

EVANSVILLE COMMUNITY SCHOOL DISTRICT
Evansville, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Evansville Community School District
Evansville, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General in 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

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

Emphasis-of-Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in the year ended June 30, 2017, the Evansville Community School District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting changes as of the beginning of the year is reported in the statement of net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Evansville Community School District's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is 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, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

The combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the combining general fund financial statements, the combining nonmajor fund financial statements, the agency fund schedule of changes in assets and liabilities and schedule of expenditures of federal and state awards are 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 16, 2018 on our consideration of the Evansville Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 Evansville Community School 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 Evansville Community School District's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 16, 2018

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The discussion and analysis of the financial performance of the Evansville Community School District (District) provides an overview of financial activities for the fiscal year ended June 30, 2018. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's government-wide financial statements reflect the following:

- Total net position of the District increased to \$17,174,712 at June 30, 2018. The majority is attributable to the GASB regulations on reporting pension assets, outflow and inflows.
- Total governmental activity revenues increased to \$25,936,103 in fiscal year 2018, up from \$25,377,310 in fiscal year 2017, an increase of approximately 2.2%.
- Total business-type activity revenues of \$668,307 decreased in fiscal year 2018, down from \$697,617 in fiscal year 2017, a decrease of approximately 4.2%.

The District's governmental fund financial statements reflect the following:

- Total fund balances of the District's governmental funds increased \$347,889 in fiscal year 2018. This increase included a \$164,129 increase in the general fund, an \$87,836 increase in the debt service fund, and a \$95,924 increase in the nonmajor governmental funds. Increase in the District's general fund balance is the result of an increase in revenues and a decrease in non-capital expenditures during the 2017-2018 fiscal year.
- The fund balance for all governmental funds at June 30, 2018 was \$3,370,126. Of this amount, \$16,166 was nonspendable; \$230,049 was restricted for debt service; \$183,688 was donor restricted; \$216,541 was restricted for capital projects; and \$2,723,682 remains unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. Those basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information supplementary to the basic financial statements.

District-Wide Financial Statements

District-wide financial statements report information about the Evansville Community School District as a whole, using accounting methods similar to those used by private sector companies.

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

The statement of activities includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's net position and to provide an explanation of material changes that occurred since the prior year.

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activity). The governmental activities of the District include the general operations, special education, debt service, and capital project. The District reports nutrition services as a business-type activity.

Fund Financial Statements

The *fund financial statements* provide detailed information about the District's significant funds rather than the Evansville Community School District as a whole. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary. Table 1 summarizes the various features of each of these funds.

- *Governmental Funds*—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided that explains the relationship between them.
- *Proprietary Funds*—The District reports nutrition services as a proprietary fund. Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail.
- *Fiduciary Funds*—The District serves as a fiduciary for student organizations. The District is also responsible for other assets that can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

**Table 1
Major Features of the District-wide and Fund Financial Statements**

	District-wide	Fund Financial Statements		
	<u>Statements</u>	<u>Governmental</u>	<u>Proprietary</u>	<u>Fiduciary</u>
Scope	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	The day-to-day operating activities of the District for business-type enterprises	The district acts as trustee or agent for another; e.g. other post-employment trusts
Required Financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset, deferred inflows/outflows of resources and liability information	All assets, deferred inflows/outflows of resources and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, financial and capital; short-term and long-term.	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues when cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All revenue and expenses during the year, regardless of when the cash is received or paid	All additions or deductions during the year, regardless of when the cash is received or paid.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23-45 of this report.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Other Information

Required supplementary information (RSI) includes a budget to actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenues and expenditures. In addition, the RSI includes information concerning the District's other post-employment benefits (OPEB) liability.

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The District ended its fiscal year with net position of \$17,045,083 of which \$14,458,784 was net investment in capital assets, \$185,530 was restricted for debt service, \$183,688 was donor restricted, \$1,577,475 was restricted for net pension asset, \$216,541 was restricted for capital projects, and \$423,065 was unrestricted. Unrestricted net position represents the amount of discretionary resources that can be used to fund general District operations.

For governmental activities, capital assets decreased due to current year depreciation exceeding current year capital additions. Noncurrent liabilities decreased due to normal scheduled debt payment.

For the business-type activity, capital assets decreased due to current year depreciation exceeding current year capital additions.

Table 2
Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Business-Type Activity		Total		% Change
	2018	2017	2018	2017	2018	2017	
ASSETS							
Current and other assets	\$ 9,805	\$ 7,056	\$ 183	\$ 134	\$ 9,988	\$ 7,190	38.92%
Capital assets	21,973	22,369	11	11	21,985	22,380	-1.76%
Total assets	31,778	29,425	194	145	31,973	29,570	8.13%
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows	6,633	5,151	-	-	6,633	5,151	
LIABILITIES							
Long-term liabilities	10,059	10,129	-	-	10,059	10,129	-0.69%
Other liabilities	4,245	5,706	64	27	4,309	5,733	-24.84%
Total liabilities	14,304	15,835	64	27	14,368	15,862	-9.42%
DEFERRED OUTFLOWS OF RESOURCES							
Deferred inflows	7,062	2,862	-	-	7,062	2,862	
NET POSITION							
Net investment in capital assets	14,459	11,639	11	12	14,471	11,651	24.20%
Restricted	2,163	2,391	119	106	2,282	2,497	-8.61%
Unrestricted	423	1,849	-	-	423	1,849	-77.12%
Total net position	\$ 17,045	\$ 15,879	\$ 130	\$ 118	\$ 17,176	\$ 15,997	7.37%

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Changes in Net Position

Governmental Activities

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2018 with an increase in net position of \$2,945,859, compared to an increase of \$2,037,590 in fiscal year 2017.

The district received \$25,936,103 in revenue for the fiscal year 2018. The District relies primarily on property taxes (32.4% of total governmental revenues), and state equalization aid (52.2%) to fund governmental activities. The District received approximately 13.0% in the form of specific use state grants, federal aid and direct fees for services.

Individuals who directly participated or benefited from a program paid 2.4% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services.

Federal and state governments subsidized certain programs with grants and awards of \$3,048,100. Operating grants include Title I, IDEA, and State Special Education Aid.

Business-Type Activity

Individuals who directly benefited from services paid 63.9% of the cost. Fees charged to students and adults for meals are included as charges for services. Federal and state governments subsidized certain programs with grants of \$240,973. Operating grants include State and National School Lunch Programs.

Table 3
Changes in Net Position from Operating Results
(in thousands of dollars)

	Governmental Activities		Business-Type Activity		Total		
	2018	2017	2018	2017	2018	2017	% Change
REVENUES							
Program revenues							
Charges for services	\$ 625	\$ 594	\$ 427	\$ 455	\$ 1,052	\$ 1,049	0.29%
Operating grants	3,014	2,459	241	243	3,255	2,702	20.47%
General revenues							
Property taxes	8,410	8,328	-	-	8,410	8,328	0.98%
General aid	13,538	13,413	-	-	13,538	13,413	0.93%
Other	350	584	-	-	350	584	-40.07%
Total revenues	25,937	25,378	668	698	26,605	26,076	2.03%
EXPENSES							
Instruction	13,032	13,112	-	-	13,032	13,112	-0.61%
Pupil and instructional	1,633	1,645	-	-	1,633	1,645	-0.73%
Administration and business	5,627	5,397	-	-	5,627	5,397	4.26%
Interest on debt	140	208	-	-	140	208	-32.69%
Other	2,559	2,978	656	656	3,215	3,634	-11.53%
Total expenses	22,991	23,340	656	656	23,647	23,996	-1.45%
Change in net position	\$ 2,946	\$ 2,038	\$ 12	\$ 42	\$ 2,958	\$ 2,080	42.21%

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Table 4 presents the cost of governmental activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$22,990,244. Individuals who directly participated or benefited from a program offering paid for \$625,400 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$3,013,927. The net cost of governmental activities, \$19,350,917, was financed by \$8,409,637 of property taxes and \$13,571,735 of federal and state unrestricted aid.

Table 4
Net Cost of Governmental Activities
(in thousands of dollars)

	Total Cost of Services	Net Cost of Services
EXPENSES		
Instruction	\$ 13,032	\$ (10,332)
Pupil and instructional services	1,633	(732)
Administration and business	5,627	(5,588)
Interest on debt	140	(140)
Other	2,559	(2,559)
Total expenses	\$ 22,991	\$ (19,351)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$3,370,126, up from last year's ending fund balance of \$3,022,237. The District's unassigned fund balance, available for spending at the district's discretion was \$2,723,682.

Proprietary Funds

The District's proprietary funds provide the same type of information found in the District-wide financial statements, but in more detail. The District completed the year with restricted net position of \$129,629, up from last year's ending restricted net position of \$117,638. Other factors concerning the finances of this fund have already been addressed in the discussion of the District's business-type activity.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the June 30, 2018, the District had \$41,520,355 in capital assets for its governmental and business-type activity, including land, construction in progress, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$19,537,153. Asset acquisitions for governmental activities totaled \$962,550. The District recognized depreciation expense of \$1,030,175. Detailed information about capital assets can be found in Note 5 to the financial statements.

Table 5
Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activity		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 192	\$ 192	\$ -	\$ -	\$ 192	\$ 192
Construction in progress	-	330	-	-	-	-
Buildings	36,945	36,066	-	-	36,945	36,066
Furniture and equipment	4,124	4,041	260	260	4,384	4,301
Accumulated depreciation	(19,288)	(18,260)	(250)	(248)	(19,538)	(18,508)
Net capital assets	<u>\$ 21,973</u>	<u>\$ 22,369</u>	<u>\$ 10</u>	<u>\$ 12</u>	<u>\$ 21,983</u>	<u>\$ 22,051</u>

Long-Term Debt

At June 30, 2018, the District had \$7,005,000 in general obligation debt outstanding—a decrease of \$3,025,000 from fiscal year 2017. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. Detailed information about the District's long-term obligations is presented in Note 7 to the financial statements.

Table 6
Outstanding Long-term Obligations
(in thousands of dollars)

	2018	2017
General obligation debt	\$ 7,005	\$ 10,030
Capital leases	59	99
Compensated absences	275	198
Total	<u>\$ 7,339</u>	<u>\$ 10,327</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

While the District's original budget for the general fund anticipated that revenues and other financing sources would be equal to expenditures and other financing uses, the actual results for the year ended June 30, 2018, had revenues and other financing sources in excess of expenditures and other financing uses by \$164,129.

FACTORS BEARING ON THE DISTRICT'S FUTURE

During the 2017-2018 fiscal year, the District strived to reduce costs and improve our financial strength by increasing our general and capital fund balances. In order to achieve these financial goals the District enhanced their transparency and communication to the Board of Education, community and staff members.

In 2014 the District passed an operational referendum that increased the District's revenue limit for five years. This operational referendum gave the District access to improve curricular, enhance technology and improve facilities throughout the District. The 2018-2019 fiscal year will be the last year that this referendum will impact the District's revenue limit.

In November of 2018 the District passed an operational referendum that encompasses \$1.2M per year for five years and \$34M in facility improvements. The operational referendum will impact the District's revenue limit in 2019-2020. The operational referendum will continue to enhance and support the District educational opportunities for all students including staffing and compensation. The facility improvements will include building a new middle school, making improvements to the Grove Campus and High School roof.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Jamie Merath, Business Manager at (608) 882-3383 or merathj@evansville.k12.wi.us.

Additional information about the District and its services can also be found on the District's website at www.ecsdnet.org.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-Type Activity	Total
ASSETS			
Cash and investments	\$ 4,675,591	\$ 126,706	\$ 4,802,297
Accounts receivable	2,223,763	4,925	2,228,688
Due from other governments	655,455	36,189	691,644
Inventories	-	15,764	15,764
Prepaid expenses	16,166	-	16,166
Net pension asset	2,234,264	-	2,234,264
Capital assets not being depreciated	191,874	-	191,874
Capital assets being depreciated, net	21,780,627	10,701	21,791,328
Total assets	31,777,740	194,285	31,972,025
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	6,158,623	-	6,158,623
Related to other postemployment benefits	474,302	-	474,302
Total deferred outflows of resources	6,632,925	-	6,632,925
LIABILITIES			
Short-term notes payable	2,500,000	-	2,500,000
Accounts payable and other current liabilities	1,672,162	32,995	1,705,157
Accrued interest	44,519	-	44,519
Unearned revenues	28,686	31,661	60,347
Long-term debt			
Due within one year	3,226,518	-	3,226,518
Due in more than one year	6,832,150	-	6,832,150
Total liabilities	14,304,035	64,656	14,368,691
DEFERRED INFLOWS OF RESOURCES			
Related to WRS pension	6,815,412	-	6,815,412
Unamortized gain on refinancing	246,135	-	246,135
Total deferred inflows of resources	7,061,547	-	7,061,547
NET POSITION			
Net investment in capital assets	14,458,784	10,701	14,469,485
Restricted	2,163,234	118,928	2,282,162
Unrestricted	423,065	-	423,065
Total net position	\$ 17,045,083	\$ 129,629	\$ 17,174,712

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activity	Business- Type Activities	Total
GOVERNMENTAL ACTIVITIES:						
Instruction						
Regular instruction	\$ 8,683,452	\$ 625,400	\$ 749,277	\$ (7,308,775)	\$ -	\$ (7,308,775)
Vocational instruction	718,542	-	-	(718,542)	-	(718,542)
Physical instruction	644,540	-	-	(644,540)	-	(644,540)
Special education instruction	2,509,441	-	1,325,138	(1,184,303)	-	(1,184,303)
Other instruction	476,197	-	-	(476,197)	-	(476,197)
Total instruction	13,032,172	625,400	2,074,415	(10,332,357)	-	(10,332,357)
Support services						
Pupil services	896,019	-	828,900	(67,119)	-	(67,119)
Instructional staff services	736,627	-	71,702	(664,925)	-	(664,925)
General administrative services	697,255	-	-	(697,255)	-	(697,255)
Building administrative services	1,091,618	-	-	(1,091,618)	-	(1,091,618)
Business administrative services	3,838,232	-	38,910	(3,799,322)	-	(3,799,322)
Central services	681,539	-	-	(681,539)	-	(681,539)
Insurance and judgments	187,305	-	-	(187,305)	-	(187,305)
Other support services	1,689,904	-	-	(1,689,904)	-	(1,689,904)
Interest on debt	139,573	-	-	(139,573)	-	(139,573)
Total support services	9,958,072	-	939,512	(9,018,560)	-	(9,018,560)
Total governmental activities	22,990,244	625,400	3,013,927	(19,350,917)	-	(19,350,917)
BUSINESS-TYPE ACTIVITIES:						
School nutrition service	656,316	427,334	240,973	-	11,991	11,991
Total school district	<u>\$ 23,646,560</u>	<u>\$ 1,052,734</u>	<u>\$ 3,254,900</u>	(19,350,917)	11,991	(19,338,926)
GENERAL REVENUES:						
TAXES:						
Property taxes, levied for general purposes				5,171,702	-	5,171,702
Property taxes, levied for debt service				3,237,935	-	3,237,935
FEDERAL AND STATE AID NOT RESTRICTED						
General (equalization aid)				13,537,562	-	13,537,562
Other				34,173	-	34,173
Interest and investment earnings				59,505	-	59,505
Miscellaneous				255,899	-	255,899
Change in net position				2,945,859	11,991	2,957,850
Net position—beginning of year				15,879,509	117,638	15,997,147
Prior period adjustment				(1,780,285)	-	(1,780,285)
Net position—beginning of year				14,099,224	117,638	14,216,862
Net position—end of year				<u>\$ 17,045,083</u>	<u>\$ 129,629</u>	<u>\$ 17,174,712</u>

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 4,076,716	\$ 230,049	\$ 368,826	\$ 4,675,591
Accounts receivable	2,223,762	-	-	2,223,762
Due from other governments	655,455	-	-	655,455
Due from other funds	-	-	50,000	50,000
Prepaid expenditures	16,166	-	-	16,166
Total assets	<u>\$ 6,972,099</u>	<u>\$ 230,049</u>	<u>\$ 418,826</u>	<u>\$ 7,620,974</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Short-term notes payable	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000
Accounts payable	224,480	-	18,597	243,077
Accrued salaries and wages	1,217,107	-	-	1,217,107
Payroll taxes and withholdings	211,978	-	-	211,978
Due to other funds	50,000	-	-	50,000
Unearned revenues	28,686	-	-	28,686
Total liabilities	4,232,251	-	18,597	4,250,848
FUND BALANCES				
Nonspendable	16,166	-	-	16,166
Restricted	-	230,049	400,229	630,278
Unassigned	2,723,682	-	-	2,723,682
Total fund balances	<u>2,739,848</u>	<u>230,049</u>	<u>400,229</u>	<u>3,370,126</u>
Total liabilities and fund balances	<u>\$ 6,972,099</u>	<u>\$ 230,049</u>	<u>\$ 418,826</u>	<u>\$ 7,620,974</u>

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - governmental funds		\$ 3,370,126
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
Cost of capital assets	41,260,675	
Accumulated depreciation	<u>(19,288,174)</u>	
Net capital assets		21,972,501
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		2,234,264
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. those liabilities at year-end consist of;		
Bonds, notes payable, and capital leases	(7,064,130)	
Accrued interest payable	(44,519)	
Compensated absences	(274,991)	
Deferred outflows related to pension	6,158,623	
Deferred inflows related to pension	(6,815,412)	
Deferred outflows related to OPEB	474,302	
Other postemployment benefits	(2,516,094)	
Unamortized gain on refinancing	(246,135)	
Unamortized debt premium	<u>(203,452)</u>	
Total long-term debt liabilities		<u>(10,531,808)</u>
Total net position - governmental activities		<u>\$ 17,045,083</u>

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 5,188,110	\$ 3,237,935	\$ -	\$ 8,426,045
Local	114,394	2,379	278,729	395,502
Interdistrict payments	569,067	-	-	569,067
Intermediate sources	1,440	-	-	1,440
State	15,611,742	-	-	15,611,742
Federal	664,731	-	-	664,731
Other sources	267,576	-	-	267,576
Total revenues	22,417,060	3,240,314	278,729	25,936,103
EXPENDITURES				
Instruction				
Regular instruction	8,529,193	-	77,173	8,606,366
Vocational instruction	717,245	-	1,297	718,542
Physical instruction	641,365	-	3,175	644,540
Special education instruction	2,509,441	-	-	2,509,441
Other instruction	393,376	-	82,821	476,197
Total instruction	12,790,620	-	164,466	12,955,086
Support services				
Pupil services	896,019	-	-	896,019
Instructional staff services	718,425	-	13,078	731,503
General administrative services	664,404	-	-	664,404
Building administrative services	1,006,908	-	84,710	1,091,618
Business administrative services	2,873,043	-	20,551	2,893,594
Central services	635,692	-	-	635,692
Insurance and judgments	187,305	-	-	187,305
Other support services	533,684	-	-	533,684
Total support services	7,515,480	-	118,339	7,633,819
Non program services	991,002	5,065	-	996,067
Capital outlay	632,424	-	-	632,424
Debt service				
Principal	47,565	3,025,000	-	3,072,565
Interest and fees	53,427	244,826	-	298,253
Total expenditures	22,030,518	3,274,891	282,805	25,588,214
Excess (deficiency) of revenues over (under) expenditures	386,542	(34,577)	(4,076)	347,889
Other financing sources				
Transfers in (out)	(222,413)	122,413	100,000	-
Total other financing sources	(222,413)	122,413	100,000	-
Net change in fund balances	164,129	87,836	95,924	347,889
Fund balances—beginning of year	2,575,719	142,213	304,305	3,022,237
Fund balances—end of year	\$ 2,739,848	\$ 230,049	\$ 400,229	\$ 3,370,126

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Net change in fund balances—total governmental funds		\$ 347,889
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 the estimated useful lives as depreciation expense.		
Capital outlay reported in governmental fund statements	632,424	
Depreciation expense reported in the statement of activities	<u>(1,028,460)</u>	(396,036)
Repayment of long-term debt principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		
Bonds and notes	3,025,000	
Capital leases	<u>40,081</u>	3,065,081
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.		
Decrease in accrued interest payable	15,684	
Amortization of gain on refinancing	82,040	
Amortization of debt premium	68,440	
Net decrease in other postemployment benefits	266,773	
Net increase in pension asset	(426,926)	
Net increase in compensated absences	<u>(77,086)</u>	<u>(71,075)</u>
Change in net position of governmental activities		<u>\$ 2,945,859</u>

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION—PROPRIETARY FUNDS
June 30, 2018

	School Nutrition Services
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 126,706
Accounts receivable	4,925
Due from other governments	36,189
Inventories	15,764
Total current assets	183,584
NONCURRENT ASSETS	
Furniture and equipment	259,680
Accumulated depreciation	(248,979)
Total noncurrent assets	10,701
Total assets	194,285
LIABILITIES	
Accounts payable	32,208
Accrued salaries and wages	592
Payroll taxes and withholdings	195
Unearned revenues	31,661
Total liabilities	64,656
NET POSITION	
Net investment in capital assets	10,701
Restricted	118,928
Total net position	\$ 129,629

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION—PROPRIETARY FUNDS
Year Ended June 30, 2018

	School Nutrition Services
REVENUES	
Food sales	\$ 427,334
State sources	9,843
Federal sources	231,130
Total operating revenues	668,307
OPERATING EXPENSES	
Salaries and wages	174,809
Benefits	20,771
Supplies and materials	459,021
Depreciation	1,715
Total operating expenses	656,316
Change in net position	11,991
Net position—beginning of year	117,638
Net position—end of year	\$ 129,629

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
Year Ended June 30, 2018

	School Nutrition Services
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from user charges	\$ 435,784
Received from government payments	161,745
Payments to and on behalf of employees	(197,577)
Payments to suppliers for goods and services	(402,281)
Net cash used for operating activities	(2,329)
Cash—beginning of year	129,035
Cash—end of year	\$ 126,706
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH USED FOR OPERATING ACTIVITIES	
Change in net position	\$ 11,991
Adjustments to reconcile change in net position to net cash used for operating activities:	
Depreciation	1,715
Change in assets and liabilities:	
Accounts receivable	(4,925)
Due from other governments	(32,306)
Inventories	(15,764)
Accounts payable	25,582
Accrued salaries and wages	(381)
Payroll taxes and withholdings	(1,616)
Unearned revenues	13,375
Net cash used for operating activities	\$ (2,329)

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and investments	<u>\$ 4,940</u>	<u>\$ 32,326</u>
LIABILITIES		
Due to student organizations	<u>-</u>	<u>\$ 32,326</u>
NET POSITION		
Restricted	<u>\$ 4,940</u>	

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2018

	<u>Private Purpose Trust</u>
ADDITIONS	
Contributions	\$ -
DEDUCTIONS	
Scholarships	<u> 1,409</u>
Change in net position	(1,409)
Net position—beginning of year	<u> 6,349</u>
Net position—end of year	<u><u> \$ 4,940</u></u>

See accompanying notes.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Evansville Community School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Effective July 1, 2017, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 defines the net OPEB liability as the difference between the total OPEB liability and the value of assets set aside to pay benefits. A description of the postemployment benefit plan and the impact on the financial statements of the District is provided on page 41.

Reporting Entity

The Evansville Community School District operates as a common school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected school board, provides elementary, secondary, vocational, and special education services for kindergarten through grade 12, and is comprised of all or parts of eight taxing districts.

As discussed in the detail below, the financial reporting entity consists of the primary government, and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

Basis of Presentation

District-Wide Financial Statements

The statement of net position and statement of activities present financial information about the District as a whole. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from the business-type activity, which relies on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the district's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the District and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

Debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The District reports the following major proprietary fund

School Nutrition Services Fund

The School Nutrition Services fund is used to account for the districts food service, generally the school breakfast and lunch programs.

The District reports the following nonmajor governmental funds:

Capital Projects Fund

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the Special Revenue Gift Fund as a special revenue fund.

Additionally, the District reports the following fund types:

Private-Purpose Trust Fund

Private-purpose trust funds are used to account for resources legally held in trust for student scholarships.

Agency Fund

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units.

Measurement Focus and Basis of Accounting

The district-wide and fiduciary fund statements (excluding the agency funds) are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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.

The District considers revenues to be available if they are collected within 90 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principle ongoing operation. The principle operating revenue is charges to students for meals. Operating expenses for proprietary funds

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

include the cost of sales, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investments balances for individual funds are pooled unless maintained in segregated accounts.

The District may invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local governmental investment pool.

Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds.

Advances between funds are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. The statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in October on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

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 in the governmental funds since it is believed that the amount of such allowance would not be material to the financial statements.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and Prepaid Items

Inventories are recorded at cost based on the first-in, first-out method using the consumption method of accounting. Inventories in the governmental fund types are recorded as expenditures when consumed rather than when purchased. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in the school nutrition services fund at the fair value when originally donated by the USDA. When used by the schools, the commodities are expensed and the related assets are reduced.

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

Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Capital assets are defined by the District as assets with an initial individual cost of \$5,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Site improvements	20
Buildings	45
Furniture and equipment	5-20
Computer and related technology	5

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2018 related to pension and other postemployment benefit activity.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows as of June 30, 2018 related to pension activity.

Compensated Absences and Other Employee Benefit Amounts

District employees are granted vacation and sick leave benefits in varying amounts in accordance with district policies. In the event of retirement, death or resignation of an employee, the District is obligated to pay for all unused sick leave up to a maximum vested amount of 110 days or contribute to a non-elective tax shelter annuity through the Wisconsin Educators Association, depending on the class of employee and years of service. All vacation pay and sick pay is accrued when incurred in the district-wide financial statements.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, 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 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.

Pensions

For purposes of measuring the net pension 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.

Long-Term Obligations

In the district-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums 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.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were not significant claims or judgments at year end.

Net Position

In the district-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Net Position—Consists of net position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long term receivables.

Restricted—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed—Resources that can only be used for specific purposes as the result of a formal action, approval of a resolution, by the Board of Education. Any changes in the constraints imposed require the same formal action of the District that originally created the commitment.

Assigned—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education.

Unassigned—Resources that are available for any purpose. Unassigned amounts are only reported in the general fund.

Use of Restricted Resources

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal constraints that prohibit doing this. Additionally, the District considers amounts to be spent first out of committed amounts, then assigned and lastly unassigned amounts of restricted fund balance when expenditures are made.

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described on page 25.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by School Board resolution. Appropriations lapse at year end unless specifically carried over.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2018, cash and investments consist of the following:

	Fair Value	Carrying Value	Risk
Cash on hand	\$ 537	\$ 537	
Deposits with financial institutions	4,778,996	4,768,051	Custodial
Wisconsin Local Government Investment Pool	70,975	70,975	Credit and interest rate
	\$ 4,850,508	\$ 4,839,563	

The District's cash and investments are reported in the financial statements as follows:

Statement of net position	
Governmental activities	\$ 4,675,591
Business-type activities	126,706
Statement of fiduciary net position	
Private purpose trust	4,940
Agency fund	32,326
	\$ 4,839,563

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603. The District has adopted an investment policy which permits all investments authorized under state statutes as described on page 26.

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association, which is authorized to transact business in the state, if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2—CASH AND INVESTMENTS (continued)

4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
 - a. Bonds or securities issued under the authority of the municipality;
 - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
 - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
 - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
 - e. Repurchase agreements with public depositories, with certain conditions.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. 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 of fair value losses arising from increasing interest rates. As of June 30, 2018, money market and Wisconsin Local Government Investment Pool (LGIP) investments have a maturity of 12 months or less.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would 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 risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District would not be able to recover the value of investments that are in the possession of another party. The District does not have a custodial credit risk policy for investments.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2018, \$4,528,996 of the District's deposits with financial institutions was uninsured and uncollateralized. The District does not have a custodial risk policy for deposits.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2—CASH AND INVESTMENTS (continued)

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

Concentration of Credit Risk

The District does not have a policy for concentration of credit risk. No District investment represents 5% or more of the total investments.

NOTE 3—UNEARNED REVENUE

At the end of the current fiscal year, the components of unearned revenue reported in the governmental funds and the proprietary fund were as follows:

	<u>Unearned</u>
Government activities	\$ 28,686
Student meal deposits	31,661
Total unearned revenue	\$ 60,347

NOTE 4—INTERFUND ADVANCES AND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts, the general fund, as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The following is a schedule of interfund receivables and payables:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Capital projects fund	General fund	\$ 50,000

For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4—INTERFUND ADVANCES AND TRANSFERS (continued)

The following balances as of June 30, 2018 represent transfers in/out between all funds:

Transferred to	Transferred from	Amount
Special education	General fund	\$ 2,079,031
Capital projects	General fund	100,000
Debt service	General fund	122,413
		\$ 2,301,444

NOTE 5—CAPITAL ASSETS

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

	Beginning Balance	Adjustments	Additions	Retirements	Ending Balance
Governmental activities:					
Capital assets not being depreciated					
Construction in progress	\$ 330,126	\$ (330,126)	\$ -	\$ -	\$ -
Land	191,874	-	-	-	191,874
	522,000	(330,126)	-	-	191,874
Total capital assets not being depreciated					
Capital assets being depreciated					
Building	36,065,536	-	879,755	-	36,945,291
Equipment	4,040,715	-	82,795	-	4,123,510
	40,106,251	-	962,550	-	41,068,801
Total capital assets being depreciated					
Less accumulated depreciation	18,259,714	-	1,028,460	-	19,288,174
	21,846,537	-	(65,910)	-	21,780,627
Total capital assets being depreciated-net					
Governmental activity capital assets-net	\$ 22,368,537	\$ (330,126)	\$ (65,910)	\$ -	\$ 21,972,501
Business-type activity					
Capital assets being depreciated					
Equipment	\$ 259,680	\$ -	\$ -	\$ -	\$ 259,680
	247,264	-	1,715	-	248,979
Less accumulated depreciation					
Business-type activity capital assets-net	\$ 12,416	\$ -	\$ (1,715)	\$ -	\$ 10,701

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5—CAPITAL ASSETS (continued)

Depreciation expense for governmental activities for the year ended June 30, 2018, was charged to functions as follows:

Central services	\$ 45,847
General administrative services	32,851
Instructional staff services	5,124
Business administrative services	<u>944,638</u>
 Total depreciation of governmental activities:	 <u><u>\$ 1,028,460</u></u>

NOTE 6—SHORT TERM DEBT ACTIVITY

The District issued a tax anticipation note in advance of property tax collections. The note matures on October 20, 2018, with an interest rate of 2%. Interest for the year ended June 30, 2018, was \$53,217. Short-term debt activity for the year ended June 30, 2018, was as follows:

	Balance 6/30/2017	Additions	Payments	Balance 6/30/2018
Tax anticipation note	<u>\$ 3,000,000</u>	<u>\$ 2,500,000</u>	<u>\$ 3,000,000</u>	<u>\$ 2,500,000</u>

NOTE 7—LONG-TERM OBLIGATIONS

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

	Balance 6/30/2017	Adjustments	Additions	Reductions	Balance 6/30/2018	Due Within One Year
Bonds Payable:						
General obligation bonds	\$ 10,030,000	\$ -	\$ -	\$ 3,025,000	\$ 7,005,000	\$ 3,110,000
Deferred amounts						
Unamortized bond premium	271,893	-	-	68,440	203,453	68,440
Total bonds payable:	<u>10,301,893</u>	<u>-</u>	<u>-</u>	<u>3,093,440</u>	<u>7,208,453</u>	<u>3,178,440</u>
Other Liabilities:						
Capital leases	99,211	-	-	40,081	59,130	48,078
Accrued compensated absences	197,905	-	77,086	-	274,991	-
Other postemployment benefits	2,583,242	-	-	67,148	2,516,094	-
Total long-term liabilities	<u><u>\$ 13,182,251</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 77,086</u></u>	<u><u>\$ 3,200,669</u></u>	<u><u>\$ 10,058,668</u></u>	<u><u>\$ 3,226,518</u></u>

All general obligation debt is secured by the full faith and credit and taxing powers of the District.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7—LONG-TERM OBLIGATIONS

Long-term debt will be retired by future property tax levies and resources accumulated in the Debt service fund. Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2018, was \$301,010 and \$285,326, respectively.

General obligation debt at June 30, 2018, is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2018
G.O. refunding bonds	8/5/2010	3.0-5.25%	4/1/2021	\$ 1,140,000	\$ 360,000
G.O. refunding bonds	2/9/2016	2.00%	10/1/2021	22,570,000	<u>6,645,000</u>
					<u>\$ 7,005,000</u>

The 2018 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$731,242,492. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property.

Debt limit (10% of \$731,242,492)	\$ 73,124,249
Less: long-term debt applicable to debt margin:	<u>7,005,000</u>
Margin of indebtedness:	<u>\$ 66,119,249</u>

Debt service requirements to maturity on general obligation debt and capital leases are as follows:

Year Ended June 30	G.O. Debt Principal	G.O. Debt Interest	Capital Lease Principal	Capital Lease Interest	Total
2019	\$ 3,110,000	\$ 181,044	\$ 48,078	\$ 887	\$ 3,340,009
2020	1,960,000	85,213	5,436	364	2,051,013
2021	<u>1,935,000</u>	<u>41,300</u>	<u>5,616</u>	<u>186</u>	<u>1,982,102</u>
	<u>\$ 7,005,000</u>	<u>\$ 307,557</u>	<u>\$ 59,130</u>	<u>\$ 1,437</u>	<u>\$ 7,373,124</u>

Capital Lease - Included in fixed assets are copiers and a van financed through a capital lease as of June 30, 2018.

Equipment	\$ 463,579
Less: accumulated depreciation	<u>275,569</u>
	<u>\$ 188,010</u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8—EMPLOYEE'S RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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 the recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$747,538 contributions from the employer which equaled required contributions.

Contribution rates as of June 30, 2018 are as follows:

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

At June 30, 2018, the District reported an asset of \$2,234,264 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No Material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net pension asset was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers.

At December 31, 2017, the District’s proportion was 0.07525010% which was an increase of 0.00084123% from its proportion measured as of December 31, 2016. For the year ended June 30, 2018, the District recognized pension expense of \$1,008,691.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,838,688	\$ (1,327,844)
Changes in assumptions	441,447	-
Net differences between projected and actual earnings on pension plan investments	2,391,311	(5,462,100)
Changes in proportion and differences between employer contributions and proportionate share of contributions	101,269	(25,468)
Employer contributions subsequent to the measurement date	385,908	-
Total	\$ 6,158,623	\$ (6,845,412)

\$385,908 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 asset in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 2,314,125	\$ (2,032,859)
2019	2,043,758	(2,032,859)
2020	737,561	(1,492,429)
2021	671,911	(1,257,215)
2022	5,360	(50)
	<u>\$ 5,772,715</u>	<u>\$ (6,815,412)</u>

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

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

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

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

Single discount rate. A single discount rate of 7.2% was used to measure the total pension asset. This single discount rate was based on the expected rate of return on pension plan investments of 7.2% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension asset to changes in the discount rate. The following presents the District’s proportionate share of the net pension asset calculated using the discount rate of 7.2 percent, as well as what the District’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
The District's proportionate share of net pension liability (asset)	\$ 5,780,805	\$ (2,234,264)	\$ (8,325,966)

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Plan administration. The District provides other post-employment benefits (OPEB) for its employees through a single-employer retiree benefit plan that provides postemployment health and life insurance benefits to eligible employees and their spouses. There are 165 active and 26 retired members in the plan as of June 30, 2018. Benefits and eligibility are established and amended by the governing body.

Funding Policy. The District does not have invested plan assets accumulated for payment of future benefits. The District’s policy is to fund other post-employment benefits on a pay-as-you-go basis.

The District’s net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Investment rate of return	3.5% based upon all years of projected payments discounted at a 3.5% long-term expected rate of return
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.5%, then by 0.10% per year down to 5.0%, and level thereafter.

The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (continued)

The long-term expected rate of return on OPEB plan investments. Since the District currently holds assets in fixed income funds or as cash equivalents, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount rate. The discount rate of 3.50% was used in calculating the District's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.00%). This rate is equivalent to the Bond Buyer GO 20-year AA Bond Index published by the Federal Reserve as of the week of the measurement date. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. 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

	Total OPEB Liability (a)
Balances at 6/30/2016	\$ 2,583,242
Changes for the year:	
Service Cost	119,825
Interest	87,704
Benefit payments	<u>(274,677)</u>
Net changes	<u>(67,148)</u>
Balances at 6/30/2017	<u>\$ 2,516,094</u>

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

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Net OPEB liability	\$ 2,628,687	\$ 2,516,094	\$ 2,405,159

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB liability	\$ 2,499,238	\$ 2,516,094	\$ 2,535,143

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$207,529. At June 30, 2018, 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
Employer contributions subsequent to the measurement date	\$ 474,302	\$ -

\$474,302 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 OPEB liability in the year ended June 30, 2018.

NOTE 10—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2018, consist of the following:

Governmental Activities		
Net investment in capital assets		\$ 14,458,784
Restricted		
Capital projects		216,541
Donor restrictions		183,688
Net pension asset		1,577,475
Debt service		185,530
Total restricted		2,163,234
Unrestricted		423,065
Total governmental activities net position		\$ 17,045,083

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 11—GOVERNMENTAL FUND BALANCES

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

Nonspendable		
General fund		
Prepaid expenditures	\$	16,166
Restricted		
Capital projects		216,541
Donor restrictions		183,688
Debt service		<u>230,049</u>
Total restricted		630,278
Unassigned		<u>2,723,682</u>
Total governmental fund balance	\$	<u><u>3,370,126</u></u>

NOTE 12—LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

NOTE 13—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error and omissions; worker compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were not significant reductions in coverage compared to the prior year.

NOTE 14—COMMITMENTS AND CONTINGENCIES

From time to time the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's 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.

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 15—PRIOR PERIOD ADJUSTMENT

The Government Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under GASB 75, the District is required to disclose the net OPEB liability and related deferred inflows and outflows on the statement of net position. As a result, an adjustment of \$1,780,285, was made to decrease the June 30, 2017 net position of the Government Activities on the statement of activities based on the net OPEB liability and related deferred outflows of resources balances as of June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

EVANSVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL—GENERAL OPERATING FUND
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 5,402,797	\$ 5,276,290	\$ 5,188,110	\$ (88,180)
Local	-	-	114,394	114,394
Interdistrict payments	523,508	571,407	569,067	(2,340)
Intermediate sources	4,345	5,449	1,440	(4,009)
State	14,663,612	14,780,781	14,770,131	(10,650)
Federal	182,000	182,119	181,204	(915)
Other sources	73,000	46,677	267,576	220,899
Total revenues	<u>20,849,262</u>	<u>20,862,723</u>	<u>21,091,922</u>	<u>229,199</u>
EXPENDITURES				
Current:				
Instruction	10,261,546	10,319,102	10,300,129	18,973
Support services	7,358,618	7,278,040	7,272,043	5,997
Non program services	1,201,943	979,781	953,185	26,596
Debt service	-	80,799	100,992	(20,193)
Total expenditures	<u>18,822,107</u>	<u>18,657,722</u>	<u>18,626,349</u>	<u>31,373</u>
Excess of revenues over expenditures	<u>2,027,155</u>	<u>2,205,001</u>	<u>2,465,573</u>	<u>260,572</u>
Other financing sources (uses)				
Transfers in (out)	<u>(2,027,155)</u>	<u>(2,027,155)</u>	<u>(2,301,444)</u>	<u>(274,289)</u>
Total other financing sources (uses)	<u>(2,027,155)</u>	<u>(2,027,155)</u>	<u>(2,301,444)</u>	<u>(274,289)</u>
Net change in fund balances	-	177,846	164,129	(13,717)
Fund balances—beginning of year	<u>2,575,719</u>	<u>2,575,719</u>	<u>2,575,719</u>	<u>-</u>
Fund balances—end of year	<u>\$ 2,575,719</u>	<u>\$ 2,753,565</u>	<u>\$ 2,739,848</u>	<u>\$ (13,717)</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
Year Ended June 30, 2018

SOURCES/ INFLOWS OF RESOURCES:

Actual General Fund Operating revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 21,091,922
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>1,325,138</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	<u>\$ 22,417,060</u>

USES/ OUTFLOWS OF RESOURCES:

Actual general fund expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 18,626,349
Reclassification: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	<u>3,404,169</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	<u>\$ 22,030,518</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY(ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
The District's proportion of the net pension liability(asset)	0.075250%	0.074409%	0.076431%	0.078688%
The District's proportionate share of the net pension liability(asset)	\$ (2,234,264)	\$ 613,307	\$ 1,241,989	\$ (1,932,789)
The District's covered-employee payroll	\$ 10,993,211	\$ 11,027,475	\$ 10,727,281	\$ 9,985,239
The District's proportionate share as a percentage of covered payroll	20.32%	5.56%	11.58%	19.36%
Plan fiduciary net position as a percentage of the total pension liability(asset)	102.93%	99.12%	98.20%	102.74%

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

SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Contractually required contributions	\$ 747,538	\$ 727,821	\$ 729,461	\$ 700,502
Contributions in relation to the contractually required contributions	\$ 747,538	\$ 727,821	\$ 729,461	\$ 700,502
The District's covered-employee payroll	\$ 9,831,145	\$ 11,028,473	\$ 10,931,779	\$ 10,791,908
Contributions as a percentage of covered-employee payroll	7.60%	6.60%	6.67%	6.49%

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

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
 Last 10 Fiscal Years*

	<u>2017</u>
Total OPEB Liability:	
Service cost	\$ 119,825
Interest	87,704
Benefit payments	<u>(274,677)</u>
Net Change in OPEB Liability	(67,148)
Total OPEB liability - beginning	<u>2,583,242</u>
Total OPEB liability - ending	<u>\$ 2,516,094</u>
Covered payroll	\$ 10,565,856
Net OPEB liability as a percentage of covered payroll	23.81%

*The amounts presented were determined as of a measurement date 12 months prior to year end.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1—BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 of the financial statements. Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

Excess Expenditures Over Appropriations

The general fund functions did not have an excess of actual expenditures over appropriations for the year ended June 30, 2018.

NOTE 2—EMPLOYEE'S RETIREMENT CONTRIBUTIONS

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

Changes of Assumptions. There were no changes in the assumptions.

NOTE 3—OPEB SCHEDULE OF CONTRIBUTIONS

Changes of Benefit Terms. There were no changes of benefit terms.

Changes of Assumptions. The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.5%) as of the measurement date. All other assumptions and methods remained unchanged from the valuation performed as of July 1, 2014.

NOTE 4—NET OPEB LIABILITY AND RELATED RATIOS ASSUMPTIONS

Methods and assumptions used to determine OPEB contribution rates are as follows:

Actuarial Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry age normal
Asset Valuation Method:	Fair Market Value
Amortization Method:	12 year Level \$
Amortization Growth Rate:	3.0%
Discount Rate:	3.5%
Inflation:	2.5%

OTHER SUPPLEMENTARY INFORMATION

EVANSVILLE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET—GENERAL GOVERNMENTAL FUNDS
June 30, 2018

	General Operating Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and cash equivalents	\$ 4,076,716	\$ -	\$ 4,076,716
Accounts receivable	2,223,762	-	2,223,762
Due from other governments	383,938	271,517	655,455
Prepaid expenses	16,166	-	16,166
Total assets	\$ 6,700,582	\$ 271,517	\$ 6,972,099
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Short-term notes payable	\$ 2,500,000	\$ -	\$ 2,500,000
Accounts payable	207,319	17,161	224,480
Accrued salaries and wages	1,001,898	215,209	1,217,107
Payroll taxes and withholdings	172,831	39,147	211,978
Due to other funds	50,000	-	50,000
Unearned revenues	28,686	-	28,686
Total liabilities	3,960,734	271,517	4,232,251
FUND BALANCES			
Nonspendable	16,166	-	16,166
Unassigned	2,723,682	-	2,723,682
Total fund balances	2,739,848	-	2,739,848
Total liabilities and fund balances	\$ 6,700,582	\$ 271,517	\$ 6,972,099

EVANSVILLE COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General Operating Fund	Special Education Fund	Total General Fund
REVENUES			
Taxes	\$ 5,188,110	\$ -	\$ 5,188,110
Local	114,394	-	114,394
Interdistrict payments	569,067	-	569,067
Intermediate sources	1,440	-	1,440
State	14,770,131	841,611	15,611,742
Federal	181,204	483,527	664,731
Other sources	267,576	-	267,576
Total revenues	21,091,922	1,325,138	22,417,060
EXPENDITURES			
Instruction			
Regular instruction	8,529,193	-	8,529,193
Vocational instruction	717,245	-	717,245
Physical instruction	641,365	-	641,365
Special education instruction	-	2,509,441	2,509,441
Other instruction	393,376	-	393,376
Total instruction	10,281,179	2,509,441	12,790,620
Support services			
Pupil services	388,588	507,431	896,019
Instructional staff services	534,766	183,659	718,425
General administrative services	664,404	-	664,404
Building administrative services	979,113	27,795	1,006,908
Business administrative services	2,735,017	138,026	2,873,043
Central services	635,692	-	635,692
Insurance and judgments	187,305	-	187,305
Other support services	533,684	-	533,684
Total support services	6,658,569	856,911	7,515,480
Non program services	953,185	37,817	991,002
Capital Outlay	632,424	-	632,424
Debt service			
Principal	47,565	-	47,565
Interest and fees	53,427	-	53,427
Total expenditures	18,626,349	3,404,169	22,030,518
Excess (deficiency) of revenues over (under) expenditures	2,465,573	(2,079,031)	386,542
Other financing sources (uses)			
Transfers in (out)	(2,301,444)	2,079,031	(222,413)
Total other financing sources (uses)	(2,301,444)	2,079,031	(222,413)
Net change in fund balances	164,129	-	164,129
Fund balances—beginning of year	2,575,719	-	2,575,719
Fund balances—end of year	\$ 2,739,848	\$ -	\$ 2,739,848

EVANSVILLE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

	Capital Projects	Special Revenue	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 166,541	\$ 202,285	\$ 368,826
Due from other funds	50,000	-	50,000
Total assets	<u>\$ 216,541</u>	<u>\$ 202,285</u>	<u>\$ 418,826</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ 18,597	\$ 18,597
FUND BALANCES			
Restricted	216,541	183,688	400,229
Total liabilities and fund balances	<u>\$ 216,541</u>	<u>\$ 202,285</u>	<u>\$ 418,826</u>

EVANSVILLE COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Capital Projects	Special Revenue	Total Nonmajor Governmental Funds
REVENUES			
Local	\$ 1,980	\$ 276,749	\$ 278,729
EXPENDITURES			
Instruction			
Regular instruction	-	77,173	77,173
Vocational instruction	-	1,297	1,297
Physical instruction	-	3,175	3,175
Other instruction	-	82,821	82,821
Total instruction	-	164,466	164,466
Support services			
Instructional staff services	-	13,078	13,078
Building administrative services	-	84,710	84,710
Business administrative services	-	20,551	20,551
Total support services	-	118,339	118,339
Total expenditures	-	282,805	282,805
Excess of revenues over expenditures	1,980	(6,056)	(4,076)
Other financing sources			
Transfers in (out)	100,000	-	100,000
Net change in fund balances	101,980	(6,056)	95,924
Fund balances—beginning of year	114,561	189,744	304,305
Fund balances—end of year	\$ 216,541	\$ 183,688	\$ 400,229

EVANSVILLE COMMUNITY SCHOOL DISTRICT
AGENCY FUNDS—SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2018

	Balance 7/1/2017	Additions	Deductions	Balance 6/30/2018
ASSETS				
Cash and investments	\$ 35,585	\$ 82,092	\$ 85,351	\$ 32,326
LIABILITIES				
Due to student organizations	\$ 35,585	\$ 82,092	\$ 85,351	\$ 32,326

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
AND OTHER AUDITORS' REPORTS**

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Passed Through to Subrecipients	Accrued or (Deferred) Revenue at 7/1/17	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/18
Department of Agriculture							
Pass-through programs from Wisconsin Department of Public Instruction							
Child Nutrition Cluster							
National School Lunch Program	10.555	2018-531694-NSL-547	\$ -	\$ -	\$ 141,938	\$ 174,273	\$ 32,335
National School Lunch Program - Food Commodities	10.555	2018-531694-NSL-547	-	-	46,922	46,922	-
Summer Food Service Program for Children	10.559	2018-531694-SFSP-586	-	3,883	9,964	9,935	3,854
Total Department of Agriculture			-	3,883	198,824	231,130	36,189
Department of Education							
Pass-through programs from Wisconsin Department of Public Instruction							
Title I Grants to Local Educational Agencies	84.010	2018-531694-Title I-141	-	20,044	69,832	129,354	79,566
Special Education Cluster							
Special Education Grants to States	84.027	2018-531694-IDEA-341	-	24,561	102,333	315,293	237,521
Special Education Preschool Grants	84.173	2018-531694-Pre-S-347	-	-	6,942	16,982	10,040
Total Special Education Cluster			-	24,561	109,275	332,275	247,561
Supporting Effective Instruction State Grants	84.367	2018-531694-Title II-365	-	-	-	47,098	47,098
Student Support and Academic Enrichment Program	84.424	2018-531694-Title-IV A-381	-	-	-	4,752	4,752
Pass-through CESA 2							
English Language Acquisition State Grants	84.365	2018-531694-Title III A-391	-	-	1,440	1,440	-
Pass-through programs from Brodhead School District							
Career and Technical Education--Basic Grants to States	84.048	2018-531694-CP-CTE-400	-	8,613	13,296	6,629	1,946
Total Department of Education			-	53,218	193,843	521,548	380,923
Department of Health and Human Services							
Pass-through program from Wisconsin Medicaid and Badgercare Programs							
Medical Assistance Program	93.778	44212900	-	-	127,296	151,251	23,955
Total Federal Programs			\$ -	\$ 57,101	\$ 519,963	\$ 903,929	\$ 441,067

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2018

State Grantor/ Program Title	State Identifying Number	State Identifying Number	Passed Through to Subrecipients	Accrued or (Deferred) Revenue at 7/1/17	Receipts	Expenditures	Accrued or (Deferred) Revenue at 6/30/18
Wisconsin Department of Public Instruction							
Special Education and School Age Parents	255.101	531694-100	\$ -	\$ -	\$ 753,174	\$ 753,174	\$ -
State School Lunch Aid	255.102	531694-107	-	-	7,064	7,064	-
Common School Fund Library Aid	255.103	531694-104	-	-	71,702	71,702	-
General Transportation Aid for Public School Pupils	255.107	531694-102	-	-	38,910	38,910	-
Wisconsin School Day Milk Program	255.115	531694-109	-	-	2,779	2,779	-
Equalization Aids	255.201	531694-116	-	228,985	13,538,309	13,538,705	229,381
High Cost Special Education Aid	255.210	531694-119	-	-	77,437	77,437	-
Achievement Gap Reduction	255.504	531694-160	-	-	257,176	257,176	-
Per Pupil Aid	255.945	531694-113	-	-	828,900	828,900	-
Educator Effectiveness Eval Sys Grants Public	255.940	531694-154	-	-	-	12,640	12,640
Assessments of Reading Readiness	255.956	531694-166	-	-	5,476	5,476	-
Aid for Special Education Transition Grant BBL	255.960	531694-168	-	-	11,000	11,000	-
Total Wisconsin Department of Public Instruction			-	228,985	15,591,927	15,604,963	242,021
Wisconsin Department of Revenue							
Exempt Computer Aid	n/a	n/a	-	8,432	8,432	8,556	8,556
Total State Programs			\$ -	\$ 237,417	\$ 15,600,359	\$ 15,613,519	\$ 250,577

EVANSVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2018

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in position of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

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

NOTE 4—FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, there were no commodities in inventory at the District.

NOTE 5—OVERSIGHT AGENCIES

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

NOTE 6—ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$3,055,743 for the year ended June 30, 2018.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

Significant Deficiency

2017-001 Internal Controls Over Student Activities and Cash Disbursements

Condition: Three of a sample of 65 disbursements tested for general checking and student organizations lacked proper support documentation. The same three disbursements of the sample of 65 disbursements were not approved by an authorized individual for payment.

Recommendation: We recommend that the District office reiterate procedures to ensure all general disbursements and all student activity disbursements are approved by the appropriate authorized individual with proper supporting documentation for the disbursement.

Current Status: The District continues to implement procedures to ensure all expenditures are supported by appropriate documentation which has been approved by the appropriate department manager.

Material Weakness

2017-002 Preparation of Bank Reconciliations

Condition: The District did not reconcile the District's individual bank accounts, including the District's general checking and LGIP to the general ledger throughout the year.

Recommendation: We recommend that the District implement procedures in which someone independent of the cash disbursement and cash receipt processes perform the monthly bank reconciliations immediately upon receipt of the monthly bank statements. All reconciling items should be investigated and explained on a timely basis. We recommend the use of the District's financial reporting software, Skyward, to perform the bank reconciliation, to ensure that bank accounts are reconciled to the general ledger. Finally, the bank reconciliations should be reviewed and approved by the business manager.

Current Status: The District has implemented procedures to ensure that all of the District's individual bank accounts are being reconciled throughout the year. The bank reconciliations are reviewed and approved by the business manager. This finding has been resolved.

2017-003 Preparation of Financial Reporting

Condition: The District does not have a system of internal controls in place to prepare financial statements and related disclosures that are fairly presented in conformity with generally accepted accounting principles. Management has made a cost-benefit decision to request assistance from the independent auditor in preparing a draft of the annual financial statements and related disclosures that conform with generally accepted accounting principles. Management has made this request despite the fact that such assistance may constitute a deficiency in internal control over financial reporting as defined by the accounting profession's standards.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

Recommendation: District management, the District administrator, and the Business Manager should perform a detail review, make inquiries, approve, and accept responsibility for the financial statements on a monthly basis prior to their issuance. All financial reports should be prepared through Skyward, as we believe this will eliminate the potential for financial misstatements.

Current Status: The District has implemented procedures to ensure that the District is capable of preparing financial reports through Skyward. This finding has been resolved.



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

To the School Board
Evansville Community School District
Evansville, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Evansville Community School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Evansville Community School District's basic financial statements, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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The Evansville Community School District's Response to Findings

The Evansville Community School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Evansville Community School 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 16, 2018



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

To the School Board
Evansville Community School District
Evansville, Wisconsin

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Evansville Community School District's major federal programs and each of its major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 *Guidelines*. Those standards, the Uniform Guidance, and the *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 major state program occurred. An audit includes examining, on a test basis, evidence about the Evansville Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and Each Major State Program

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

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance or the *Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003. Our opinion on each major federal program and each major state program is not modified with respect to these matters.

The Evansville Community School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Evansville Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Evansville Community School 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 Evansville Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each of its major federal programs and each of its major state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major federal programs and each of its major state programs and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *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 Evansville Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified two instances of deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 that we consider to be significant deficiencies.

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 *Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 16, 2018

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I—Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? No

State Awards

Internal control over major state programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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

Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*? No

Identification of state major programs:

State Identifying Number	Name of State Program
255.101	Special Education and School Age Parents Aid
255.201	General Equalization Aids
255.504	Achievement Gap Reduction
255.945	Per Pupil Aid

Section II—Financial Statement Findings

Significant Deficiency

Finding 2018-001 – Student Activity Fund

Criteria: Management is responsible for the design and implementation of internal controls such that management and other district employees, in the normal course of performing their assigned functions, are able to prevent or detect and correct misstatements on a timely basis.

Condition: Four of a sample of 35 disbursements tested for student organizations were not approved by an authorized individual for payment.

Cause: The District procedures requiring proper approvals for disbursements were not enforced over the course of the year.

Effect: The above behavior exposes the District to fraud, loss of public trust, and employee conflict. Student activity funds may be expended to benefit the employee as opposed to the students, which is inconsistent with the mission of the District.

Recommendation: We recommend that the District office reiterate procedures to ensure all student activity disbursements are approved by the appropriate authorized individual.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and plans to implement the recommended changes in controls and procedures.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section III—Federal and State Award Findings and Questioned Costs

Significant deficiencies

Finding 2018-002

Information on the Federal Program: Department of Agriculture, CFDA 10.555 and 10.559, National School Lunch Program and Summer Food Service Program for Children, Passed through Wisconsin Department of Public Instruction, Grant No. 2018-531694-NSL-547 and 2018-531694-SFSP-586, Year ended June 30, 2018

Criteria: Per OMB Uniform Grant Guidance (2 CFR Part 200), eligibility must be reviewed and approved for proper and efficient performance and administration of the grant.

Condition: The District had one application of a sample of forty applications that was not approved by the District to receive free or reduced meals.

Context: A sample of 40 applications was selected for testing from the total population. The testing found one application that was not in compliance with the federal grant guidelines. The testing was from a statistically valid sample.

Effect and Questioned Costs: Due to the application not being reviewed, the student was incorrectly charged to the grant as reduced when the student should have been calculated as free. The District may be improperly reporting the correct number of free and reduced meals. The total amount of questioned costs is undeterminable.

Cause: The individual responsible for approval of expenditures to the Child Nutrition program did not follow compliance requirements for eligibility.

Repeat Finding: N/A

Recommendation: The District should review the eligibility requirements for federal programs. This should be reviewed with management that is monitoring the federal grant.

Views of Responsible Officials and Planned Corrective Actions: The District is currently in the process of reviewing internal controls and procedures for the federal program to ensure no further eligibility issues arise.

Finding 2018-003

Information on the Federal Program: Department of Agriculture, CFDA 10.555 and 10.559, National School Lunch Program and Summer Food Service Program for Children, Passed through Wisconsin Department of Public Instruction, Grant No. 2018-531694-NSL-547 and 2018-531694-SFSP-586, Year ended June 30, 2018

Criteria: Per OMB Uniform Grant Guidance (2 CFR Part 200), eligibility must be reviewed and approved for proper and efficient performance and administration of the grant.

EVANSVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Condition: The District had two applications of a sample of forty applications that were calculated incorrectly to receive free or reduced meals.

Context: A sample of 40 applications was selected for testing from the total population. The testing found two applications that were not in compliance with the federal grant guidelines. The testing was from a statistically valid sample. One application calculated a student receiving free meals that should have received reduced. The other application calculated a student receiving reduced meals that should have received free.

Effect and Questioned Costs: Due to the incorrect calculation of the applications, the students were in the incorrect category for eligibility. The District may be improperly reporting the correct number of free and reduced meals. The total amount of questioned costs is undeterminable.

Cause: The individual responsible for approval of expenditures to the Child Nutrition program did not follow compliance requirements for eligibility.

Repeat Finding: N/A

Recommendation: The District should review the eligibility requirements for federal programs. This should be reviewed with management that is monitoring the federal grant.

Views of Responsible Officials and Planned Corrective Actions: The District is currently in the process of reviewing internal controls and procedures for the federal program to ensure no further eligibility issues arise.

Section IV—Other Issues

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

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

Department of Public Instruction No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

November 16, 2018