 2025 and 2026 | 5.5% |
| | 2021 and 2022 | | 2027 and later | 5.0% |
| Discount rate | 3.75% (based on all years of projected payments discounted at a municipal bond rate of 3.75%) | | | |
| Municipal bond rate source | Current yield for a 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher | | | |
| Mortality assumptions | Wisconsin 2012 Mortality Table | | | |
| Salary increases | 2.00% | | | |

OTHER SUPPLEMENTARY INFORMATION

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2019

| | Special Revenue <u>Trust</u> | Debt Service | Food Service | Community Service | <u>Total</u> |
|--|---|-------------------------|-------------------------|------------------------------|-------------------------|
| Assets: | | | | | |
| Cash | \$ 515,451 | \$ 68,411 | \$ 765,057 | \$ 4,505 | \$ 1,353,424 |
| Investments | --- | 1,887,783 | --- | --- | 1,887,783 |
| Accounts receivable | --- | --- | 44,703 | --- | 44,703 |
| Prepaid expenditures | --- | --- | --- | 74 | 74 |
| Total assets | \$ 515,451 | \$ 1,956,194 | \$ 809,760 | \$ 4,579 | \$ 3,285,984 |
| Liabilities and Fund Balances: | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 687 | \$ --- | \$ 40,076 | \$ 38 | \$ 40,801 |
| Accrued salaries and related items | --- | --- | --- | 4,541 | 4,541 |
| Other deposits payable | --- | --- | 173 | --- | 173 |
| Unearned revenue | --- | --- | 55,199 | --- | 55,199 |
| Total liabilities | 687 | --- | 95,448 | 4,579 | 100,714 |
| Fund Balances: | | | | | |
| Restricted | 514,764 | 1,956,194 | 714,312 | --- | 3,185,270 |
| Total fund balance | 514,764 | 1,956,194 | 714,312 | --- | 3,185,270 |
| Total liabilities and fund balances | \$ 515,451 | \$ 1,956,194 | \$ 809,760 | \$ 4,579 | \$ 3,285,984 |

See Independent Auditors' Report.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2019

| | Special Revenue <u>Trust</u> | Debt <u>Service</u> | Food <u>Service</u> | Community <u>Service</u> | <u>Total</u> |
|---|---|--------------------------------|--------------------------------|-------------------------------------|---------------------|
| Revenues: | | | | | |
| Local | \$ 383,630 | \$ 7,770,232 | \$ 1,527,123 | \$ 606,872 | \$ 10,287,857 |
| State | --- | --- | 13,997 | --- | 13,997 |
| Federal | --- | --- | 414,255 | --- | 414,255 |
| Total revenues | 383,630 | 7,770,232 | 1,955,375 | 606,872 | 10,716,109 |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Current | 372,102 | --- | --- | 18,447 | 390,549 |
| Support Services: | | | | | |
| Current | 31,840 | --- | 1,718,047 | 588,425 | 2,338,312 |
| Capital outlay | --- | --- | 132,040 | --- | 132,040 |
| Debt service | --- | 8,362,864 | --- | --- | 8,362,864 |
| Total expenditures | 403,942 | 8,362,864 | 1,850,087 | 606,872 | 11,223,765 |
| Excess (deficiency) of revenues overexpenditures | (20,312) | (592,632) | 105,288 | --- | (507,656) |
| Other Financing Sources: | | | | | |
| Operating transfers | --- | 804,058 | --- | --- | 804,058 |
| Total other financing sources | --- | 804,058 | --- | --- | 804,058 |
| Net change in fund balances | (20,312) | 211,426 | 105,288 | --- | 296,402 |
| Fund Balances - Beginning of year | 535,076 | 1,744,768 | 609,024 | --- | 2,888,868 |
| Fund Balances - End of year | \$ 514,764 | \$ 1,956,194 | \$ 714,312 | \$ --- | \$ 3,185,270 |

See Independent Auditors' Report.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Agency Fund - Schedule of Changes in Assets and Liabilities

June 30, 2019

| | Balance | | | Balance |
|------------------------------------|-----------------------------|-------------------------|--------------------------|-----------------------------|
| | <u>June 30, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2019</u> |
| Assets: | | | | |
| Cash | \$ 327,388 | \$ 1,138,017 | \$ 1,145,945 | \$ 319,460 |
| Liabilities: | | | | |
| Accounts payable | \$ 404 | 245,852 | 246,254 | \$ 2 |
| Other deposits payable | 280 | 70 | 20 | 330 |
| Due to student groups: | | | | |
| Elementary schools | 6,604 | 1,897 | 1,933 | 6,568 |
| Intermediate schools | 55,354 | 100,854 | 100,653 | 55,555 |
| High School | 264,746 | 789,344 | 797,085 | 257,005 |
| Total due to student groups | <u>326,704</u> | <u>892,095</u> | <u>899,671</u> | <u>319,128</u> |
| Total liabilities | <u>\$ 327,388</u> | <u>\$ 1,138,017</u> | <u>\$ 1,145,945</u> | <u>\$ 319,460</u> |

See Independent Auditors' Report.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2019

| Awarding Agency | State | Pass-Through | Accrued or | | State | Accrued or | | |
|---|----------------------|---------------------------|--------------------------|------------------------|----------------------------|--------------------------|----------------------|--|
| Pass-Through Agency | I.D. | Entity Identifying | (Unearned) | | Disbursements/ | (Unearned) | Subrecipient | |
| <u>Award Description</u> | <u>Number</u> | <u>Number</u> | <u>Revenue at</u> | <u>Receipts</u> | <u>Expenditures</u> | <u>Revenue at</u> | <u>Awards</u> | |
| | | | <u>7/1/18</u> | | | <u>6/30/19</u> | | |
| Wisconsin Department of Public Instruction | | | | | | | | |
| Special education and school-age parents ** | 255.101 | 674060-100 | \$ --- | \$ 1,804,071 | \$ 1,804,071 | \$ --- | \$ --- | |
| State school lunch aid | 255.102 | 674060-107 | --- | 12,339 | 12,339 | --- | --- | |
| Common school fund library aid | 255.103 | 674060-104 | --- | 233,336 | 233,324 | (12) | --- | |
| General transportation aid | 255.107 | 674060-102 | --- | 143,564 | 143,564 | --- | --- | |
| Equalization aids | 255.201 | 674060-116 | 208,562 | 9,926,280 | 9,927,382 | 209,664 | --- | |
| High cost special education aid | 255.210 | 674060-119 | --- | 73,442 | 73,442 | --- | --- | |
| Personal electronic computing device | 255.296 | 674060-175 | --- | 58,250 | 58,250 | --- | --- | |
| AODA program grants | 255.321 | 674060-142 | 1,000 | 1,000 | --- | --- | --- | |
| State school breakfast aid | 255.344 | 674060-108 | --- | 1,658 | 1,658 | --- | --- | |
| Educator effectiveness evaluation system grant | 255.940 | 674060-154 | 31,262 | 31,262 | 33,452 | 33,452 | --- | |
| Per pupil aid | 255.945 | 674060-113 | --- | 3,620,544 | 3,620,544 | --- | --- | |
| Career and technical education initiative grant | 255.950 | 674060-152 | --- | 22,000 | 22,000 | --- | --- | |
| Passed through Waukesha County Technical College | | | | | | | | |
| Career and technical education incentive grants | 255.950 | 768808-152 | --- | 1,355 | 1,355 | --- | --- | |
| Assessments of reading readiness | 255.956 | 674060-166 | --- | 13,715 | 13,715 | --- | --- | |
| Robotics league participation grant | 255.959 | 674060-167 | --- | 2,126 | 2,126 | --- | --- | |
| Aid for special education transition grant BBL | 255.960 | 674060-168 | --- | 21,000 | 21,000 | --- | --- | |
| Total Wisconsin Department of Public Instruction | | | 240,824 | 15,965,942 | 15,968,222 | 243,104 | --- | |
| Wisconsin Department of Justice | | | | | | | | |
| Safety grant | 455.206 | Not available | --- | 123,950 | 123,950 | --- | --- | |
| Wisconsin Department of Workforce Development | | | | | | | | |
| Passed through Waukesha County Technical College | | | | | | | | |
| Youth apprenticeship grant | 445.107 | Not available | --- | 17,593 | 17,593 | --- | --- | |
| Total | | | \$ 240,824 | \$ 16,107,485 | \$ 16,109,765 | \$ 243,104 | \$ --- | |

** Total DPI aidable expenditures for the year ended June 30, 2019 were \$7,600,793.

See Independent Auditors' Report and accompanying notes to schedules of expenditures of federal and state awards.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

| Awarding Agency | Federal Catalog | Pass-Through Entity Identifying Number | Accrued or (Unearned) Revenue at 7/1/18 | Receipts | Federal Disbursements/ Expenditures | Accrued or (Unearned) Revenue at 6/30/19 | Subrecipient Awards |
|--|------------------------|---|--|---------------------|--|---|----------------------------|
| U.S. Department of Agriculture | | | | | | | |
| Passed through Wisconsin Department of Public Instruction: | | | | | | | |
| <i>Child Nutrition Cluster:</i> | | | | | | | |
| <i>School Breakfast Program:</i> | | | | | | | |
| Food Service Aid School Breakfast | 10.553 | 2019-674060-SB-546 | \$ --- | \$ 21,911 | \$ 21,911 | \$ --- | \$ --- |
| <i>National School Lunch Program:</i> | | | | | | | |
| Donated Commodities - noncash | 10.555 | N/A | --- | 74,911 | 74,911 | --- | --- |
| Food Service Aid National School Lunch | 10.555 | 2019-674060-NSL-547 | --- | 317,433 | 317,433 | --- | --- |
| <i>Total National School Lunch Program</i> | | | --- | <u>392,344</u> | <u>392,344</u> | --- | --- |
| <i>Total Child Nutrition Cluster</i> | | | --- | <u>414,255</u> | <u>414,255</u> | --- | --- |
| Total U.S. Department of Agriculture | | | --- | <u>414,255</u> | <u>414,255</u> | --- | --- |
| U.S. Department of Health and Human Services | | | | | | | |
| Passed through Wisconsin Department of Health Services: | | | | | | | |
| <i>Medicaid Cluster:</i> | | | | | | | |
| Medical Assistance Program | 93.778 | 44208700 | 39,623 | 482,289 | 485,096 | 42,430 | --- |
| Total Medicaid Cluster and U.S. Department of Health and Human Services | | | 39,623 | 482,289 | 485,096 | 42,430 | --- |
| U.S. Department of Education | | | | | | | |
| School Climate Transformation Grant | 84.184G | N/A | --- | 1,500 | 1,500 | --- | --- |
| Passed through Wisconsin Department of Public Instruction: | | | | | | | |
| Title II-A Teacher and Principal Training | 84.367 | 2019-674060-TIIA-365 | 31,802 | 92,499 | 83,832 | 23,135 | --- |
| Student Support and Academic Enrichment | 84.424 | 2019-674060-TIVA-381 | 9,953 | 17,398 | 8,699 | 1,254 | --- |
| Carl Perkins Act Formula Allocation Grant | 84.048 | 2019-674060-CTE-400 | 24,291 | 24,291 | 28,007 | 28,007 | --- |
| <i>Title I:</i> | | | | | | | |
| Title I-A Basic | 84.010 | 2019-674060-TIA-141 | 96,345 | 338,611 | 299,197 | 56,931 | --- |
| Title I-D Neglected LEA | 84.010 | 2019-674060-TI-D Neglected-149 | 27,897 | 76,623 | 73,247 | 24,521 | --- |
| <i>Total Title I</i> | | | 124,242 | 415,234 | 372,444 | 81,452 | --- |
| <i>Special Education Cluster:</i> | | | | | | | |
| <i>Special Education - Grants to State:</i> | | | | | | | |
| High Cost Special Education | 84.027 | 2019-674060-IDEA-FT-341 | --- | 19,633 | 19,633 | --- | --- |
| IDEA Flow Through | 84.027 | 2019-674060-IDEA-FT-341 | 181,034 | 912,808 | 949,971 | 218,197 | --- |
| IDEA Discretionary | 84.027 | 2019-674060-IDEA-FT-341 | 3,482 | 3,482 | --- | --- | --- |
| <i>Total Special Education - Grants to State</i> | | | 184,516 | 935,923 | 969,604 | 218,197 | --- |
| <i>Special Education - Preschool Grants:</i> | | | | | | | |
| IDEA Preschool Entitlement | 84.173 | 2019-674060-IDEA-PS-347 | 7,891 | 25,141 | 21,906 | 4,656 | --- |
| <i>Total Special Education Cluster</i> | | | 192,407 | 961,064 | 991,510 | 222,853 | --- |
| Passed through CESA 1: | | | | | | | |
| Title III Immigrant Children and Youth Grant | 84.365 | 2019-749901-TIIIA-391 | --- | 10,759 | 10,759 | --- | --- |
| Total U.S. Department of Education | | | 382,695 | 1,522,745 | 1,496,751 | 356,701 | --- |
| Total | | | <u>\$ 422,318</u> | <u>\$ 2,419,289</u> | <u>\$ 2,396,102</u> | <u>\$ 399,131</u> | <u>\$ ---</u> |

See Independent Auditors' Report and accompanying notes to schedules of expenditures of federal and state awards.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Notes to Schedules of Expenditures of Federal and State Awards

June 30, 2019

1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2019. The information in this schedule 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*, issued by the Wisconsin Department of Instruction. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance and *Wisconsin Public School District Audit Manual*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. Noncash Awards

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year are included in the federal expenditures presented in the Schedule. There are no balances outstanding as of June 30, 2019.

David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
Carrie A. Gindt



Patrick G. Hoffert
Jason J. Wrasse
Joshua T. Bierbach

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

To the School Board
Oconomowoc Area School District
Oconomowoc, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oconomowoc Area School District (the "District") as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Reilly, Penner & Benton LLP

November 21, 2019
Milwaukee, Wisconsin

David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
Carrie A. Gindt



Patrick G. Hoffert
Jason J. Wrasse
Joshua T. Bierbach

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

To the School Board
Oconomowoc Area School District
Oconomowoc, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Oconomowoc Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and Wisconsin State Single Audit Guidelines that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2019. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Reilly, Penner & Benton LLP

November 21, 2019
Milwaukee, Wisconsin

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Schedule of Prior Audit Findings
Year Ended June 30, 2019

Reference Number: 2018-001

Description: Handicapped Pupils and School-Age Parents

Condition: The special education student was not listed on special education routes or general pupil transportation routes. The District did not have a procedure in place to prevent or detect this situation.

Auditors' Recommendation: The District should implement procedures to check for students receiving special education transportation.

Status: This condition was corrected as of June 30, 2019.

OCONOMOWOC AREA SCHOOL DISTRICT
Oconomowoc, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

A. Summary of Auditors Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| A. Material weakness(es) identified: | No |
| B. Significant deficiency(ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No |
| 7. Identification of major programs: | |

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| | <u>Special Education Cluster:</u> |
| 84.027 | High Cost Special Education |
| 84.027 | IDEA Flow Through |
| 84.027 | IDEA Discretionary |
| 84.173 | IDEA Preschool Entitlement |
| 93.778 | Medical Assistance Program |

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

A. Summary of Auditors Results (Continued)

State Awards

10. Internal control over major programs:

- A. Material weakness(es) identified No
- B. Significant deficiency(ies) identified that are not considered to be material weakness? None reported

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

12. Any audit findings disclosed that are required to be reported in accordance with Wisconsin State Single Audit Guidelines? No

13. Identification of major state programs:

| <u>State ID Number</u> | <u>Name of State Program or Cluster</u> |
|------------------------|--|
| 255.101 | Special education and school-age parents |
| 255.201 | Equalization aid |

14. Dollar threshold used to distinguish between type A and type B programs \$250,000

B. Financial Statement Findings

Finding 2019-001 Adjusting Journal Entries

Condition and Criteria: Audit adjustments were required to prevent the District's financial statements from being misstated.

Effect: If the condition went uncorrected, the District's financial statements would be misstated.

Cause: Incorrect information was provided by previous auditors regarding the proper recording of certain payroll benefit transactions in accordance with accounting principles generally accepted in the United States of America.

Auditors' Recommendation: We recommend that management review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process. This would reduce the likelihood of this comment in the future and also increase the accuracy of interim financial statements.

View of Responsible Officials and Corrective Action Plan: See attachment for District's corrective action plan.

C. Federal and State Award Findings and Questioned Costs

No matters were reported.

OCONOMOWOC AREA SCHOOL DISTRICT

Oconomowoc, Wisconsin

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2019

D. Other Issues

1. Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the Wisconsin State Single Audit Guidelines:

Department of Public Instruction No

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner


Carrie A. Gindt

5. Date of Report

November 21, 2019

915 E. Summit Avenue • Oconomowoc, WI 53066
p 262-560-2119 • f 262-560-2103 • e SheridaB@oasd.org • oasd.org

Corrective Action Plan

Reference Number: 2019-001

Description: Significant Audit Adjusting Journal Entries

Corrective Action Plan:

We have booked any required entries and will continue to make sure our liabilities are recorded on the modified accrual basis of accounting going forward.

Anticipated Corrective Action Plan Completion Date: Ongoing.

Contact Information: For additional information regarding this finding please contact Beth Sheridan, Director of Business Services at 262-560-2119

Name: Beth Sheridan

Title: Director of Business Services

Telephone: 262-560-2119