

School District of Beloit  
Beloit, Wisconsin  
**ANNUAL FINANCIAL REPORT**  
June 30, 2019



# School District of Beloit

## Beloit, Wisconsin

JUNE 30, 2019

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# School District of Beloit

## Beloit, Wisconsin

JUNE 30, 2019

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### ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS

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## Independent auditors' report

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

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Beloit, Beloit, Wisconsin (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 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 auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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

### Prior Year Summarized Financial Information

The 2018 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated November 28, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 33 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### 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 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin  
November 29, 2019



BASIC FINANCIAL STATEMENTS

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# School District of Beloit

## Beloit, Wisconsin

### STATEMENT OF NET POSITION

JUNE 30, 2019

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and investments	\$ 25,400,903	\$ 32,616,885
Receivables		
Taxes	3,555,690	3,284,952
Accounts	101,588	78,509
Due from other governments	3,415,403	3,530,018
Inventories and prepaid items	353,910	223,587
Net pension asset	-	8,225,997
Net OPEB asset	2,420,755	-
Capital assets		
Nondepreciable	11,415,748	6,990,731
Depreciable, net	117,905,912	113,386,076
Total assets	164,569,909	168,336,755
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related amounts	24,938,870	14,088,824
Other postemployment related amounts	23,240	17,148
Total deferred outflows of resources	24,962,110	14,105,972
<b>LIABILITIES</b>		
Accounts payable	715,336	1,824,300
Accrued and other current liabilities	6,234,441	6,071,553
Accrued interest payable	449,675	552,261
Due to other governments	150	-
Unearned revenues	11,382	9,334
Deposits payable	1,474,669	1,426,248
Health and dental claims payable	1,590,917	1,299,534
Long-term obligations		
Due in one year	4,053,066	5,068,941
Due in more than one year	57,649,010	62,608,062
Other postemployment benefits liability	-	2,249,491
Net pension liability	9,535,829	-
Total liabilities	81,714,475	81,109,724
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related amounts	13,129,933	16,196,957
Other postemployment related amounts	2,407,746	-
Total deferred inflows of resources	15,537,679	16,196,957
<b>NET POSITION</b>		
Net investment in capital assets	68,641,472	57,997,981
Restricted	8,539,235	14,817,872
Unrestricted	15,099,158	12,320,193
Total net position	\$ 92,279,865	\$ 85,136,046

The notes to the basic financial statements are an integral part of this statement.

# School District of Beloit

## Beloit, Wisconsin

### STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2019	2018
GOVERNMENTAL ACTIVITIES					
Instruction					
Regular instruction	\$ 32,550,044	\$ 1,362,422	\$ 5,874,499	\$ (25,313,123)	\$ (23,225,124)
Vocational instruction	1,809,896	5,275	150,898	(1,653,723)	(1,658,950)
Special education instruction	9,988,479	-	4,369,350	(5,619,129)	(4,537,133)
Other instruction	6,496,821	380,359	402,313	(5,714,149)	(5,498,701)
Total instruction	50,845,240	1,748,056	10,797,060	(38,300,124)	(34,919,908)
Support services					
Pupil services	6,607,184	-	450,613	(6,156,571)	(5,319,693)
Instructional staff services	5,325,456	335	1,217,968	(4,107,153)	(3,370,662)
General administration services	1,697,829	-	-	(1,697,829)	(1,532,615)
School administration services	4,437,690	-	-	(4,437,690)	(4,014,295)
Business services	1,178,696	-	-	(1,178,696)	(1,106,754)
Operations and maintenance of plant	10,769,981	15	1,217	(10,768,749)	(10,925,523)
Pupil transportation services	2,627,095	53,056	1,159,425	(1,414,614)	(1,268,542)
Food services	4,713,913	47,417	5,021,246	354,750	665,157
Central services	2,169,596	-	46,058	(2,123,538)	(3,240,966)
Insurance	533,544	-	-	(533,544)	(502,426)
Other support services	1,066,140	-	33,048	(1,033,092)	(39,119)
Total support services	41,127,124	100,823	7,929,575	(33,096,726)	(30,655,438)
Non-program					
General tuition payments	5,906,264	-	32,931	(5,873,333)	(5,273,992)
Special education tuition payments	658,417	-	513,269	(145,148)	(9,600)
Voucher payments	879,873	-	-	(879,873)	(507,639)
Adjustments and refunds	5,834	-	-	(5,834)	(22,734)
Total non-program	7,450,388	-	546,200	(6,904,188)	(5,813,965)
Interest and fiscal charges	1,854,946	-	72,919	(1,782,027)	(1,974,498)
Total governmental activities	\$ 101,277,698	\$ 1,848,879	\$ 19,345,754	(80,083,065)	(73,363,809)
General revenues					
Property taxes				17,125,036	16,026,232
Other taxes				26,209	22,011
State and federal aids not restricted to specific functions				69,295,871	65,127,427
Interest and investment earnings				458,765	289,645
Gain on disposal of capital assets				6,467	26,191
Miscellaneous				314,536	209,911
Total general revenues				87,226,884	81,701,417
Change in net position				7,143,819	8,337,608
Net position - July 1				85,136,046	76,798,438
Net position - June 30				\$ 92,279,865	\$ 85,136,046

The notes to the basic financial statements are an integral part of this statement.



# School District of Beloit

## Beloit, Wisconsin

### BALANCE SHEET

#### GOVERNMENTAL FUNDS

JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

	General	Other Governmental Funds	Totals	
			2019	2018
<b>ASSETS</b>				
Cash and investments	\$ 20,444,904	\$ 4,955,999	\$ 25,400,903	\$ 32,616,885
Receivables				
Taxes	3,555,690	-	3,555,690	3,284,952
Accounts	91,209	10,379	101,588	78,509
Due from other funds	338	-	338	5,966
Due from other governments	2,621,641	793,762	3,415,403	3,530,018
Inventories and prepaid items	310,532	43,378	353,910	223,587
Total assets	<u>\$ 27,024,314</u>	<u>\$ 5,803,518</u>	<u>\$ 32,827,832</u>	<u>\$ 39,739,917</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 557,355	\$ 157,981	\$ 715,336	\$ 1,824,300
Accrued and other current liabilities	6,234,441	-	6,234,441	6,071,553
Due to other funds	-	338	338	5,966
Due to other governments	150	-	150	-
Unearned revenues	725	10,657	11,382	9,334
Deposits payable	1,474,669	-	1,474,669	1,426,248
Health and dental claims payable	1,590,917	-	1,590,917	1,299,534
Total liabilities	<u>9,858,257</u>	<u>168,976</u>	<u>10,027,233</u>	<u>10,636,935</u>
Fund balances				
Nonspendable	310,532	43,378	353,910	223,587
Restricted	1,902,735	5,591,164	7,493,899	12,322,534
Unassigned	14,952,790	-	14,952,790	16,556,861
Total fund balances	<u>17,166,057</u>	<u>5,634,542</u>	<u>22,800,599</u>	<u>29,102,982</u>
Total liabilities and fund balances	<u>\$ 27,024,314</u>	<u>\$ 5,803,518</u>	<u>\$ 32,827,832</u>	<u>\$ 39,739,917</u>

The notes to the basic financial statements are an integral part of this statement.

# School District of Beloit

## Beloit, Wisconsin

### BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

	2019	2018
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION</b>		
Total fund balances as shown on previous page	\$ 22,800,599	\$ 29,102,982
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	129,321,660	120,376,807
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions	24,938,870	14,088,824
Deferred inflows related to pensions	(13,129,933)	(16,196,957)
Deferred outflows related to other postemployment benefits	23,240	17,148
Deferred inflows related to other postemployment benefits	(2,407,746)	-
Long-term asset are not considered available; therefore, are not reported in the funds:		
Net pension asset	-	8,225,997
Net OPEB asset	2,420,755	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(60,519,811)	(64,388,857)
Capital leases payable	(65,375)	(2,070,891)
Premium on debt	(1,020,746)	(1,097,295)
Compensated absences	(96,144)	(119,960)
Other postemployment benefits liability	-	(2,249,491)
Net pension liability	(9,535,829)	-
Accrued interest on long-term obligations	(449,675)	(552,261)
Net position of governmental activities as reported on the statement of net position (see page 4)	<u>\$ 92,279,865</u>	<u>\$ 85,136,046</u>

*The notes to the basic financial statements are an integral part of this statement.*

# School District of Beloit

## Beloit, Wisconsin

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### GOVERNMENTAL FUNDS

#### FOR THE YEAR ENDED JUNE 30, 2019

#### WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	General	Other Governmental Funds	Totals	
			2019	2018
<b>REVENUES</b>				
Property taxes	\$ 11,528,696	\$ 5,596,340	\$ 17,125,036	\$ 16,026,232
Other local sources	521,994	675,439	1,197,433	1,158,153
Interdistrict sources	1,147,478	27,584	1,175,062	1,170,768
Intermediate sources	-	5,910	5,910	5,861
State sources	76,089,111	98,462	76,187,573	71,696,437
Federal sources	7,405,798	4,922,784	12,328,582	12,512,399
Other sources	322,535	61,098	383,633	275,880
Total revenues	97,015,612	11,387,617	108,403,229	102,845,730
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	31,644,531	31,950	31,676,481	30,876,586
Vocational instruction	1,733,708	9,284	1,742,992	1,750,383
Special education instruction	9,764,374	-	9,764,374	8,727,878
Other instruction	6,076,339	251,768	6,328,107	6,105,315
Total instruction	49,218,952	293,002	49,511,954	47,460,162
Support services				
Pupil services	6,483,135	-	6,483,135	6,122,950
Instructional staff services	5,185,887	8,535	5,194,422	4,862,612
General administration services	1,655,018	-	1,655,018	1,532,161
School administration services	4,347,905	-	4,347,905	4,039,266
Business services	1,143,604	18,569	1,162,173	1,108,420
Operations and maintenance of plant	15,033,072	4,409,937	19,443,009	13,370,003
Pupil transportation services	2,574,349	51,966	2,626,315	2,362,693
Food services	-	5,565,508	5,565,508	4,706,344
Central services	1,201,280	194	1,201,474	2,422,474
Insurance	533,544	-	533,544	502,426
Other support services	1,640,412	-	1,640,412	55,245
Total support services	39,798,206	10,054,709	49,852,915	41,084,594
Debt service				
Principal	2,005,517	3,857,223	5,862,740	4,585,044
Interest and fiscal charges	22,482	2,011,600	2,034,082	2,048,378
Total debt service	2,027,999	5,868,823	7,896,822	6,633,422
Non-program				
General tuition payments	5,906,264	-	5,906,264	5,276,361
Special education tuition payments	658,417	-	658,417	663,359
Adjustments and refunds	5,834	-	5,834	22,734
Voucher payments	879,873	-	879,873	507,639
Total non-program	7,450,388	-	7,450,388	6,470,093
Total expenditures	98,495,545	16,216,534	114,712,079	101,648,271
Excess of revenues under expenditures	(1,479,933)	(4,828,917)	(6,308,850)	1,197,459
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	5,500,000
Premium on debt issued	-	-	-	203,099
Proceeds from sale of capital assets	5,797	670	6,467	26,191
Transfers in	-	12,930	12,930	15,075
Transfers out	(12,930)	-	(12,930)	(15,075)
Total other financing sources (uses)	(7,133)	13,600	6,467	5,729,290
Net change in fund balances	(1,487,066)	(4,815,317)	(6,302,383)	6,926,749
Fund balances - July 1	18,653,123	10,449,859	29,102,982	22,176,233
Fund balances - June 30	\$ 17,166,057	\$ 5,634,542	\$ 22,800,599	\$ 29,102,982

The notes to the basic financial statements are an integral part of this statement.

# School District of Beloit

## Beloit, Wisconsin

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	2019	2018
<b>RECONCILIATION TO THE STATEMENT OF ACTIVITIES</b>		
Net change in fund balances as shown on previous page	\$ (6,302,383)	\$ 6,926,749
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay reported in governmental fund statements	13,826,102	5,949,785
Depreciation expense reported in the statement of activities	(4,705,151)	(4,197,009)
Net book value of disposals	(176,098)	(119,802)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	-	(5,500,000)
Premium on debt issued	-	(203,099)
Principal repaid	3,857,223	3,577,223
Capital leases paid	2,005,518	1,007,821
Accretion of escrow for debt retirement	11,821	29,025
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	102,586	(92,564)
Amortization of premiums	76,549	76,549
Compensated absences	23,816	(14,119)
Net pension asset	(8,225,997)	8,225,997
Net pension liability	(9,535,829)	2,355,073
Deferred outflows of resources related to pensions	10,850,046	(2,748,316)
Deferred inflows of resources related to pensions	3,067,024	(8,790,456)
Other postemployment benefits	2,249,491	1,837,603
Net OPEB asset	2,420,755	-
Deferred outflows of resources related to other postemployment benefits	6,092	17,148
Deferred inflows of resources related to other postemployment benefits	(2,407,746)	-
Change in net position of governmental activities as reported in the statement of activities (see page 6)	<u>\$ 7,143,819</u>	<u>\$ 8,337,608</u>

*The notes to the basic financial statements are an integral part of this statement.*



# School District of Beloit

## Beloit, Wisconsin

### STATEMENT OF NET POSITION

#### FIDUCIARY FUNDS

JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

	Private Purpose Trust	Employee Benefit Trust	Agency Pupil Activity	Totals	
				2019	2018
<b>ASSETS</b>					
Cash and investments	\$ 925	\$ 5,120,109	\$ 84,610	\$ 5,205,644	\$ 4,378,610
Accounts receivable	-	-	150	150	-
Prepaid items	-	-	385	385	-
Total assets	925	5,120,109	85,145	5,206,179	4,378,610
<b>LIABILITIES</b>					
Accounts payable	-	-	2,495	2,495	6,553
Due to student organizations	-	-	82,650	82,650	87,574
Total liabilities	-	-	85,145	85,145	94,127
<b>NET POSITION</b>					
Restricted	<u>\$ 925</u>	<u>\$ 5,120,109</u>	<u>\$ -</u>	<u>\$ 5,121,034</u>	<u>\$ 4,284,483</u>

*The notes to the basic financial statements are an integral part of this statement.*

# School District of Beloit

## Beloit, Wisconsin

### STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust	Employee Benefit Trust	Totals	
			2019	2018
<b>ADDITIONS</b>				
Contributions				
Employer	\$ -	\$ 1,820,651	\$ 1,820,651	\$ 1,973,944
Plan members	-	33,803	33,803	44,291
Investment earnings	53	155,156	155,209	119,010
Total additions	53	2,009,610	2,009,663	2,137,245
<b>DEDUCTIONS</b>				
Trust fund disbursements	-	1,163,475	1,163,475	1,249,716
Administrative expenditures	-	9,637	9,637	9,375
Total deductions	-	1,173,112	1,173,112	1,259,091
<b>Change in net position</b>	53	836,498	836,551	878,154
<b>Net position - July 1</b>	872	4,283,611	4,284,483	3,406,329
<b>Net position - June 30</b>	<u>\$ 925</u>	<u>\$ 5,120,109</u>	<u>\$ 5,121,034</u>	<u>\$ 4,284,483</u>

*The notes to the basic financial statements are an integral part of this statement.*

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. REPORTING ENTITY

The District is organized as a unified school district. The District, governed by an elected seven member board, operates grades K through 12 and is comprised of all or parts of three taxing districts. In accordance with GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

##### B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Major individual governmental are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

##### General Fund

This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Additionally, the District reports the following fund types:

- ▶ The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.
- ▶ The *employee benefit trust fund* is used to account for resources legally held in trust for other postemployment benefits.

The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

#### D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

##### 1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

##### 2. Property Taxes

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



# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

**3. Accounts Receivable**

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

**4. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

**5. Inventories**

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**6. Prepaid Items**

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed in the periods benefited.

Prepaid items of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**7. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities
	Years
Buildings and improvements	20 - 65
Furniture and equipment	5 - 30

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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**8. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

**9. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

**10. Long-term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**11. Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**12. Other Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.



# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### 13. Fund Equity

##### *Governmental Fund Financial Statements*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of District management. The Board of Education has not authorized a specific employee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

##### *District-wide Financial Statements*

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

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

**Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

#### E. USE OF ESTIMATES

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

#### F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### G. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

### NOTE 2: DETAILED NOTES ON ALL FUNDS

#### A. CASH AND INVESTMENTS

The debt service funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$30,606,547 on June 30, 2019 as summarized below:

Deposits with financial institutions	\$ 29,162,856
Investments	
Money market mutual funds	44,838
Equities exchange traded funds	728,910
Fixed income exchange traded funds	666,103
Repurchase agreements	3,814
	<u>\$ 30,606,521</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 25,400,903
Fiduciary fund statement of net position	
Private purpose trust	925
Employee benefit trust	5,120,109
Agency fund	84,610
	<u>\$ 30,606,547</u>

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Money market mutual funds	\$ 44,838	\$ -	\$ -
Exchange traded funds - equity	728,910	-	-
Exchange traded funds - fixed income	666,103	-	-
	<u>\$ 1,439,851</u>	<u>\$ -</u>	<u>\$ -</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

#### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of June 30, 2019, \$23,083,693 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. These bank deposits were fully collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

On June 30, 2019, the District held repurchase agreement investments of \$3,814 of which the underlying securities are held by the investment's counterparty, not in the name of the District.



# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Money market mutual funds	\$ 44,838	\$ -	\$ 44,838	\$ -	\$ -
Exchange traded funds - fixed income	666,103	-	-	-	666,103
Repurchase agreements	3,814	3,814	-	-	-
Totals	<u>\$ 714,755</u>	<u>\$ 3,814</u>	<u>\$ 44,838</u>	<u>\$ -</u>	<u>\$ 666,103</u>

#### Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Money market mutual funds	\$ 44,838	\$ 44,838	\$ -	\$ -	\$ -
Exchange traded funds - fixed income	666,103	666,103	-	-	-
Repurchase agreements	3,814	3,814	-	-	-
Totals	<u>\$ 714,755</u>	<u>\$ 714,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 6,429,118	\$ 20,285	\$ -	\$ 6,449,403
Construction in progress	561,613	4,858,137	453,405	4,966,345
Total capital assets, nondepreciable	<u>6,990,731</u>	<u>4,878,422</u>	<u>453,405</u>	<u>11,415,748</u>
Capital assets, depreciable:				
Buildings and improvements	141,790,836	7,993,725	-	149,784,561
Furniture and equipment	18,883,926	1,407,360	229,240	20,062,046
Subtotals	<u>160,674,762</u>	<u>9,401,085</u>	<u>229,240</u>	<u>169,846,607</u>
Less accumulated depreciation:	<u>47,288,686</u>	<u>4,705,151</u>	<u>53,142</u>	<u>51,940,695</u>
Total capital assets, depreciable, net	<u>113,386,076</u>	<u>4,695,934</u>	<u>176,098</u>	<u>117,905,912</u>
Governmental activities capital assets, net	<u>\$ 120,376,807</u>	<u>\$ 9,574,356</u>	<u>\$ 629,503</u>	<u>129,321,660</u>
Less: Capital related debt				<u>60,519,814</u>
Net investment in capital assets				<u>\$ 68,801,846</u>

Depreciation expense was charged to functions of the District as follows:

Governmental activities	
Instruction	\$ 215,474
Support services	4,489,677
Total depreciation expense - governmental activities	<u>\$ 4,705,151</u>

#### C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables as of June 30, 2019 were as follows

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Temporary cash advances to finance operating cash deficits		
Governmental funds		
General	\$ 338	\$ -
Nonmajor governmental fund		
Co-operative program	-	338
Totals	<u>\$ 338</u>	<u>\$ 338</u>

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Interfund transfers for the year ended June 30, 2019 were as follows:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 12,930
Nonmajor governmental fund		
Co-operative program	12,930	-
	<u>\$ 12,930</u>	<u>\$ 12,930</u>

Interfund transfers were made for the following purposes:

Finance program expenditures	<u>\$ 12,930</u>
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#### D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2019:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation debt					
Bonds	\$ 61,155,000	\$ -	\$ 3,645,000	\$ 57,510,000	\$ 3,695,000
Qualified zone academy bonds	895,779	-	181,779	714,000	119,000
Qualified zone academy lease	123,078	-	42,265	80,813	33,348
Qualified energy conservation bonds	2,215,000	-	-	2,215,000	-
Total general obligation debt	64,388,857	-	3,869,044	60,519,813	3,847,348
Debt premium	1,097,295	-	76,549	1,020,746	76,549
Capital leases	2,070,891	-	2,005,518	65,373	33,025
Compensated absences	119,960	96,144	119,960	96,144	96,144
Governmental activities					
Long-term obligations	<u>\$ 67,677,003</u>	<u>\$ 96,144</u>	<u>\$ 6,071,071</u>	<u>\$ 61,702,076</u>	<u>\$ 4,053,066</u>

Total interest paid during the year on long-term debt totaled \$2,011,913.

For governmental activities, the other long-term liabilities are generally funded by the General Fund.



# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/19
General obligation refunding bonds	09/17/12	04/01/29	2.00 - 3.00%	\$ 10,000,000	\$ 6,665,000
General obligation refunding bonds	03/08/10	10/01/28	2.65 - 5.90%	6,270,000	4,770,000
Qualified zone academy bonds	12/28/09	09/15/04	0.00%	1,785,000	714,000
Qualified zone academy lease	12/28/05	12/28/20	0.00%	574,000	80,813
Qualified energy conservation bonds	09/16/12	04/01/32	4.75%	2,215,000	2,215,000
General obligation school improvement bonds	01/07/13	04/01/32	2.00 - 3.00%	57,785,000	40,745,000
General obligation school improvement bonds	10/18/17	10/11/37	3.00 - 4.00%	5,500,000	5,330,000

Total outstanding general obligation debt \$ 60,519,813

Annual principal and interest maturities of the outstanding general obligation debt of \$60,519,813 on June 30, 2019 are detailed below:

Year Ended June 30,	Governmental Activities			Totals	
	Principal	Escrow	Interest	Principal	Interest
2020	\$ 3,847,348	\$ 9,561	\$ 1,820,510	\$ 3,856,909	\$ 1,820,510
2021	3,957,348	4,557	1,703,239	3,961,905	1,703,239
2022	4,054,000	-	1,581,633	4,054,000	1,581,633
2023	4,169,000	-	1,455,185	4,169,000	1,455,185
2024	4,284,000	-	1,328,905	4,284,000	1,328,905
2025 - 2029	23,559,000	-	4,874,158	23,559,000	4,874,158
2030 - 2034	15,180,000	-	1,394,863	15,180,000	1,394,863
2035 - 2037	1,454,999	-	91,280	1,454,999	91,280
	<u>\$ 60,505,695</u>	<u>\$ 14,118</u>	<u>\$ 14,249,773</u>	<u>\$ 60,519,813</u>	<u>\$ 14,249,773</u>

#### Qualified Zone Academy Bond and Lease

The District has a \$574,000 Qualified Zone Academy Lease which requires annual payments of \$33,348 through December 28, 2020 to be deposited with an escrow agent. The District records the payment as a principal retirement in its financial statements, since the escrow account is irrevocable, and removes the liability from the District's financial statements. Total payments of \$500,214, plus interest earned on the escrow will be sufficient to retire the bond on December 28, 2020. At June 30, 2019, the escrow account has a balance of \$493,187.

The District records the earnings on the escrow accounts over the life of the bond and lease as interest income and debt retirement.

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2019 was \$86,202,624 as follows:

Equalized valuation of the District		\$ 1,459,744,480
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		145,974,448
Total outstanding general obligation debt applicable to debt limitation	\$ 60,519,813	
Less: Amounts available for financing general obligation debt		
Debt service fund	<u>747,989</u>	
Net outstanding general obligation debt applicable to debt limitation		59,771,824
Legal margin for new debt		<u>\$ 86,202,624</u>

Debt service fund balance of \$914,338 is set aside to pay interest due in October, 2019.

#### Capital Lease

The District is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. The following is a schedule of the minimum lease payments under the lease agreements and the present values of the minimum lease payments at June 30, 2019:

Year Ending	Governmental Activities
2020	\$ 33,715
2021	<u>33,715</u>
Subtotal	67,430
Less: Amount representing interest	<u>2,057</u>
Present value of future minimum lease payments	<u>\$ 65,373</u>

#### E. PENSION PLAN

##### WRS Pension Plan Description

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

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

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 December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. The factors influencing the benefit are 1) final average earnings, 2) years of creditable service, and 3) a formula factor.

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

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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 and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

#### *Post-Retirement Adjustments*

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

Year	Core Fund Adjustment	Variable Fund Adjustment
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

#### *Contributions*

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

During the year ended June 30, 2019, WRS recognized \$2,754,824 in contributions from the District.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.7%	6.70%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%



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JUNE 30, 2019

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

At June 30, 2019, the District reported a liability of \$9,535,829 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 asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was .26803457%, which was a decrease of .00901725% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$6,609,604.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,426,966	\$ 13,128,206
Net differences between projected and actual earnings on pension plan investments	13,926,425	-
Changes in assumptions	1,607,392	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	285,792	1,727
Employer contributions subsequent to the measurement date	1,692,295	-
Total	<u>\$ 24,938,870</u>	<u>\$ 13,129,933</u>

\$1,692,295 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Expense
2020	\$ 3,697,701
2021	981,171
2022	1,593,812
2023	3,843,958
Total	<u>\$ 10,116,642</u>

# School District of Beloit

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JUNE 30, 2019

#### 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. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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

	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Core Fund Asset Class			
Global equities	49%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9%	6.5%	3.9%
Private equity/debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
Variable Fund Asset Class			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.4%

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

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

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**Single Discount Rate.** A single discount rate of 7.0% 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 7.0% and a long-term bond rate of 3.71%. Because of the unique structure of WRS, the 7.0% 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 members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 37,896,386	\$ 9,535,829	\$ (11,552,443)

**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>.

***Payable to the Pension Plan***

At June 30, 2019, the District reported a payable of \$347,927 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2019.



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### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### F. OTHER POSTEMPLOYMENT BENEFITS

##### Plan Description

The Plan is a single-employer defined benefit postemployment health plan that covers eligible retired employees of the District. OPEB benefits are no longer offered to active employees, as the District closed the plan as of July 1, 2016. To be eligible, District employees were required to retire by June 30, 2016, and meet the following age and service requirements:

	Eligibility		Maximum Years of Benefits			
			School Year Retiring			
Classification	Age	Service	2015	2016	2017 or later	Type of benefit
Administrators	57	10	5.0	4.0	None	Medical, Dental, Life
	57	11	5.5	4.0	None	Medical, Dental, Life
	57	12+	6.0	4.0	None	Medical, Dental, Life
Teachers, Educational Assistants, Secretaries	55	15	6.0	4.0	None	Medical
Instructional Support	55	15	6.0	4.0	None	Medical, Life
Administrative Assistant	55	15	6.0	4.0	None	Medical, Dental, Life

##### Benefits Provided

Eligible retired employees have access to group medical, dental and life insurance coverage through the District's group plan, as summarized above.

##### Plan Participants

The following plan participants were covered by the Plan as of June 30, 2019:

Administrators	4
All others	82
	<u>86</u>

##### Contributions

The District contributes the employer share of the premium for medical, dental and life insurance for eligible retirees and their dependents. The retiree remains responsible for the employee share of the premium.

**Actuarial Assumptions.** The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	July 1, 2019 rolled back to June 30, 2019
Measurement date:	June 30, 2019
Actuarial cost method:	Entry Age Normal Level Percent of Pay
Discount rate	3.5%
Salary increases:	2.0%
Investment rate of return:	3.5%
Healthcare cost trend rates:	2020 and 2021 - 6.0%
	2022 and 2023 - 5.5%
	2024 - 5.0%
Dental cost trend rates:	Level at 3.0%

# School District of Beloit

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JUNE 30, 2019

Mortality rates are a blend of the Death-In-Service and Retired Lives mortality rates from the "Wisconsin Retirement System 2015 - 2017 Experience Study" with the MP-2018 generational improvement scale (multiplied by 50%). The actuarial assumptions used in the July 1, 2019 valuation were based on Wisconsin Retirement System's Three-Year Experience Study for the period 2015 through 2017.

The long-term expected rate of return on OPEB plan investments was valued at 3.5%, which is consistent with the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.5%. The projection of cash flows used to determine the discount rate assumed that the OPEB plan's fiduciary net position was sufficient to make all projected OPEB payments for current plan participants. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at July 1, 2018	\$ 6,533,102	\$ 4,283,611	\$ 2,249,491
Changes for the year:			
Service cost	-	-	-
Interest	228,659	-	228,659
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,679,197)	-	(2,679,197)
Changes of assumptions	(210,098)	-	(210,098)
Contributions - employer	-	1,820,651	(1,820,651)
Contributions - plan members	-	33,803	(33,803)
Net investment income	-	155,156	(155,156)
Benefit payments	(1,163,475)	(1,163,475)	-
Administrative expenses	(9,637)	(9,637)	-
Net changes	(3,833,748)	836,498	(4,670,246)
Balance at June 30, 2019	\$ 2,699,354	\$ 5,120,109	\$ (2,420,755)

**Sensitivity of the net OPEB asset to changes in the discount rate.** The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current rate:

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Net OPEB Asset	\$ (2,377,124)	\$ (2,420,755)	\$ (2,463,033)



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### NOTES TO BASIC FINANCIAL STATEMENTS

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**Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates.** The following presents the net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% decreasing to 4.5%) or 1-percentage-point higher (7.5% decreasing to 6.5%) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 4.5%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.5%)	1% Increase (7.5% decreasing to 6.5%)
Net OPEB Asset	\$ (2,463,823)	\$ (2,420,755)	\$ (2,377,183)

**OPEB plan fiduciary net position.** Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements. Plan fiduciary net position was 189.7% of the total OPEB liability.

**Investments.** The Plan does not have a separate investment policy from the District. At June 30, 2019, the Plan had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Plan investments. The Plan's investments at June 30, 2019 are entirely in cash and in short-term investments in mutual funds. The asset allocation policy is to invest entirely in cash and short-term investments. The investment in the Wisconsin Investment Series Cooperative has an expected rate of return of approximately 3.5%. For the year ended June 30, 2019, the annual money-weighted rate of return, net of investment expenses, was 3.30%, and this is assumed to be the best estimate of the long-term arithmetic rate of return for the Plan's investments.

#### OPEB Expense and 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 \$396,149. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,232,664
Changes in assumptions	-	175,082
Net difference between projected and actual earnings on OPEB plan investments	23,239	-
Total	\$ 23,239	\$ 2,407,746

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

Year Ended June 30,	Expense
2020	\$ (474,881)
2021	(474,881)
2022	(474,883)
2023	(478,312)
2024	(481,550)
Total	\$ (2,384,507)

#### Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2019.

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### G. FUND EQUITY

##### Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2019, nonspendable fund balance was as follows:

	General	Nonmajor
Nonspendable		
Inventories and prepaid items	\$ 310,532	\$ 43,378

##### Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2019, restricted fund balance was as follows:

General Fund	
Restricted for self insurance	\$ 1,902,735
Special Revenue Funds	
Restricted for	
Donor restricted	248,872
Nutrition service	2,754,119
Debt Service Funds	
Restricted for debt service	
Non-referendum debt service	623,204
Referendum debt service	1,039,125
Capital Projects Funds	
Restricted for	
Long term capital improvement trust	100
Capital projects	925,744
Total restricted fund balance	<u>\$ 7,493,899</u>

##### Minimum General Fund Balance Policy

The District has also adopted a targeted unassigned general fund balance policy of 18% of current year actual expenditures for the General Fund. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Actual 2018-2019 General Fund expenditures	\$ 98,495,545
Minimum fund balance %	(x) 18%
Minimum fund balance amount	<u>\$ 17,729,198</u>

The District's unassigned General Fund balance of \$14,952,790 is above the targeted fund balance amount.

##### Restricted Fiduciary Fund Net Position

In the fund financial statements, portions of fiduciary fund net position are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2019, restricted fiduciary fund net position was as follows:

Fiduciary Funds	
Restricted for	
Scholarships	\$ 925
Postemployment benefits	5,120,109
Total restricted fiduciary fund net position	<u>\$ 5,121,034</u>

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### Net Position

The District reports restricted net position at June 30, 2019 as follows:

Governmental activities	
Restricted for	
Self insurance	\$ 1,902,735
Donor restricted	248,872
Nutrition service	2,754,119
Debt service	1,110,068
Long term capital improvement trust	100
Total governmental activities restricted net position	<u>\$ 6,015,894</u>

### NOTE 3: OTHER INFORMATION

#### A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage.

In addition to the above, the District has established separate internal service funds for the following risk management programs:

##### Self-funded Insurance Program

The District has a self-insured health and dental plan for its employees. The Plan administrators are responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2019.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$250,000 per individual and/or 125% of the annual estimated claims as provided by the Prairie States and Restat. The District has no stop-loss coverage for dental care coverage of the plan.

At June 30, 2019, the District has reported a liability of \$1,590,917 which represents reported and unreported claims which were incurred on or before June 30, 2019, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2018 and June 30, 2019 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2019	\$ 1,299,534	\$ 12,931,945	\$ 12,640,562	\$ 1,590,917
2018	1,198,330	10,426,421	10,325,217	1,299,534

The amount of settlements has not exceeded insurance coverage in any of the past three years for the District's risk management programs.



# School District of Beloit

## Beloit, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### B. CONTINGENCIES

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

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

#### C. LIMITATION ON SCHOOL DISTRICT REVENUES

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for 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.

#### D. SUBSEQUENT EVENT

On July 16, 2019, the District issued \$4,245,000 Taxable General Obligation Refunding Bonds to advance refund principal maturities of the \$6,270,000 Taxable General Obligation Refunding Bonds dated March 8, 2010 from 2021 through 2028. The 2019 Bonds will be due in principal installments of \$95,000 to \$630,000 from 2020 through 2028 and bear interest at rates ranging from 2.71% to 3.09%.

#### E. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after December 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

## REQUIRED SUPPLEMENTARY INFORMATION

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# School District of Beloit

## Beloit, Wisconsin

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

	Budget			Variance Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 11,528,696	\$ 11,528,696	\$ 11,528,696	\$ -
Other local sources	373,550	373,550	521,994	148,444
Interdistrict sources	1,151,850	1,151,850	1,147,478	(4,372)
State sources	73,151,097	73,489,183	73,016,049	(473,134)
Federal sources	4,848,267	5,275,815	5,073,804	(202,011)
Other sources	133,000	133,000	318,330	185,330
Total revenues	91,186,460	91,952,094	91,606,351	(345,743)
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	31,739,331	32,518,219	31,644,531	873,688
Vocational instruction	1,870,982	1,881,929	1,733,708	148,221
Other instruction	6,194,147	6,256,051	6,031,086	224,965
Total instruction	39,804,460	40,656,199	39,409,325	1,246,874
Support services				
Pupil services	4,131,905	4,225,509	4,016,165	209,344
Instructional staff services	4,235,103	4,682,356	4,419,353	263,003
General administration services	1,308,437	1,306,846	1,655,018	(348,172)
School administration services	4,319,266	4,368,160	4,347,905	20,255
Business services	1,086,772	1,077,027	1,143,604	(66,577)
Operations and maintenance of plant	15,985,969	16,026,634	15,031,855	994,779
Pupil transportation services	1,375,240	1,385,974	1,464,193	(78,219)
Central services	2,540,772	1,214,504	1,197,391	17,113
Insurance	506,734	506,734	533,544	(26,810)
Other support services	189,489	1,707,041	1,640,412	66,629
Total support services	35,679,687	36,500,785	35,449,440	1,051,345
Debt service				
Principal	1,015,210	1,015,210	2,005,517	(990,307)
Interest and fiscal charges	15,649	15,649	22,482	(6,833)
Total debt service	1,030,859	1,030,859	2,027,999	(997,140)
Non-program				
General tuition payments	5,471,333	5,459,333	5,906,264	(446,931)
Adjustments and refunds	150,000	-	5,834	(5,834)
Voucher payments	516,000	516,000	879,873	(363,873)
Total non-program	6,137,333	5,975,333	6,791,971	(816,638)
Total expenditures	82,652,339	84,163,176	83,678,735	484,441
Excess of revenues over expenditures	8,534,121	7,788,918	7,927,616	138,698
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	5,797	5,797
Transfers out	(9,534,121)	(8,838,622)	(9,420,479)	(581,857)
Total other financing sources (uses)	(9,534,121)	(8,838,622)	(9,414,682)	(576,060)
Net change in fund balance	(1,000,000)	(1,049,704)	(1,487,066)	(437,362)
Fund balance - July 1	18,653,123	18,653,123	18,653,123	-
Fund balance - June 30	\$ 17,653,123	\$ 17,603,419	\$ 17,166,057	\$ (437,362)

See notes to required supplementary information.



# School District of Beloit

## Beloit, Wisconsin

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - SPECIAL EDUCATION SPECIAL REVENUE FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State sources	\$ 2,886,530	\$ 2,886,530	\$ 3,073,062	\$ 186,532
Federal sources	2,312,854	2,387,854	2,331,994	(55,860)
Other sources	-	-	4,205	4,205
Total revenues	5,199,384	5,274,384	5,409,261	134,877
<b>EXPENDITURES</b>				
Instruction				
Special education instruction	9,807,712	9,288,852	9,764,374	(475,522)
Other instruction	45,680	45,680	45,253	427
Total instruction	9,853,392	9,334,532	9,809,627	(475,095)
Support services				
Pupil services	2,490,078	2,392,674	2,466,970	(74,296)
Instructional staff services	762,078	759,905	766,534	(6,629)
Operations and maintenance of plant	900	1,163	1,217	(54)
Pupil transportation services	852,500	1,041,593	1,110,156	(68,563)
Central services	-	4,015	3,889	126
Total support services	4,105,556	4,199,350	4,348,766	(149,416)
Non-program				
Special education tuition payments	759,002	563,569	658,417	(94,848)
Total expenditures	14,717,950	14,097,451	14,816,810	(719,359)
Excess of revenues under expenditures	(9,518,566)	(8,823,067)	(9,407,549)	(584,482)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	9,518,566	8,823,067	9,407,549	584,482
Net change in fund balance	-	-	-	-
Fund balance - July 1	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

# School District of Beloit

## Beloit, Wisconsin

### SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS \*

	2019	2018	2017
Total OPEB liability			
Service cost	\$ -	\$ -	\$ -
Interest	228,659	299,392	365,438
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,679,197)	-	-
Changes of assumptions	(210,098)	-	-
Benefit payments	(1,173,112)	(1,251,092)	(2,016,574)
Net change in total OPEB liability	(3,833,748)	(951,700)	(1,651,136)
Total OPEB liability - beginning	6,533,102	7,484,802	9,135,938
Total OPEB liability - ending (a)	<u>\$ 2,699,354</u>	<u>\$ 6,533,102</u>	<u>\$ 7,484,802</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,854,454	\$ 1,973,944	\$ 2,319,644
Net investment income	155,156	118,760	115,790
Benefit payments	(1,163,475)	(1,197,426)	(2,016,574)
Administrative expenses	(9,637)	(9,375)	-
Net change in plan fiduciary net position	836,498	885,903	418,860
Plan fiduciary net position - beginning	4,283,611	3,397,708	2,978,848
Plan fiduciary net position - ending (b)	<u>\$ 5,120,109</u>	<u>\$ 4,283,611</u>	<u>\$ 3,397,708</u>
District's net OPEB liability (asset) - ending (a) - (b)	<u>\$ (2,420,755)</u>	<u>\$ 2,249,491</u>	<u>\$ 4,087,094</u>
Plan fiduciary net position as a percentage of the total OPEB liability	189.7%	65.6%	45.4%
Covered-employee payroll	\$ 40,710,141	\$ 39,196,906	\$ 37,546,638
District's net OPEB liability as a percentage of covered-employee payroll	-5.9%	5.7%	10.9%
Annual weighted money-weighted rate of return net of investment expenses	3.30%	3.09%	3.63%

\* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

# School District of Beloit

## Beloit, Wisconsin

### SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN LAST 10 FISCAL YEARS \*

	2019	2018	2017
Actuarially determined contribution (ADC)	\$ 367,892	\$ 680,949	\$ 680,949
Contributions in relation to the ADC	1,854,454	1,973,944	1,973,944
Contribution deficiency (excess)	<u>\$ (1,486,562)</u>	<u>\$ (1,292,995)</u>	<u>\$ (1,292,995)</u>
Covered-employee payroll	\$ 40,589,916	\$ 39,196,906	\$ 37,546,638
Contributions as a percentage of covered-employee payroll	4.6%	5.0%	5.3%

#### Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	6 year Level Dollar
Discount rate	3.5%
Asset earnings rate	3.5%

\* The amounts presented for each fiscal year were determined as of the current fiscal year end.  
Amounts for prior years were not available.

*See notes to required supplementary information.*

# School District of Beloit

## Beloit, Wisconsin

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.30396000%	\$ (7,465,264)	\$ 40,219,358	18.56%	102.74%
12/31/15	0.29772012%	4,837,864	42,044,113	11.51%	98.20%
12/31/16	0.28572704%	2,355,073	39,495,041	5.96%	99.12%
12/31/17	0.27705182%	(8,255,997)	39,161,065	21.08%	102.93%
12/31/18	0.26803457%	9,535,829	41,042,506	23.23%	96.45%

### SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 3,047,621	\$ 3,047,621	\$ -	\$ 44,129,556	6.91%
6/30/16	2,678,140	2,678,140	-	39,931,813	6.71%
6/30/17	2,683,717	2,683,717	-	40,080,645	6.70%
6/30/18	2,711,835	2,711,835	-	40,177,181	6.75%
6/30/19	2,754,824	2,754,824	-	41,581,316	6.63%

See notes to required supplementary information.

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# School District of Beloit

## Beloit, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

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#### A. OTHER POSTEMPLOYMENT BENEFITS

There were no changes of benefit terms. Total OPEB liability decreased due to the following:

- Changes in demographic reduced the liability by \$2,679,197
- Changes in claims costs and trends and a reduction in the discount rate from 4.0% to 3.5% reduced the total OPEB liability by \$210,098.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

#### B. WISCONSIN RETIREMENT SYSTEM

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

#### C. BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- ▶ Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- ▶ The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- ▶ A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- ▶ Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- ▶ Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- ▶ Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- ▶ Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- ▶ The DPI requires the District to separate special education revenues and expenditures from other General Fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2019.

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

#### Budgetary Information

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund. 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	Special Education
Revenues		
Actual amounts (budgetary basis)	\$ 91,606,351	\$ 5,409,261
Reclassification of special education	5,409,261	(5,409,261)
Total revenues	<u>97,015,612</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	83,678,735	14,816,810
Reclassification of special education	14,816,810	(14,816,810)
Total expenditures	<u>98,495,545</u>	<u>-</u>
Excess of revenues over (under) expenditures		
Actual amounts (budgetary basis)	7,927,616	(9,407,549)
Reclassification of special education	(9,407,549)	9,407,549
Excess of revenues over (under) expenditures	<u>(1,479,933)</u>	<u>-</u>
Other financing sources (uses)		
Actual amounts (budgetary basis)	(9,414,682)	9,407,549
Reclassification of special education	9,407,549	(9,407,549)
Total other financing sources (uses)	<u>(7,133)</u>	<u>-</u>
Net change in fund balance		
Actual amounts (budgetary basis)	<u>(1,487,066)</u>	<u>-</u>
Fund balance - July 1		
Actual amounts (budgetary basis)	<u>18,653,123</u>	<u>-</u>
Fund balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 17,166,057</u>	<u>\$ -</u>

# School District of Beloit

## Beloit, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

#### Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the governmental funds had actual expenditures in excess of budget appropriations for the year ended June 30, 2019 as follows:

Funds	Excess Expenditures
General Fund	
Support services	
General administration services	\$ 348,172
Business services	66,577
Pupil transportation services	78,219
Insurance	26,810
Debt service	
Principal	990,307
Interest and fiscal charges	6,833
Non-program	
General tuition payments	446,931
Adjustments and refunds	5,834
Voucher payments	363,873
Special Education Fund	
Instruction	
Special education instruction	475,515
Support services	
Pupil services	76,296
Instructional staff services	6,629
Operations and maintenance of plant	54
Pupil transportation services	68,563

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SUPPLEMENTARY INFORMATION

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# School District of Beloit

## Beloit, Wisconsin

### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

	Special Revenue		
	Donations	Food Service	Co-operative Program
<b>ASSETS</b>			
Cash and investments	\$ 242,722	\$ 2,125,104	\$ -
Receivables			
Accounts	6,750	3,291	338
Due from other governments	-	793,762	-
Inventories and prepaid items	1,458	41,920	-
Total assets	<u>\$ 250,930</u>	<u>\$ 2,964,077</u>	<u>\$ 338</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 600	\$ 157,381	\$ -
Due to other funds	-	-	338
Unearned revenues	-	10,657	-
Total liabilities	<u>600</u>	<u>168,038</u>	<u>338</u>
Fund balances			
Nonspendable	1,458	41,920	-
Restricted	248,872	2,754,119	-
Total fund balances	<u>250,330</u>	<u>2,796,039</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 250,930</u>	<u>\$ 2,964,077</u>	<u>\$ 338</u>

Debt Service		Capital Projects		Total
Non-Referendum Debt Service	Referendum Debt Service	Long Term Capital Improvement Trust	Capital Projects	Nonmajor Governmental Funds
\$ 623,204	\$ 1,039,125	\$ 100	\$ 925,744	\$ 4,955,999
-	-	-	-	10,379
-	-	-	-	793,762
-	-	-	-	43,378
<u>\$ 623,204</u>	<u>\$ 1,039,125</u>	<u>\$ 100</u>	<u>\$ 925,744</u>	<u>\$ 5,803,518</u>
\$ -	\$ -	\$ -	\$ -	\$ 157,981
-	-	-	-	338
-	-	-	-	10,657
-	-	-	-	168,976
-	-	-	-	43,378
<u>623,204</u>	<u>1,039,125</u>	<u>100</u>	<u>925,744</u>	<u>5,591,164</u>
<u>623,204</u>	<u>1,039,125</u>	<u>100</u>	<u>925,744</u>	<u>5,634,542</u>
<u>\$ 623,204</u>	<u>\$ 1,039,125</u>	<u>\$ 100</u>	<u>\$ 925,744</u>	<u>\$ 5,803,518</u>

# School District of Beloit

## Beloit, Wisconsin

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue		
	Donations	Food Service	Co-operative Program
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ -
Other local sources	307,594	221,339	7,892
Interdistrict sources	-	-	27,584
Intermediate sources	-	-	5,910
State sources	-	98,462	-
Federal sources	-	4,922,784	-
Other sources	-	-	-
Total revenues	307,594	5,242,585	41,386
<b>EXPENDITURES</b>			
Instruction			
Regular instruction	31,950	-	-
Vocational instruction	2,268	-	7,016
Other instruction	212,803	-	38,965
Total instruction	247,021	-	45,981
Support services			
Instructional staff services	8,535	-	-
Business services	-	18,569	-
Operations and maintenance of plant	5,076	56,964	-
Pupil transportation services	43,631	-	8,335
Food services	-	5,565,508	-
Central services	194	-	-
Total support services	57,436	5,641,041	8,335
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total debt service	-	-	-
Total expenditures	304,457	5,641,041	54,316
Excess of revenues over (under) expenditures	3,137	(398,456)	(12,930)
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of capital assets	-	670	-
Transfers in	-	-	12,930
Total other financing sources	-	670	12,930
Net change in fund balances	3,137	(397,786)	-
Fund balances - July 1	247,193	3,193,825	-
Fund balances - June 30	\$ 250,330	\$ 2,796,039	\$ -



Debt Service		Capital Projects		Total
Non-Referendum Debt Service	Referendum Debt Service	Long Term Capital Improvement Trust	Capital Projects	Nonmajor Governmental Funds
\$ 998,953	\$ 4,597,387	\$ -	\$ -	\$ 5,596,340
1,054	42,317	-	95,243	675,439
-	-	-	-	27,584
-	-	-	-	5,910
-	-	-	-	98,462
-	-	-	-	4,922,784
-	61,098	-	-	61,098
1,000,007	4,700,802	-	95,243	11,387,617
-	-	-	-	31,950
-	-	-	-	9,284
-	-	-	-	251,768
-	-	-	-	293,002
-	-	-	-	8,535
-	-	-	-	18,569
-	-	-	4,347,897	4,409,937
-	-	-	-	51,966
-	-	-	-	5,565,508
-	-	-	-	194
-	-	-	4,347,897	10,054,709
717,223	3,140,000	-	-	3,857,223
507,111	1,504,489	-	-	2,011,600
1,224,334	4,644,489	-	-	5,868,823
1,224,334	4,644,489	-	4,347,897	16,216,534
(224,327)	56,313	-	(4,252,654)	(4,828,917)
-	-	-	-	670
-	-	-	-	12,930
-	-	-	-	13,600
(224,327)	56,313	-	(4,252,654)	(4,815,317)
847,531	982,812	100	5,178,398	10,449,859
\$ 623,204	\$ 1,039,125	\$ 100	\$ 925,744	\$ 5,634,542

# School District of Beloit

## Beloit, Wisconsin

### SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
<b>ASSETS</b>				
Cash	\$ 94,127	\$ 98,671	\$ 108,188	\$ 84,610
Accounts receivable	-	150	-	150
Prepaid items	-	385	-	385
Total assets	<u>\$ 94,127</u>	<u>\$ 99,206</u>	<u>\$ 108,188</u>	<u>\$ 85,145</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,553	\$ 2,495	\$ 6,553	\$ 2,495
Due to student organizations				
Elementary schools	4,231	2,375	1,688	4,918
Middle schools	14,013	13,328	15,982	11,359
High school	69,330	81,008	83,965	66,373
Total liabilities	<u>\$ 94,127</u>	<u>\$ 99,206</u>	<u>\$ 108,188</u>	<u>\$ 85,145</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS

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## Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Beloit, Beloit, Wisconsin (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 29, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 certain 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

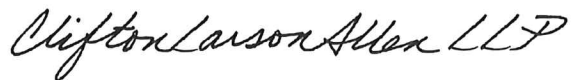
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**DISTRICT'S RESPONSE TO FINDING**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**PURPOSE OF THIS REPORT**

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Green Bay, Wisconsin  
November 29, 2019

FEDERAL AND STATE AWARDS

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## Independent auditors' report on compliance for each major federal and state program and on internal control over compliance required by the Uniform Guidance and the *State Single Audit Guidelines*

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

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM

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

#### MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of 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 the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, Uniform Guidance and the *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 or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin  
November 29, 2019

# School District of Beloit Beloit, Wisconsin

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/18	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/19	Total Expenditures	Subrecipient Payments
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2019-530413-SB-Severe-546	\$ (202,916)	\$ 1,363,689	\$ 226,941	\$ 1,387,714	\$ -
National School Lunch Program	10.555	WI DPI	2019-530413-NSL-547	(400,593)	2,787,064	453,973	2,840,444	-
Donated Commodities 18-19	10.555	WI DPI	2019-530413-NSLAE-566	(400,593)	3,046,452	453,973	259,388	-
Total National School Lunch Program							3,099,832	-
Summer Food Service Program for Children	10.559	WI DPI	2019-530413-SFSP-586	(78,882)	229,435	69,933	220,486	-
<i>Total Child Nutrition Cluster</i>				(682,351)	4,639,576	750,847	4,708,032	-
Child and Adult Care Food Program	10.558	WI DPI	2019-530413-AR-551	(4,996)	26,833	2,113	23,950	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2019-530413-19FFVP-B-376	(52,597)	202,597	40,802	190,802	-
Total U.S. Department of Agriculture				(739,984)	4,869,006	793,762	4,922,784	-
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-530413-T1A-141	(690,079)	2,991,927	816,948	3,118,796	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-530413-T1A-141	(4,653)	4,653	-	-	-
Total Title I Grants to Local Educational Agencies				(694,732)	2,996,580	816,948	3,118,796	-
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2019-530413-IDEA-FT-341	(255,232)	1,799,288	295,621	1,839,677	-
Special Education Grants to States	84.027	WI DPI	2019-530413-IDEA-FT-341	(255,232)	1,856,659	295,621	57,371	-
Total Special Education Grants to States				(510,464)	3,655,947	591,242	1,897,048	-
Special Education Preschool Grants	84.173	WI DPI	2019-530413-IDEA-PS-347	(15,129)	71,063	19,462	75,396	-
<i>Total Special Education Cluster (IDEA)</i>				(270,361)	1,927,722	315,083	1,972,444	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2019-530413-CTE-400	(81,629)	150,921	17,525	86,817	-
Safe and Drug-Free Schools and Communities National Programs	84.184L	WI DPI	Unknown	(76,774)	124,220	-	47,446	-
Education for Homeless Children and Youth	84.196	WI DPI	2019-530413-21st Century CLC-367	(7,842)	50,535	10,343	53,036	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2019-530413-21st Century CLC-367	(57,563)	392,562	99,022	434,021	-
English Language Acquisition State Grants	84.365	WI DPI	2019-530413-T1IAA-391	(11,881)	153,821	45,493	187,433	-
Improving Teacher Quality State Grants	84.367	WI DPI	2019-530413-T1IAA-365	(80,536)	351,019	91,982	362,465	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2019-530413-T1VA-381	(4,484)	4,484	-	-	-
Total U.S. Department of Education				(1,285,802)	6,151,864	1,396,396	6,262,458	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
Center for Disease Control	93.079	WI DPI	N/A	-	5,605	-	5,605	-
Teen Parents Dropout Prevention Public Aid	93.500	WI DPI	N/A	(12,577)	12,577	2,111	2,111	-
Substance Abuse and Mental Health Services	93.243	WI DPI	Unknown	2,809	4,000	(205)	6,604	-
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	44200300	(390,099)	1,460,428	-	1,070,329	-
Total U.S. Department of Health and Human Services				(399,867)	1,482,610	1,906	1,084,649	-
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ (2,425,653)</u>	<u>\$ 12,503,480</u>	<u>\$ 2,192,064</u>	<u>\$ 12,269,891</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
Federal sources								\$ 12,328,582
Grants not presented on SEFA (ROTC)								(58,691)
Total federal awards								<u>\$ 12,269,891</u>

The notes to the schedules of expenditures of federal and state awards are an integral part of this schedule.



# School District of Beloit Beloit, Wisconsin

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/18	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/19	Total Expenditures	Subrecipient Payments
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>								
Special Education and School Age Parents	255.101	Direct Program	530413-100	\$ -	\$ 2,845,450	-	\$ 2,845,450	\$ -
State School Lunch Aid	255.102	Direct Program	530413-107	-	42,677	-	42,677	-
Common School Fund Library Aid	255.103	Direct Program	530413-104	-	288,113	-	288,113	-
Bilingual Bicultural Aid Lea	255.106	Direct Program	530413-111	-	195,459	-	195,459	-
General Transportation Aid	255.107	Direct Program	530413-102	-	27,646	-	27,646	-
Equalization Aids	255.201	Direct Program	530413-116	(1,037,573)	63,579,656	1,050,044	63,592,127	-
High Cost Special Education Aid	255.210	Direct Program	530413-119	-	214,612	-	214,612	-
Personal Electronic Computing Grant	255.296	Direct Program	530413-175	-	68,000	-	68,000	-
School Based Mental Health	255.297	Direct Program	530413-177	-	24,383	47,822	72,205	-
Peer Review and Mentoring	255.301	Direct Program	530413-141	(7,896)	19,400	13,496	25,000	-
Alcohol and Other Drug Abuse	255.306	Direct Program	530413-143	-	24,900	100	25,000	-
AODA Program Grants	255.321	Direct Program	530413-142	-	-	869	869	-
State School Breakfast Aid	255.344	Direct Program	530413-108	-	55,785	-	55,785	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	530413-160	-	2,833,445	-	2,833,445	-
Aid for High Poverty School District	255.926	Direct Program	530413-121	-	595,100	-	595,100	-
Educator Effective Evaluation System	255.940	Direct Program	530413-154	-	48,720	-	48,720	-
Per Pupil Aid	255.945	Direct Program	530413-113	-	4,668,906	-	4,668,906	-
Career and Technical Education Incentive Grants	255.950	Direct Program	530413-171	-	81,000	-	81,000	-
Assessments of Reading Readiness	255.956	Direct Program	530413-166	-	29,534	-	29,534	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	530413-168	-	13,000	-	13,000	-
Total Wisconsin Department of Public Instruction				(1,045,469)	75,655,786	1,112,331	75,722,648	-
<b>WISCONSIN DEPARTMENT OF JUSTICE</b>								
School Safety Initiative				-	118,472	111,725	230,197	-
<b>TOTAL STATE AWARDS</b>				<u>\$ (1,045,469)</u>	<u>\$ 75,774,258</u>	<u>\$ 1,224,056</u>	<u>\$ 75,952,845</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
State sources							\$	76,187,573
Less: State sources not considered state financial assistance								(231,279)
State tax computer aid								(3,449)
Project AIU								<u>\$ 75,952,845</u>
Total state awards								<u>\$ -</u>

The notes to the schedules of expenditures of federal and state awards are an integral part of this schedule.



# School District of Beloit

## Beloit, Wisconsin

### NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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#### NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the School District of Beloit are presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

#### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2019 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The District has not elected to charge a de minimis rate of 10% of modified total costs.

#### NOTE 3: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2018 - 2019 eligible costs under the State Special Education Program as reported by the District are \$12,599,663. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

#### NOTE 4: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

#### NOTE 5: OVERSIGHT AGENCIES

The federal and state oversight agencies for the District are as follows:

Federal - U.S. Department of Education

State - Wisconsin Department of Public Instruction

#### NOTE 6: PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services

WI DPI - Wisconsin Department of Public Instruction

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# School District of Beloit

## Beloit, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

#### SECTION I: SUMMARY OF AUDITORS' RESULTS

##### BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No

##### FEDERAL AND STATE AWARDS

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program
84.010	Title I Grants to Local Educational Agencies

Identification of major state programs:

State ID Number	Name of State Program
255.101	Special Education and School Age Parents
255.201	Equalization Aids
255.945	Per Pupil Aid

Audit threshold used to determine between Type A and Type B programs:

Federal Awards	\$750,000
State Awards	\$250,000

Auditee qualified as low-risk auditee	Yes
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# School District of Beloit

## Beloit, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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#### SECTION II: FINANCIAL STATEMENT FINDINGS

FINDING NO.	CONTROL DEFICIENCIES
2019-001	<b>Preparation of Annual Financial Report</b>
Type of Finding:	Significant deficiency Repeat of Finding 2018-001
Condition:	Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.
Context:	Management does not have internal controls in place to provide reasonable assurance that financial statements and related disclosures are prepared in accordance with U.S. GAAP.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.
Cause:	District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the District continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.
Views of Responsible Officials:	We agree with the finding.

#### SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS


There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2019.

# School District of Beloit Beloit, Wisconsin

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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### SECTION IV: OTHER ISSUES

- |  |   |
|--|---|
| 1. Does the auditor have 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 non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : |   |
| Department of Health Services  | No  |
| 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   |  |
|  | David Maccoux, CPA  |
| 5. Date of report  | November 29, 2019   |



