

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2019

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Elkhorn Area School District
Elkhorn, Wisconsin

Audited Financial Statements
Year Ended June 30, 2019

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Independent Auditors' Report

To the School Board
Elkhorn Area School District
Elkhorn, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elkhorn Area School District ("District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Wisconsin State Single Audit Guidelines* and is also not a required part of the basic financial statements.

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Reilly, Penner & Benton LLP

November 21, 2019
Milwaukee, Wisconsin

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2019

The discussion and analysis of the Elkhorn Area School District's financial performance provides an overall review of financial activities for the 2017-2018 and 2018-2019 fiscal years. It should be read in conjunction with the Independent Auditors' Report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Total governmental activities revenues for the 2017-2018 fiscal year were \$45,152,686; including \$19,708,374 of property and other taxes, \$16,564,608 of general state and federal aids, \$8,879,704 of charges for services, local revenues, and operating grants. Total governmental activities expenditures were \$42,902,068; including \$24,982,708 for direct instruction, and \$17,919,360 for instructional support and other support services. The District's financial status, as reflected in total net position, increased by \$2,205,618.

Total governmental activities revenues for the 2018-2019 fiscal year were \$46,562,598; including \$19,688,621 of property and other taxes, \$17,333,797 of general state and federal aids, \$9,540,180 of charges for services, local revenues, operating and capital grants. Total governmental activities expenditures were \$44,064,020; including \$26,090,618 for direct instruction, and \$17,973,402 for instructional support and other support services. The District's financial status, as reflected in total net position, increased by \$2,498,578.

The following events took place during fiscal 2019:

- The District completed work on a significant construction project during the 2019 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of three parts 1) management's discussion and analysis, 2) basic financials statements (District-wide and fund statements) including notes to the financial statements, and 3) other required supplementary information. In addition, other information supplementary to the basic financial statements is provided.

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

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

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

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

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

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
 June 30, 2019
 (Continued)

Major Features of the District-wide and Fund Financial Statements

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

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement

June 30, 2019

(Continued)

DISTRICT WIDE STATEMENTS

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

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* – Most of the District's basic services are included here such as regular and special education, transportation, support services, debt services, capital projects, community programs and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* – Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District has no business type activities.

FUND FINANCIAL STATEMENTS

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

The District has two kinds of funds:

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

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2019
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2019 compared to 2018. Total net position reflects a increase of \$2,498,578. The calculation of net position uses historical costs for facilities that may not reflect the true value. The District's facilities are in good condition as sufficient funds are appropriated annually for preventative maintenance needs.

Table 1
Condensed Statement of Net Position

	<u>2018</u>	<u>2019</u>	<u>Percentage Change 2018-19</u>
Assets			
Current and other assets	\$ 18,617,286	\$ 13,058,566	-29.85%
Capital assets	72,426,013	73,684,897	1.73%
Total assets	91,043,299	86,743,463	-4.72%
Deferred Outflow of Resources	11,242,378	12,706,382	1.30%
Liabilities			
Noncurrent liabilities	45,814,279	46,849,683	2.26%
Current liabilities	5,964,541	4,900,046	-18.00%
Total liabilities	51,778,820	51,749,729	0.00%
Deferred Inflow of Resources	11,645,827	6,902,549	-40.73%
Net Position			
Net Investment in capital assets	27,456,918	31,098,059	13.26%
Restricted	2,526,599	2,101,590	-16.82%
Unrestricted	8,315,472	7,597,918	-8.62%
Total net position	\$ <u>38,298,989</u>	\$ <u>40,797,567</u>	6.52%

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2019
(Continued)

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

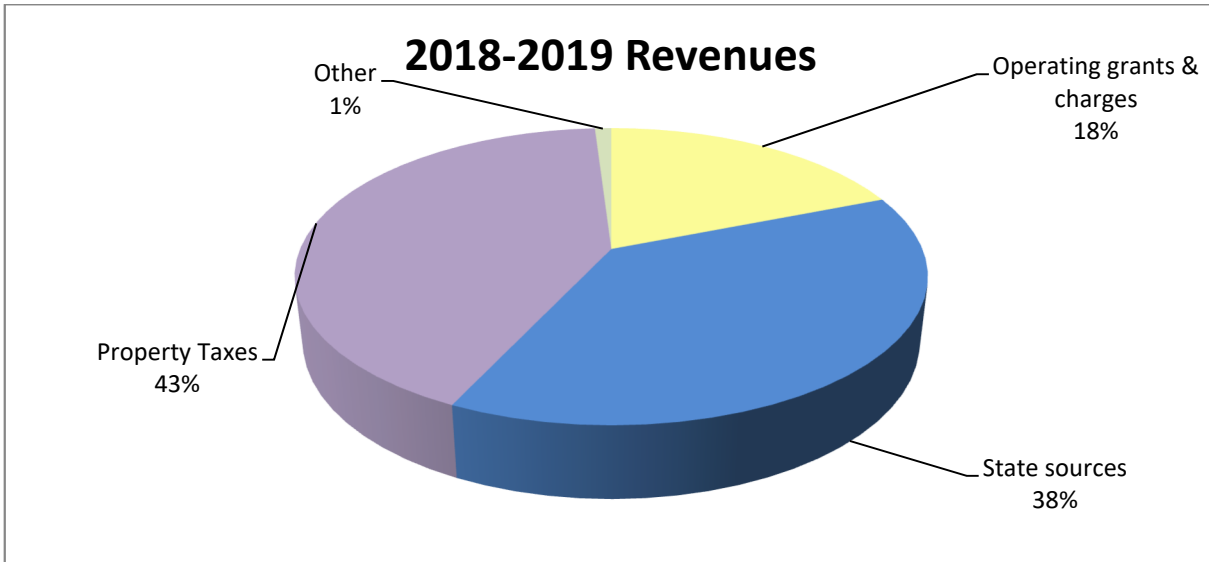
Table 2
Changes in Net Position from Operating Results

	<u>2018</u>	<u>2019</u>	<u>Percentage Change 2018-19</u>
Revenues			
Program revenues			
Charges for services	\$ 4,728,038	\$ 5,184,711	9.65%
Operating grants & contributions	3,677,565	3,948,480	7.37%
Capital grants & contributions	---	189,035	N/A
General revenues			
Property and other taxes	19,708,374	19,688,621	0.10%
State and federal unrestricted aid	16,564,608	17,333,797	4.64%
Other	474,101	217,954	-54.03%
Total Revenues	45,152,686	46,562,598	3.04%
Expenses			
Instruction	24,982,708	26,090,618	4.43%
Pupil & instructional services	3,308,894	4,162,091	25.78%
Administration	3,650,611	3,838,992	5.16%
Business services/Community Serv.	6,674,973	6,076,749	-8.96%
Interest (long-term debt)	1,464,978	1,273,397	-13.07%
Food service	1,309,536	1,344,326	2.65%
Depreciation - unallocated	1,497,206	1,277,303	-14.68%
Non-program transactions	13,162	544	-95.86%
Total Expenses	42,902,068	44,064,020	2.70%
Change in net position	\$ 2,250,618	\$ 2,498,578	11.02%

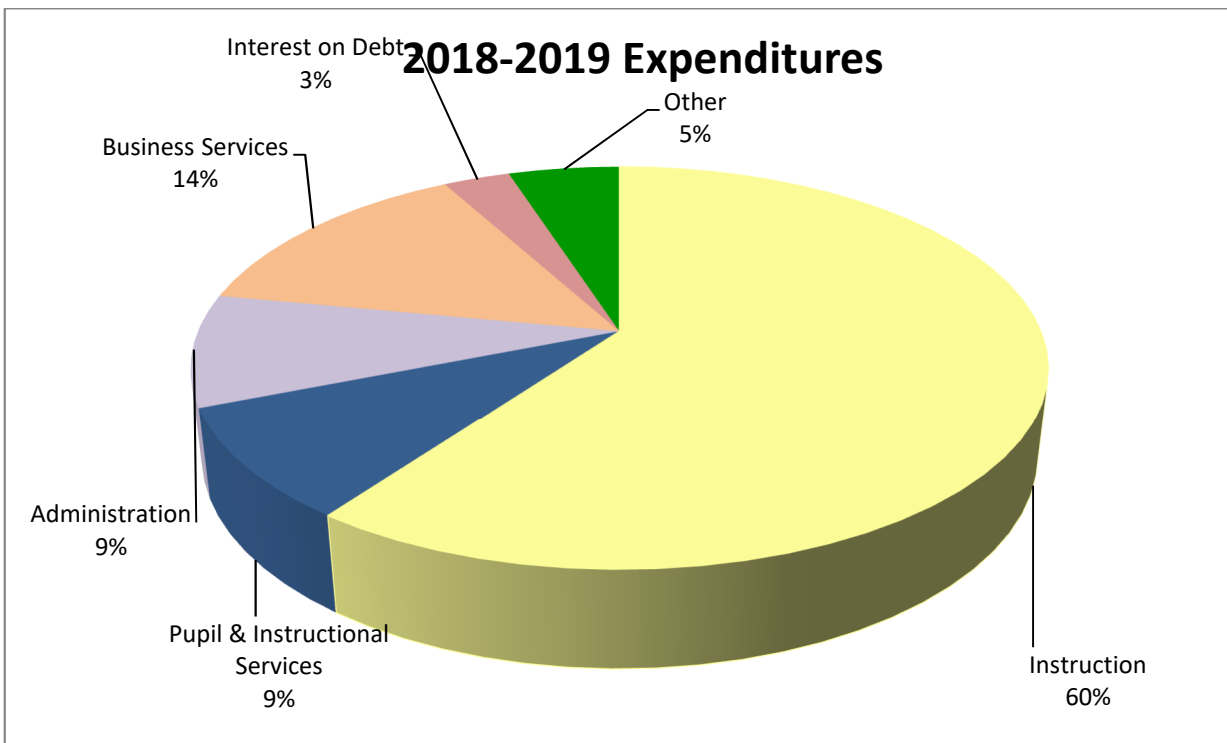
The District relies primarily on property taxes (42% of total governmental revenues), state and federal aid (38%), and operating grants, charges for services, and other sources (20%) to fund governmental activities.

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2019
(Continued)

The composition of governmental revenues by source is illustrated below in Chart 1.



The composition of governmental expenditures by type is illustrated below in Chart 2.



ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2019
(Continued)

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

2017-2018

The District completed the year with a total governmental fund balance of \$15,828,862 down from last year's ending fund balance of \$30,593,341, Most of the decrease was due to the construction bond issue of \$22,900,000

- The general fund had an increase in fund balance of \$389,033. This increase was partially due to additional, handicapped aid, Medicaid reimbursement, other one time revenues and lower than expected utility costs along with short term borrowing costs.
- The debt service fund had a decrease of \$62,284. The fund balance of the debt services will fluctuate each year. The District makes interest payments in October, and is required to carry a balance at least sufficient to cover the payment until property taxes are collected in the second half of the subsequent year.
- The food service program increased its fund balance by \$71,369 due primarily to the purchase of new kitchen equipment at several school sites.

2018-2019

The District completed the year with a total governmental fund balance of \$11,365,874 down from last year's ending fund balance of \$15,828,862, Most of the decrease was due to the use of construction bond issue of \$22,900,000

- The general fund had an increase in fund balance of \$370,580. This increase was partially due to additional, handicapped aid, Medicaid reimbursement, and other one-time revenues.
- The debt service fund had an increase of \$205,333. The fund balance of the debt services will fluctuate each year. The District makes interest payments in October, and is required to carry a balance at least sufficient to cover the payment until property taxes are collected in the second half of the subsequent year.
- The food service program decreased its fund balance by \$2,698 due primarily to updating some Kitchen equipment.
- The capital projects fund had a decrease in fund balance of \$5,106,495 due to final phase of construction projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reviews an interim budget in June for the subsequent year (beginning July 1st), consistent with current state statutes and regulations, and *original* budget is adopted in October following determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified.

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
 June 30, 2019
 (Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

2017-2018

While the District's final budget for the general fund anticipated a balanced budget, the actual results for the year showed an increase in fund balance of \$389,033. Most of this increase is due to the receipt of TIF funds from the city of Elkhorn. The general fund balance, as a percentage of operating expenses, represented 24.22% for the fiscal year.

Excess of actual expenditures over budget in individual funds

General Fund	
Undifferentiated Curriculum	\$ 52,520
Co-Curricular Activities	36,222
Other Special Needs	13,315
Instructional staff services	13,663
Central Services	33,152
Other Support/non program serv.	13,239
Termination/retiree benefits	35,225
Special Education Fund	
Instructional Staff services	\$ 9,237

The excess expenditures were funded by current year revenues and other functions that had expended less than was budgeted.

2018-2019

While the District's final budget for the general fund anticipated a balanced budget, the actual results for the year showed an increase in fund balance of \$370,580. The general fund balance, as a percentage of operating expenses, represented 23.88% for the fiscal year.

Excess of actual expenditures over budget in individual funds

General Fund	
Vocational Education	\$ 32,065
Co-Curricular Activities	232,930
Instructional staff services	11,074
Business administration	150,828
Central Services	42,057
Other retiree payments	86,991
Purchased instructional services	15,701
Special Education Fund	
Pupil Services	\$ 18,869
Other retiree payments	15,351
Other non-program transactions	9,503

The excess expenditures were funded by current year revenues and other functions that had expended less than was budgeted.

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement

June 30, 2019

(Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the District had invested \$96,179,567 in capital assets, including buildings, sites, library books, and equipment (see Table 4). Total accumulated depreciation on these assets was \$27,571,840. Asset acquisitions for governmental activities totaled \$15,392,653. The District recognized depreciation expense of \$1,763,819.

At the end of fiscal year 2019, the District had invested \$103,563,856 in capital assets, including buildings, sites, library books, and equipment (see Table 4). Total accumulated depreciation on these assets was \$29,878,959. Asset acquisitions for governmental activities totaled \$7,396,589. The District recognized depreciation expense of \$2,319,419.

Table 4
Capital Assets

	<u>2018</u>	<u>2019</u>	<u>Percentage Change</u>
Land (not depreciated)	\$ 1,711,130	\$ 1,711,130	0.00%
Construction in process	16,469,733	---	N/A%
Site improvements	2,221,536	9,662,411	434.25%
Building & building Improvements	67,507,696	83,043,623	23.01%
Furniture & Equipment	8,269,472	9,146,692	10.61%
Accumulated depreciation	<u>(27,571,840)</u>	<u>(29,878,959)</u>	8.36%
Net Capital Assets	\$ <u>68,607,727</u>	\$ <u>73,684,897</u>	7.40%

Long-term Debt

At year-end the District had \$41,958,467 in general obligation bonds and other general obligation debt outstanding. Our current debt limit per Wisconsin statutes is \$206,694,941. The District retired \$2,857,702 of outstanding general obligation debt during the fiscal year. The District's current Bond Rating is Aa2, a very good rating for the size of our District. Debt of the District is secured by an irrepealably tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments. (Detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

Table 5
Outstanding Long-term Obligations

	<u>2018</u>	<u>2019</u>	<u>Percentage Change 2018-19</u>
General obligation debt	\$ 44,786,112	\$ 41,942,214	-6.34%
Capital Leases	<u>30,057</u>	<u>16,253</u>	-45.92%
Total long-term obligations	\$ <u>44,816,169</u>	\$ <u>41,958,467</u>	-6.37%

ELKHORN AREA SCHOOL DISTRICT
Management Discussion & Analysis Statement
June 30, 2019
(Continued)

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- In November of 2016, a referendum passed authorizing the District to issue \$22,900,000 in general obligation bonds for the purpose of building and improvements. These improvements were completed during the 2018-2019 year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact William Trewyn, Business Manager, Elkhorn Area School District, 3 N. Jackson Street, Elkhorn, WI 53121; (262) 723-3160.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 70,770
Investments	6,346,010
Taxes receivable	5,775,860
Accounts receivable	62,450
Due from other governments	758,779
Inventory	37,373
Prepaid expense	7,324
Total current assets	13,058,566
Capital assets	
Nondepreciable	1,711,130
Depreciable, net of accumulated depreciation	71,973,767
Total capital assets	73,684,897
Total assets	86,743,463
Deferred outflows of resources	
Deferred outflows related to pensions	11,891,663
Deferred outflows related to OPEB	814,719
Total deferred outflows	12,706,382
Liabilities	
Current liabilities	
Accounts payable	368,145
Withholdings and related fringes payable	993,673
Accrued interest	309,558
Accrued payroll	173,045
Deposits payable	92,316
Dental benefit claims payable	29,897
Current portion of long-term liabilities	2,933,412
Total current liabilities	4,900,046
Noncurrent liabilities	
Long-term liabilities	39,025,055
Unamortized premium	628,371
Net pension liability - WRS	4,612,647
Net post-employment benefits liability	2,583,610
Total noncurrent liabilities	46,849,683
Total liabilities	51,749,729
Deferred inflows of resources	
Deferred inflows related to pensions	6,381,124
Deferred inflows related to OPEB	521,425
Total deferred inflows	6,902,549
Net Position	
Net investment in capital assets	31,098,059
Restricted for:	
Common school library	15,399
Debt service	979,202
Food service	569,765
Community service	184,025
Other	353,199
Unrestricted	7,597,918
Total net position	\$ 40,797,567

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Statement of Activities
Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular instruction	\$ 18,573,234	\$ 4,412,630	\$ 1,301,829	\$ ---	\$ (12,858,775)
Special education instruction	4,151,100	29,091	1,693,854	---	(2,428,155)
Vocational instruction	1,333,421	---	---	34,859	(1,298,562)
Other instruction	2,032,863	75,216	---	---	(1,957,647)
Total instruction	26,090,618	4,516,937	2,995,683	34,859	(18,543,139)
Support services:					
Pupil services	2,151,737	---	---	---	(2,151,737)
Instructional staff services	2,010,354	---	114,337	---	(1,896,017)
Administration services	3,838,992	---	---	---	(3,838,992)
Operation and maintenance of plant	3,206,333	---	74,172	154,176	(2,977,985)
Pupil transportation	1,997,895	---	62,242	---	(1,935,653)
Central services	156,354	---	---	---	(156,354)
Other support services	433,619	---	---	---	(433,619)
Community services	282,548	34,372	---	---	(248,176)
Food service	1,344,326	633,402	702,046	---	(8,878)
Interest	1,273,397	---	---	---	(1,273,397)
Non-program transactions	544	---	---	---	(544)
Unallocated depreciation**	1,277,303	---	---	---	(1,277,303)
Total support services	17,973,402	667,774	952,797	154,176	(16,198,655)
Total school district	\$ 44,064,020	\$ 5,184,711	\$ 3,948,480	\$ 189,035	(34,741,794)

General revenues:

Taxes:

Property taxes, levied for general purposes	15,011,993
Property taxes, levied for debt service	4,357,174
Property taxes, levied for specific purposes	284,700
Other taxes	34,754

Federal and state aid not restricted to specific purposes:

General	15,198,102
Other	2,135,695
Interest and investment earnings	163,724
Miscellaneous	54,230
Change in net position	2,498,578

Net position - beginning of year 38,298,989

Net position - end of year \$ 40,797,567

**This amount excludes the depreciation that is included in the direct expenses of the various programs.

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

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Balance Sheet
Governmental Funds**

June 30, 2019

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 2,309	\$ 68,461	\$ 70,770
Investments	4,261,347	2,084,663	6,346,010
Taxes receivable	5,775,860	---	5,775,860
Accounts receivable	4,159	58,291	62,450
Due from other funds	105,590	---	105,590
Due from other governments	661,812	96,095	757,907
Inventory	8,722	28,651	37,373
Prepaid expenditures	2,369	4,955	7,324
Total assets	<u>\$ 10,822,168</u>	<u>\$ 2,341,116</u>	<u>\$ 13,163,284</u>
Liabilities, deferred inflows and fund balances			
Liabilities			
Accounts payable	\$ 279,938	\$ 88,207	\$ 368,145
Withholdings and related payables	971,294	22,379	993,673
Accrued payroll	165,840	7,205	173,045
Due to other funds	---	105,590	105,590
Deposits payable	60,906	31,410	92,316
Dental benefit claims payable	29,897	---	29,897
Total liabilities	1,507,875	254,791	1,762,666
Deferred Inflows			
Pledges	---	34,744	34,744
Fund Balances			
Nonspendable	11,091	29,045	40,136
Restricted	15,399	2,057,146	2,072,545
Unassigned	9,287,803	(34,610)	9,253,193
Total fund balances	<u>9,314,293</u>	<u>2,051,581</u>	<u>11,365,874</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,822,168</u>	<u>\$ 2,341,116</u>	<u>\$ 13,163,284</u>

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

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

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

June 30, 2019

Total fund balances - governmental funds		\$ 11,365,874
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of the assets	\$ 103,563,856	
Accumulated depreciation	<u>(29,878,959)</u>	73,684,897
The District's proportionate share of the net pension liability at the WRS is reported on the statement of net position, but is not reported in the governmental funds.		
		(4,612,647)
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the governmental funds.		
		5,510,539
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, and therefore, are not reported in the governmental funds.		
		293,294
The District's net OPEB liability is not currently payable and thus not reported in the governmental funds.		
		(2,583,610)
Long-term debt and related items are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term debt and related items at year-end consist of:		
Bonds payable	34,490,000	
Promissory notes	7,382,214	
State trust fund loan	70,000	
Unamortized premium	628,371	
Capital leases payable	<u>16,253</u>	(42,586,838)
Pledges receivable are not available financial resources and therefore, the revenue is not reported in the governmental funds		
		34,744
Accrued interest subsidy is not receivable in the current period, and therefore, is not reported as an asset in the governmental funds.		
		872
Accrued interest payable on long-term obligations is not due and payable in the current period, and therefore, is not reported as a liability in the governmental funds.		
		<u>(309,558)</u>
Total net position - governmental activities		<u><u>\$ 40,797,567</u></u>

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

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2019

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Local	\$ 15,455,395	\$ 5,953,225	\$ 21,408,620
Interdistrict payments within Wisconsin	3,890,641	346,894	4,237,535
Intermediate sources	11,343	---	11,343
State	18,838,970	70,768	18,909,738
Federal	1,161,885	727,373	1,889,258
Other	27,216	44,145	71,361
Total revenues	<u>39,385,450</u>	<u>7,142,405</u>	<u>46,527,855</u>
Expenditures:			
Instruction:			
Current	21,957,356	1,005,610	22,962,966
Interdistrict	1,334,608	---	1,334,608
Capital outlay	1,213,612	14,921	1,228,533
Support Services:			
Current	13,184,215	1,897,828	15,082,043
Capital outlay	995,964	5,172,092	6,168,056
Debt service	21,784	4,192,853	4,214,637
Total expenditures	<u>38,707,539</u>	<u>12,283,304</u>	<u>50,990,843</u>
Excess (deficiency) of revenues over (under) expenditures	677,911	(5,140,899)	(4,462,988)
Other Financing Sources (uses):			
Operating transfers in	---	307,331	307,331
Operating transfers out	(307,331)	---	(307,331)
Total other financing sources (uses)	<u>(307,331)</u>	<u>307,331</u>	<u>---</u>
Net change in fund balances	370,580	(4,833,568)	(4,462,988)
Fund Balances - Beginning of year	<u>8,943,713</u>	<u>6,885,149</u>	<u>15,828,862</u>
Fund Balances - End of year	<u>\$ 9,314,293</u>	<u>\$ 2,051,581</u>	<u>\$ 11,365,874</u>

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

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities**

Year Ended June 30, 2019

Total net change in fund balances - governmental funds \$ (4,462,988)

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

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

Depreciation expense	\$ (2,319,419)	
Capital outlays	<u>7,396,589</u>	5,077,170

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

Promissory Notes	1,178,898	
Bonds payable	1,595,000	
State trust fund loan payable	70,000	
Capital leases	<u>13,804</u>	2,857,702

Amortization of premium from the issuance of debt reduces the balance of the respective item in the statement of net position. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.

Current period amortization of premium on issuance		74,559
--	--	--------

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

Pension expense	(3,094,120)	
District pension contributions	<u>1,344,039</u>	(1,750,081)

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

		657,743
--	--	---------

Pledges are recorded as revenue when the pledge commitment is received in the statement of activities, but are deferred until payment is received (funds become available) in the governmental funds,

Pledge additions		34,744
------------------	--	--------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as a revenue in the funds when it is receivable, and as an expenditure in the funds when it is due, and thus is a source or use of current financial resources. In the statements of activities, however, interest revenue or expenditure is recognized as the interest accrues, regardless of when it is due.

Accrued interest receivable	(873)	
Accrued interest payable	<u>10,602</u>	9,729

Change in net position of governmental activities \$ 2,498,578

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

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Statement of Fiduciary Net Position

June 30, 2019

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>	<u>Agency Fund</u>
Assets			
Cash	\$ 971	\$ ---	\$ 80,593
Investments	151,477	743,171	---
Total assets	<u>\$ 152,448</u>	<u>\$ 743,171</u>	<u>\$ 80,593</u>
Liabilities and net position			
Liabilities:			
Due to student groups	\$ ---	\$ ---	\$ 80,593
Net position:			
Nonspendable corpus	66,010	---	---
Restricted	86,438	743,171	---
Total liabilities and net position	<u>\$ 152,448</u>	<u>\$ 743,171</u>	<u>\$ 80,593</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	<u>Private Purpose Trusts</u>	<u>Employee Benefit Trusts</u>
Additions		
Net investment income	\$ 9,640	\$ 16,918
District contributions	---	789,685
Plan member contributions	---	16,053
Total additions	<u>9,640</u>	<u>822,656</u>
Deductions		
Trust fund disbursements	<u>9,500</u>	<u>805,739</u>
Change in net position	140	16,917
Net position - beginning of year	<u>152,308</u>	<u>726,254</u>
Net position - end of year	<u>\$ 152,448</u>	<u>\$ 743,171</u>

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019

1. Summary of Significant Accounting Policies

A. Introduction

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

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

B. Component Units

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

C. Basis of Presentation

District-Wide Statements

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

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

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

The District reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. It is also used to account for activities associated with providing educational programs for students with disabilities.

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund. The District accounts for fiduciary activities for employee post-employment benefits in an employee benefit trust fund.

D. Measurement Focus and Basis of Accounting

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

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

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Cash

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

F. Investments

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

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

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2019:

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded

Fixed Income Securities and Unit Trusts: Valued at the present value of future cash flows

Money Market Funds: Valued at net asset value

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

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses of District assets are reported in the statement of activities, statement of revenues, expenditures and changes in fund balances and in the statement of changes in fiduciary net position. Adjustments necessary to record investments at fair value are recorded in the statement of changes in fiduciary net position as unrealized gains or losses and in the statement of revenues, expenditures and changes in fund balance as local revenue.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

G. Receivables

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

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

Pledges receivable represents donor commitments made to the District that have not been received.

H. Interfund Transactions

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The non-current portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District has no advances between funds.

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2019 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Transfers:</u>			
Support Package Coop	Package Coop	General	\$ 296,948
Payment of debt	Debt Service	General	10,383
<u>Due to/from:</u>			
Support of Capital Projects	General	Capital Projects	34,744
Support of Package Coop	General	Package Coop	70,846

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 15,000	Straight-line	50 years
Land improvements	15,000	Straight-line	20 years
Furniture and equipment	1,000	Straight-line	5 - 20 years
Computer and related technology	1,000	Straight-line	5 - 10 years

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

J. Net Position

The District classifies net position in the government-wide financial statements as follows:

- *Net Investment in Capital Assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement of those assets.
- *Restricted Net Position* – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. Fund Balances

The Government Accounting Standards Board (GASB) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent, either because they are not in spendable form and cannot be converted to cash or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislations or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, the Board of Education may assign amounts for specific purposes at the recommendation of the Business Manager.
- *Unassigned* - all other spendable amounts

The minimum goal of the Board of Education is to have an end-of-year general fund balance amount sufficient that short-term borrowing for cash flow needs in the ensuing fiscal year could be minimized or avoided. Beyond the short-term cash flow needs, the Board of Education will also utilize the end-of-year fund balance to set aside sufficient assets to realize its longer-range goals and meet its unfunded financial obligations.

Use of the Fund Balance is limited to the following:

- One-time start-up expenses of new academic programs
- The one-time cost of a capital expenditure
- Other one-time expenditures advantageous to the long-range goals of the District
- Previously planned strategic uses

Except where the Board expressly directs a different order of expenditure of fund balance amounts in connection with approving a specific expense or payment, fund balance resources shall be spent in the following order when various sources are available for a particular purpose: (1) Committed fund balances; (2) Assigned fund balances; (3) Unassigned fund balances; and (4) Restricted fund balances.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

1. Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows and Inflows of Resources

The financial statements will sometimes report separate sections for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an increase in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

M. Estimates

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

N. Other Assets

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

O. Pensions

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

P. Subsequent Events

Management has evaluated all subsequent events for possible inclusion as a disclosure in the financial statements through the date the financial statements were ready to be distributed (November 21, 2019).

- See note 3 for subsequent short-term note activity.
- During September 2019, the District approved transferring scholarship funds from the District private purpose trust funds to the Elkhorn Scholarship Foundation.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

2. Cash and Investments

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

	Cash	Investments	Total
Custodial Risk:			
Demand deposits	\$ 81,563	\$ ---	\$ 81,563
Petty cash	1,900	---	1,900
Money market	30,622	---	30,622
Wisconsin Investment Series Cooperative (WISC):			
Savings deposit account	38,249	---	38,249
Edward Jones Investments			
Money market fund	---	3,910	3,910
LGIP	---	743,071	743,071
Custodial and Interest Rate Risk			
Edward Jones Investments:			
Mutual funds	---	133,863	133,863
Certificates of deposit	---	8,998	8,998
Custodial and Credit Risk			
Wisconsin Investment Series Cooperative (WISC):			
Cash management series	---	1,274,907	1,274,907
Custodial, Interest Rate and Credit Risk			
Edward Jones Investments			
Unit trusts	---	4,706	4,706
Wisconsin Investment Series Cooperative (WISC):			
Investment series	---	5,071,203	5,071,203
Total	\$ 152,334	\$ 7,240,658	\$ 7,392,992

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

Statement of net position:	
Cash	\$ 70,770
Investments	6,346,010
Statement of fiduciary net position:	
Cash	81,564
Investments	894,648
Total cash and equivalents	\$ 7,392,992

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

2. Cash and Investments (Continued)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits in local banks and the Wisconsin Local Government Investment Pool (LGIP) are also insured by the State Deposit Guarantee Fund ("SDGF") in the amount of \$400,000 per financial institution. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual districts. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insured against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

Money market investments may be withdrawn upon request.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund ("SIF") and is managed by the State of Wisconsin Investment Board. The LGIP 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 and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2019, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total on one day's notice. The LGIP does not include any involuntary participants.

A separate financial report for SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Financial/LGIP>.

The District has investments in WISC consisting of Cash Management Series Construction Fund (CMS), Investment Series (IS) and savings deposit account. The CMS has no minimum investment period and allows check writing privileges. The WISC weighted average maturity ranges from 0 to 285 days. The IS provides a vehicle that pools funds for investment in U.S. government obligations, agencies, commercial paper and other high-quality short-term instruments, individual fixed rate investments, including statute allowable certificates of deposit, government securities and municipal securities. The Investment Series also requires a 14-day minimum investment period and one business day withdrawal notice.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law. WISC investments are valued at amortized cost, which approximates market value. Investment income is distributed to participants based on their relative participation during the period. Participants in WISC have the right to withdraw their funds in total on one day's notice.

In accordance with certain contractual provisions, investment income associated with WISC is assigned to the General Fund, the Debt Service Fund and the Building Project Fund. Investment income is distributed to participants based on their relative participation during the period.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

2. Cash and Investments (Continued)

A separate financial report for WISC is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained by contacting the Wisconsin Investment Series Cooperative.

The District has investments with Edward Jones Investment Company consisting of managed money market funds, fixed income investments consisting of unit trust funds and mutual funds. These funds are recorded in the Private Purpose Trust Fund for the purpose of providing scholarships to students. Investment income is recorded in the Private Purpose Trust Fund. The parent company, The Jones Financial Companies, L.L.P., is registered with the Securities and Exchange Commission (SEC). Financial reports for The Jones Financial Companies can be obtained from <https://www.edwardjones.com/about/financial-reports.html>.

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

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

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

Custodial Risk: Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and investments was \$7,392,992 at June 30, 2019 and the bank's carrying value was \$8,079,074, of which \$1,320,527 was fully insured and \$6,758,547 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

2. Cash and Investments (Continued)

Interest Rate Risk: Is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as the means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the District's investments to this risk, using the segmented time distribution model is as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u><1 year</u>	<u>1-5 Years</u>	<u>6-10 years</u>
WISC:				
Investment series	\$ 5,071,203	\$ 5,071,203	\$ ---	\$ ---
Edward Jones Investments				
Certificates of deposit	8,998	8,998	---	---
Unit trusts	4,706	4,706	---	---
Mutual funds	133,863	133,863	---	---
	<u>\$ 5,218,770</u>	<u>\$ 5,218,770</u>	<u>\$ ---</u>	<u>\$ ---</u>

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government Securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk. Presented below is the minimum rating required for each type of investment:

<u>Type of Investment</u>	<u>Amount</u>	<u>Rating as of Year End</u>	
		<u>AAA</u>	<u>Aa2</u>
WISC:			
Cash management series	\$ 1,274,907	\$ 1,274,907	\$ ---
Investment series	5,071,203	5,071,203	---
Unit trusts	4,706	---	4,706
Total	<u>\$ 6,350,816</u>	<u>\$ 6,346,110</u>	<u>\$ 4,706</u>

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

2. Cash and Investments (Continued)

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

	Fair Value			Exempt from Disclosure	Total
	Level 1	Level 2	Level 3		
Unit trusts	\$ ---	\$ 4,706	\$ ---	\$ ---	\$ 4,706
Money market	3,910	---	---	---	3,910
Mutual funds	133,863	---	---	---	133,863
Certificates of deposit	---	---	---	8,998	8,998
Investment Pools:					
LGIP	---	---	---	743,071	743,071
WISC	---	---	---	6,346,110	6,346,110
Total	\$ 137,773	\$ 4,706	\$ ---	\$ 7,098,179	\$ 7,240,658

WISC and LGIP are exempt from fair value disclosure due to investments being valued at amortized cost. Certificates of deposit are exempt from fair value disclosure due to investments being valued at cost plus accrued interest earned.

3. Short-Term Notes Payable

Short-term debt payable at June 30, 2019 is as follows:

<u>Balance</u>		<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
<u>July 01, 2018</u>				<u>June 30, 2019</u>
\$ ---	\$	4,500,000	(4,500,000)	\$ ---

A line of credit in the amount of \$2,000,000 was dated October 31, 2018 and due August 31, 2019, at the prime variable interest rate to be adjusted on the first day of the month (5.25% at the date the line was entered into). Interest for the year ended June 30, 2019 was \$7,131. The line of credit is for general district operations. The District has pledged tax revenue and all other available current fiscal year revenues, including state aids, sufficient to pay the line of credit together with interest.

Subsequent to year end, the District obtained a taxable revolving line of credit not to exceed \$2,000,000. The line of credit is dated September 3, 2019 and is due August 31, 2020. Interest terms are prime variable (5.50% at the date of agreement), adjusted monthly on the 1st day of the month. Interest rate will not exceed 18% during the term of the agreement. The District has pledged tax revenue and all other available current fiscal year revenues, including state aids, sufficient to pay the line of credit together with interest.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

4. Capital Assets

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets not being depreciated:					
Sites	\$ 1,711,130	\$ ---	\$ ---	\$ ---	\$ 1,711,130
Construction in process	16,469,733	5,072,697	---	(21,542,430)	---
Total capital assets not being depreciated	<u>18,180,863</u>	<u>5,072,697</u>	<u>---</u>	<u>(21,542,430)</u>	<u>1,711,130</u>
Capital assets being depreciated:					
Land improvements	2,221,536	1,325,678	---	6,115,197	9,662,411
Buildings and improvements	67,507,696	---	---	15,535,927	83,043,623
Equipment	8,269,472	998,214	12,300	(108,694)	9,146,692
Total capital assets being depreciated	<u>77,998,704</u>	<u>2,323,892</u>	<u>12,300</u>	<u>21,542,430</u>	<u>101,852,726</u>
Less accumulated depreciation	<u>27,571,840</u>	<u>2,319,419</u>	<u>12,300</u>	<u>---</u>	<u>29,878,959</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>50,426,864</u>	<u>4,473</u>	<u>---</u>	<u>21,542,430</u>	<u>71,973,767</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 68,607,727</u>	<u>\$ 5,077,170</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 73,684,897</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 1,277,303
Regular instruction	936,585
Food service	24,789
Operation and maintenance	23,739
Administration services	57,003
Total depreciation for governmental activities	<u>\$ 2,319,419</u>

5. Long-Term Liabilities

Long-term liabilities of the District are as follows:

<u>Type</u>	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amounts due</u> <u>within one year</u>
G.O. Bonds	\$ 36,085,000	\$ ---	\$ 1,595,000	\$ 34,490,000	\$ 1,640,000
G.O. Promissory Notes	8,561,112	---	1,178,898	7,382,214	1,209,075
Direct Borrowings:					
State Trust Fund Loan	140,000	---	70,000	70,000	70,000
Capital Lease	30,057	---	13,804	16,253	14,337
Total	<u>\$ 44,816,169</u>	<u>\$ ---</u>	<u>\$ 2,857,702</u>	<u>\$ 41,958,467</u>	<u>\$ 2,933,412</u>

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2019 on long-term liabilities was \$1,349,804 and \$1,339,201, respectively.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

5. Long-Term Liabilities (continued)

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The capital leases are secured by equipment and improvements. The cost of assets purchased with capital lease is \$67,121. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

General obligation debt at June 30, 2019 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance June 30, 2019</u>
Direct Borrowings:				
State Trust fund Loan	08/10/10	4.25%	03/15/20	\$ 70,000
G.O. Promissory Note	09/01/14	1.99%	04/01/24	47,214
G.O. Promissory Note	06/05/15	2.00 to 3.00%	04/01/32	7,335,000
G.O. Bond	01/04/16	2.00 to 3.00%	04/01/25	9,940,000
G.O. Refunding Bond	05/14/18	3.00%	04/01/22	3,375,000
G.O. Bond	01/05/17	2.00 to 5.00%	10/01/36	21,175,000
Total				\$ 41,942,214

The 2018 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,066,959,413. The legal debt limit and margin of indebtedness as of June 30, 2019, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,066,959,413)	\$ 206,695,941
Deduct long-term debt applicable to debt margin	(41,942,214)
Margin of indebtedness	\$ 164,753,727

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

<u>Year Ended June 30,</u>	<u>G.O. Principal</u>	<u>G.O. Interest</u>	<u>Interest Subsidy</u>	<u>Direct Borrowing Principal</u>	<u>Direct Borrowing Interest</u>	<u>Total</u>
2020	\$ 2,849,075	\$ 1,287,489	\$ (2,983)	\$ 84,337	\$ 3,298	\$ 4,221,216
2021	2,919,254	1,219,558	---	1,916	---	4,140,728
2022	2,984,439	1,144,374	---	---	---	4,128,813
2023	2,279,627	1,071,722	---	---	---	3,351,349
2024	2,329,819	1,023,299	---	---	---	3,353,118
2025-2029	12,700,000	4,095,969	---	---	---	16,795,969
2030-2034	12,135,000	1,828,301	---	---	---	13,963,301
2035-2037	3,675,000	203,100	---	---	---	3,878,100
Totals	\$ 41,872,214	\$ 11,873,812	\$ (2,983)	\$ 86,253	\$ 3,298	\$ 53,832,594

The interest subsidy column indicates reimbursements received from the IRS in connection with the 2010 State Trust Fund loan issued as Build America Bonds.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Plan Description

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

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

Vesting

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially become 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 annual earning periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee’s contributions plus matching employer’s contributions, with interest, if that benefit is higher than the formula benefit.

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

Post-Retirement Adjustments

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan (Continued)

Post-Retirement Adjustments (Continued)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

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 for general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$1,344,039 in contributions from the employer.

Contribution rates as of June 30, 2019 are:

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

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

At June 30, 2019, the District reported a liability of \$4,612,647 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was .1297%, which was an increase of 0.0011% from its proportion measured as of December 31, 2017.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2019, the District recognized pension expense of \$3,094,120.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,592,552	\$ 6,350,343
Changes in assumptions	777,523	---
Net difference between projected and actual earnings on pension plan investments	6,736,456	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,949	30,781
Employer contributions subsequent to the measurement date	771,183	---
Total	\$ 11,891,663	\$ 6,381,124

The amount of \$771,183 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	\$ 6,524,966	\$ (4,811,338)
2021	4,307,543	(3,874,836)
2022	4,217,144	(3,468,990)
2023	3,063,214	(1,218,347)

Actuarial Assumptions

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

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Allocation Targets and Expected Returns			
As of December 31, 2018			
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4
New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%			
Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations			

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

6. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

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

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
District's proportionate share of the net pension (asset) liability	\$18,331,145	\$ 4,612,647	\$ (5,588,119)

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://eft.wi.gov/publications/cafr.htm>.

Payables to the pension plan at June 30, 2019 were \$248,011. This represents contributions earned as of June 30, 2019, but for which payment was not remitted to the pension plan until subsequent to year-end.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

7. Fund Balances

As of June 30, 2019, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable:			
Prepaid expenditures	\$ 2,369	\$ 394	\$ 2,763
Inventory	8,722	28,651	37,373
Restricted for:			
Common School library	15,399	---	15,399
Debt Service	---	979,202	979,202
Food service	---	540,720	540,720
Special projects	---	353,199	353,199
Community service	---	184,025	184,025
Unassigned	9,287,803	(34,610)	9,253,193
Total	<u>\$ 9,314,293</u>	<u>\$ 2,051,581</u>	<u>\$ 11,365,874</u>

The fund balance deficit in the capital projects fund of \$34,610 will be recovered through future years' revenue.

8. Post-Employment Benefits Trust

Description

All eligible District employees with 15 years of service as of July 1, 2013 receive a health insurance credit based upon their age at retirement. The credit is used to maintain coverage on the District's health insurance plan following retirement.

Covered Employees

Employees eligible to participate in the OPEB benefit consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	<u>Active</u>	<u>Retirees</u>	<u>Total</u>
Fully eligible	38	56	94
Not fully eligible	237	---	237
Total	<u>275</u>	<u>56</u>	<u>331</u>

Contributions

The Elkhorn Area School District Post-Employment Benefits Trust is a trust set up by the District to accumulate funds for the payment of the District's OPEB liability relating to medical and dental insurance. The trust does not require any employee or employer contributions.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

8. Post-Employment Benefits Trust (continued)

Actuarial Assumptions

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

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Reporting date	June 30, 2019
Actuarial cost method	Entry age normal (level percent of salary)
Medical care trend	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount rate*	3.75% (based on all years of projected payments discounted at a 3.75% long-term expected rate of return)
Mortality assumptions	Wisconsin 2012 Mortality Table

* Implicit in this rate is an assumed rate of inflation of 2.50%; the discount rate changed from 3.50% at the last measurement date.

Single Discount rate. A single discount rate of 3.75 percent was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB assets of 3.75 percent. Since assets are held in a fixed income account, the discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.75%) as of the measurement date. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2017. The projection of cash flows used to determine this 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. 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.

Rate of Return

The annual money-weighted rate of return on plan investments, net of plan investment expense was 2.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

8. Post-Employment Benefits Trust (continued)

Changes in the Net OPEB Liability

The District's OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017. The following table shows the components of the District's change in the net OPEB liability:

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balances at 6/30/18 - Measurement date 6/30/17:	\$ 3,869,515	\$ 716,633	\$ 3,152,882
Changes for the year:			
Service Cost	90,987	---	90,987
Interest	123,901	---	123,901
Changes of benefit terms	---	---	---
Differences between expected and actual experience	---	---	---
Changes of assumptions or other input	(24,562)	---	(24,562)
Contributions-Employer	---	749,977	(749,977)
Net investment income	---	9,621	(9,621)
Benefit payments	(749,977)	(749,977)	---
Administrative expense	---	---	---
Net changes	<u>(559,651)</u>	<u>9,621</u>	<u>(569,272)</u>
Balances at 6/30/19 - Measurement date 6/30/18:	<u>\$ 3,309,864</u>	<u>\$ 726,254</u>	<u>\$ 2,583,610</u>

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

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB Liability	\$ 3,409,028	\$ 3,309,864	\$ 3,213,289
Fiduciary Net Position	(726,254)	(726,254)	(726,254)
Net OPEB Liability	<u>\$ 2,682,774</u>	<u>\$ 2,583,610</u>	<u>\$ 2,487,035</u>

Sensitivity of the District's net OPEB liability to changes in the healthcare Cost Trend Rates. The following presents the total OPEB liability calculated using the healthcare cost trend rate of 7.5% decreasing to 5.0%, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.5% decreasing to 4.0%) or 1% higher (8.5% decreasing to 6.0%) than the current rate:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	\$ 3,245,282	\$ 3,309,864	\$ 3,381,624
Fiduciary Net Position	(726,254)	(726,254)	(726,254)
Net OPEB Liability	<u>\$ 2,519,028</u>	<u>\$ 2,583,610</u>	<u>\$ 2,655,370</u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

8. Post-Employment Benefits Trust (continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$131,942. At June 30, 2019, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ ---	\$ 262,532
Changes in assumptions	---	258,893
Net difference between projected and actual earnings on pension plan investments	25,034	---
Employer contributions subsequent to the measurement date	789,685	---
Total	\$ 814,719	\$ 521,425

The amount of \$789,685 reported as deferred outflows related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ (57,864)
2021	(57,864)
2022	(57,865)
2023	(62,085)
2024	(65,178)
Thereafter	(195,535)

Payable to the OPEB Plan

At June 30, 2019, there was no payable due to the OPEB Trust.

9. Limitation on School District Revenues

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

- A resolution of the school board or by referendum prior to August 12, 1993
- A referendum on or after August 12, 1993
- In November 2016, a referendum passed authorizing the District to exceed the revenue limit for the 2018-2019 school year and thereafter by \$300,000 for recurring purposes consisting of operational, maintenance, staffing and equipment costs for District facilities.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

10. Risk Management

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

11. Commitments and Contingencies

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

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

The District has a transportation contract for standard school-year transportation, exceptional education needs transportation, extra-curricular transportation and summer school transportation which runs through the 2021/22 school year. Regular daily service fees range from \$246 to \$289 per run. Summer school transportation ranges from \$241 to \$277 per run. Extra-curricular transportation range from \$97 to \$111 per run and exceptional education needs transportation ranges from \$236 to \$294 per run.

12. Self-Funded Insurance Program

The District has a self-funded dental benefit plan for its employees. The Plan administrators, Delta Dental, Inc. (administrator), are responsible for the approval, processing, and payment of claims, after which it bills the District for reimbursement. The District is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30, 2019.

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

The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2019, the District has reported a liability of \$87,461, which represents reported and unreported dental claims which were incurred on or before June 30, 2019 but were not paid by the District as of that date. This amount consists of \$29,897 of claims which were not yet reported to either the plan administrator or the District. The amounts not reported to the District were determined by the plan administrator.

Changes in the claims liability for the year ended June 30, 2019 are as follows:

	Year Ended June 30, 2019
Estimated claims outstanding July 1	\$ 86,484
Current year claims and changes in estimates	423,817
Claim payments	<u>(422,840)</u>
Estimated claims outstanding June 30	<u>\$ 87,461</u>

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Financial Statements
June 30, 2019
(Continued)

13. Risks and Uncertainties

The District has investments in various investment securities which are exposed to various risks of loss including, but not limited to, interest rates, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position in future periods.

14. Effect of New Accounting Standards on Financial Statements

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

- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 87, *Leases*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*
- GASB Statement No. 90, *Majority Equity Interest (Amendment of GASBs 14 and 61)*
- GASB Statement No. 91, *Conduit Debt Obligations*

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

REQUIRED SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2019

	Fund 10 Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
Revenues:				
Local	\$ 15,323,339	\$ 15,323,339	\$ 15,455,395	\$ 132,056
Interdistrict payments	3,943,313	3,943,313	3,879,021	(64,292)
State	17,882,109	17,882,109	17,879,376	(2,733)
Federal	547,648	547,648	513,045	(34,603)
Other	20,000	20,000	27,216	7,216
Total revenues	37,716,409	37,716,409	37,754,053	37,644
Expenditures:				
Instruction:				
Current	19,837,346	19,837,346	18,364,116	1,473,230
Interdistrict	1,321,370	1,321,370	1,334,608	(13,238)
Capital outlay	186,856	186,856	1,207,420	(1,020,564)
Support Services:				
Current	12,068,362	12,068,362	11,463,545	604,817
Capital outlay	215,801	215,801	993,126	(777,325)
Debt service	22,500	22,500	21,784	716
Total expenditures	33,652,235	33,652,235	33,384,599	267,636
Excess of revenues over expenditures	4,064,174	4,064,174	4,369,454	305,280
Other Financing Sources (uses):				
Operating transfers	(4,064,174)	(4,064,174)	(3,998,874)	65,300
Net change in fund balances	---	---	370,580	370,580
Fund Balances - Beginning of year	8,943,713	8,943,713	8,943,713	---
Fund Balances - End of year	\$ 8,943,713	\$ 8,943,713	\$ 9,314,293	\$ 370,580

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2019

	Fund 27 Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Interdistrict payments	\$ 36,000	\$ 36,000	\$ 11,620	\$ (24,380)
Intermediate sources	24,000	24,000	11,343	(12,657)
State	925,000	925,000	959,594	34,594
Federal	734,110	734,110	648,840	(85,270)
Total revenues	<u>1,719,110</u>	<u>1,719,110</u>	<u>1,631,397</u>	<u>(87,713)</u>
Expenditures:				
Instruction:				
Current	3,619,593	3,619,593	3,593,240	26,353
Capital outlay	7,200	7,200	6,192	1,008
Support Services:				
Current	1,844,634	1,844,634	1,720,671	123,963
Capital outlay	3,475	3,475	2,837	638
Total expenditures	<u>5,474,902</u>	<u>5,474,902</u>	<u>5,322,940</u>	<u>151,962</u>
Deficiency of revenues under expenditures	(3,755,792)	(3,755,792)	(3,691,543)	64,249
Other Financing Sources:				
Operating transfers	<u>3,755,792</u>	<u>3,755,792</u>	<u>3,691,543</u>	<u>(64,249)</u>
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances - End of year	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>	<u><u>\$ ---</u></u>

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

Wisconsin Retirement System
Last 10 Fiscal Years*

WRS Fiscal Year-End	District's proportion of the net pension asset (liability)	District's proportionate share of the net pension asset (liability)	District's covered payroll	Net pension asset (liability) as a percentage of covered payroll	Plan fiduciary net position as a percentage of total pension asset (liability)
12/31/2018	0.1297%	\$ (4,612,647)	\$ 20,064,695	22.99%	96.45%
12/31/2017	0.1286%	3,818,286	19,303,148	19.78%	102.93%
12/31/2016	0.1264%	(1,041,558)	18,558,256	5.61%	99.12%
12/31/2015	0.1269%	(2,061,641)	18,092,031	11.40%	98.20%
12/31/2014	0.1262%	3,100,944	17,276,953	17.95%	102.74%

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

GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

Schedule of Employer Contributions
Year Ended June 30, 2019

Wisconsin Retirement System
Last 10 Fiscal Years*

WRS Fiscal Year-End	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
12/31/2018	\$ 1,344,039	\$ 1,344,039	\$ ---	\$ 20,064,695	6.70%
12/31/2017	1,312,869	1,312,869	---	19,303,148	6.80%
12/31/2016	1,224,847	1,224,847	---	18,558,256	6.60%
12/31/2015	1,230,251	1,230,251	---	18,092,031	6.80%
12/31/2014	1,209,393	1,209,393	---	17,276,953	7.00%

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

GASB requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Changes in Net OPEB Liability and Related Ratios
Year Ended June 30, 2019
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 90,987	\$ 150,399	\$ 150,399
Interest	123,901	141,669	159,157
Change of benefit terms	---	---	---
Differences between expected and actual experience	---	(328,164)	---
Changes of assumptions or other input	(24,562)	(296,326)	---
Benefit payments	<u>(749,977)</u>	<u>(890,348)</u>	<u>(894,600)</u>
Net change in total OPEB liability	<u>(559,651)</u>	<u>(1,222,770)</u>	<u>(585,044)</u>
Total OPEB liability - beginning	<u>3,869,515</u>	<u>5,092,285</u>	<u>5,677,329</u>
Total OPEB liability - ending (a)	<u>\$ 3,309,864</u>	<u>\$ 3,869,515</u>	<u>\$ 5,092,285</u>
Fiduciary Net Position			
Contributions - employer	\$ 749,977	\$ 890,348	\$ 894,600
Net investment income	9,621	3,839	1,940
Benefit payments	(749,977)	(890,348)	(894,600)
Administrative expenses	---	---	---
Net change in fiduciary net position	<u>9,621</u>	<u>3,839</u>	<u>1,940</u>
Fiduciary net position - beginning	<u>716,633</u>	<u>712,794</u>	<u>710,854</u>
Fiduciary net position - ending (b)	<u>\$ 726,254</u>	<u>\$ 716,633</u>	<u>\$ 712,794</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 2,583,610</u>	<u>\$ 3,152,882</u>	<u>\$ 4,379,491</u>
Fiduciary net position as a percentage of covered-employee payroll	21.94%	18.52%	14.00%
Covered-employee payroll	15,495,658	15,495,658	14,450,301
Net OPEB liability as a percentage of covered-employee payroll	16.67%	20.35%	30.31%
Measurement date:	6/30/18	6/30/17	6/30/16

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

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Employer Contributions

Year Ended June 30, 2019

Last 10 Fiscal Years*

<u>Year Ending</u>	<u>Actuarially Determined Contribution ("ADC")</u>	<u>Contributions in Relation to the ADC</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions Recognized by Plan as a % of Covered Employee Payroll</u>
6/30/2019	\$ 792,476	\$ 749,977	\$ 42,499	\$ 15,495,658	4.84 %
6/30/2018	559,646	890,348	(330,702)	15,495,658	5.75
6/30/2017	559,646	894,600	(334,954)	14,450,301	6.19

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

Schedule of Investment Returns

Year Ended June 30, 2019

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense:	2.32%	1.34%	0.54%

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

See Independent Auditors' Report and Accompanying
Notes to Required Supplementary Information

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Notes to Required Supplementary Information

June 30, 2019

Note A - Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with accounting principles generally accepted in the United States of America ("GAAP"). An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below.

	<u>General Fund</u>	<u>Special Education Fund</u>
Revenues		
Actual amounts (budgetary basis)	\$ 37,754,053	\$ 1,631,397
Reclassification of special education	1,631,397	(1,631,397)
Total revenues (GAAP)	<u>39,385,450</u>	<u>---</u>
Expenditures		
Actual amounts (budgetary basis)	33,384,599	5,322,940
Reclassification of special education	5,322,940	(5,322,940)
Total Expenditures (GAAP)	<u>38,707,539</u>	<u>---</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	4,369,454	(3,691,543)
Reclassification of special education	(3,691,543)	3,691,543
Excess of Revenues Over (Under) Expenditures (GAAP)	<u>677,911</u>	<u>---</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(3,998,874)	3,691,543
Reclassification of special education	3,691,543	(3,691,543)
Total Other Financing Sources (Uses) (GAAP)	<u>(307,331)</u>	<u>---</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis and GAAP)	370,580	---
Fund Balance - Beginning of Year		
Actual amounts (budgetary basis and GAAP)	<u>8,943,713</u>	<u>---</u>
Fund Balance - End of Year		
Actual amounts (budgetary basis and GAAP)	<u>\$ 9,314,293</u>	<u>\$ ---</u>

Elkhorn Area School District
Elkhorn, Wisconsin

Notes to Required Supplementary Information

June 30, 2019

(Continued)

Note B - Excess of Actual Expenditures Over Budget in Individual Funds

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

General Fund:

Fund 10:

Vocational curriculum	\$	32,065
Co-curricular activities		232,930
Instructional staff services		11,074
School building administration		851
Business administration		150,828
Central services		42,057
Debt services		34
Termination benefits		164
Other retiree payments		86,991
Purchased instructional services		15,701

Fund 27:

Pupil services		18,869
Other retiree payments		15,351
Other non-program transactions		9,503

The excess expenditures were funded by current year revenues and other functions that had expended less than was budgeted.

Note C – WRS Information

Changes of benefit terms: There were no changes of benefit terms for any participating employee in the WRS.

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

Elkhorn Area School District
Elkhorn, Wisconsin

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

Note D – Other Post-Employment Benefit Plan Information

There were no changes to other post-employment benefit plan that significantly affect trends in amounts reported.

Methods and assumptions used in calculating net OPEB liability include:

Actuarial Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Reporting Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal (level percent of salary)
Medical care trend	7.50% decreasing by 0.5% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount Rate:*	3.75% (based upon all years of projected payments discounted at a 3.75% long-term expected rate of return)
Actuarial assumptions:	Based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-14.
Mortality assumptions:	Wisconsin 2012 Mortality Table

*Implicit in this rate is an assumed rate of inflation of 2.50%; the discount rate changed from 3.50% at the last measurement date.

Key methods and assumptions used to calculate ADC are as follows:

Reporting date	June 30, 2019	June 30, 2018 and 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value
Amortization method	5-year Level \$	15-year Level \$
Discount rate	3.50%	4.00%
Inflation	2.50%	3.50%

OTHER SUPPLEMENTARY INFORMATION

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Special Revenue Funds						Total
	Special Revenue	Food Service	Package-Cooperative	Community Service	Debt Service	Capital Projects	
Assets							
Cash	\$ 30,623	\$ ---	\$ ---	\$ ---	\$ ---	\$ 37,838	\$ 68,461
Investments	324,949	590,961	---	187,655	979,202	1,896	2,084,663
Accounts receivable	3,891	525	11,784	7,347	---	34,744	58,291
Due from other governments	---	---	96,095	---	---	---	96,095
Inventory	---	28,651	---	---	---	---	28,651
Prepaid expenditures	---	394	4,561	---	---	---	4,955
Total assets	\$ 359,463	\$ 620,531	\$ 112,440	\$ 195,002	\$ 979,202	\$ 74,478	\$ 2,341,116
Liabilities, deferred inflows and fund balances							
Liabilities:							
Accounts payable	\$ 5,064	\$ 570	\$ 40,240	\$ 2,733	\$ ---	\$ 39,600	\$ 88,207
Withholdings and related payable	150	15,182	18	7,029	---	---	22,379
Accrued payroll	1,050	4,789	151	1,215	---	---	7,205
Due to other funds	---	---	70,846	---	---	34,744	105,590
Deposits payable	---	30,225	1,185	---	---	---	31,410
Total liabilities	6,264	50,766	112,440	10,977	---	74,344	254,791
Deferred Inflows:							
Pledges	---	---	---	---	---	34,744	34,744
Fund Balances:							
Nonspendable	---	29,045	---	---	---	---	29,045
Restricted	353,199	540,720	---	184,025	979,202	---	2,057,146
Unassigned	---	---	---	---	---	(34,610)	(34,610)
Total fund balances	353,199	569,765	---	184,025	979,202	(34,610)	2,051,581
Total liabilities, deferred inflows and fund balances	\$ 359,463	\$ 620,531	\$ 112,440	\$ 195,002	\$ 979,202	\$ 74,478	\$ 2,341,116

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds**

Year Ended June 30, 2019

	<u>Special Revenue Funds</u>						<u>Total</u>
	<u>Special Revenue</u>	<u>Food Service</u>	<u>Package-Cooperative</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:							
Local	\$ 598,981	\$ 633,402	\$ 584	\$ 319,322	\$ 4,357,174	\$ 43,762	\$ 5,953,225
Interdistrict payments within Wisconsin	---	---	346,894	---	---	---	346,894
State	---	23,785	46,983	---	---	---	70,768
Federal	---	678,261	49,112	---	---	---	727,373
Other	545	---	4,436	---	30,629	8,535	44,145
Total revenues	599,526	1,335,448	448,009	319,322	4,387,803	52,297	7,142,405
Expenditures:							
Instruction:							
Current	545,822	---	459,788	---	---	---	1,005,610
Capital outlay	13,909	---	1,012	---	---	---	14,921
Support Services:							
Current	16,435	1,296,930	277,043	272,390	---	35,030	1,897,828
Capital outlay	---	41,216	7,114	---	---	5,123,762	5,172,092
Debt service	---	---	---	---	4,192,853	---	4,192,853
Total expenditures	576,166	1,338,146	744,957	272,390	4,192,853	5,158,792	12,283,304
Excess (deficiency) of revenues over (under) expenditures	23,360	(2,698)	(296,948)	46,932	194,950	(5,106,495)	(5,140,899)
Other Financing Sources:							
Operating transfers in	---	---	296,948	---	10,383	---	307,331
Net change in fund balances	23,360	(2,698)	---	46,932	205,333	(5,106,495)	(4,833,568)
Fund Balances - Beginning of year	329,839	572,463	---	137,093	773,869	5,071,885	6,885,149
Fund Balances - End of year	\$ 353,199	\$ 569,765	\$ ---	\$ 184,025	\$ 979,202	\$ (34,610)	\$ 2,051,581

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Charter School Authorizer Operating Costs

Year Ended June 30, 2019

WUFAR
Object Code

Operating Activity:

Employee Salaries	100	\$	845
Employee Benefits	200		253
Purchased Services	300		-
Non-Capital Objects	400		-
Capital Objects	500		-
Insurance and Judgements	700		-
Other	900		-
Total		\$	<u>1,098</u>

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

Year Ended June 30, 2019

	Balance				Balance
	<u>7/1/18</u>	<u>Additions</u>	<u>Deductions</u>		<u>6/30/2019</u>
ASSETS					
Cash	\$ 78,129	\$ 215,040	\$ 212,576	\$	80,593
LIABILITIES AND NET ASSETS					
Due to student groups:					
Elkhorn High School	\$ 58,938	\$ 200,443	\$ 196,735	\$	62,646
Jackson Elementary	6,687	1,715	2,513		5,889
Middle School	8,438	7,859	8,658		7,639
Tibbets Elementary	2,724	4,039	3,837		2,926
West Side Elementary	1,077	604	600		1,081
Due to student groups - unallocated interest	265	380	233		412
Total liabilities	\$ 78,129	\$ 215,040	\$ 212,576	\$	80,593

See Independent Auditors' Report.

ELKHORN AREA SCHOOL DISTRICT

Elkhorn, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2019

Awarding Agency	Identifying	Accrued or			Accrued or		
Pass-Through Agency	Number of	State	(Unearned)		State	(Unearned)	Subrecipient
Award Description	Pass-through	I.D.	Revenue at	Receipts	Disbursements/	Revenue at	Awards
	Entity	Number	July 1, 2018		Expenditures	June 30, 2019	
Wisconsin Department of Public Instruction							
Special education and school-age parents**	641638-100	255.101	\$ ---	\$ 921,647	\$ 921,647	\$ ---	\$ ---
Passed through CESA 2:							
Special education and school-age parents	749902-100	255.101	---	11,343	11,343	---	---
Subtotal 255.101			---	932,990	932,990	---	---
State school lunch	641638-107	255.102	---	14,824	14,824	---	---
Common school fund library aid	641638-104	255.103	(9,740)	114,337	108,678	(15,399)	---
Bilingual/bicultural aid	641638-111	255.106	---	29,471	29,471	---	---
Pupil transportation	641638-102	255.107	---	62,242	62,242	---	---
School day milk program	641638-109	255.115	---	1,267	1,267	---	---
Equalization aids	641638-116	255.201	264,944	17,710,761	17,699,800	253,983	---
High cost special education aid	641638-119	255.210	---	27,947	27,947	---	---
Aid for School Mental Health Programs	641638-176	255.227	---	40,384	40,384	---	---
Personal Electronic Computing Device	641638-175	255.296	---	28,250	28,250	---	---
School based mental health services	641638-177	255.297	---	---	46,983	46,983	---
State school breakfast program	641638-108	255.344	---	7,694	7,694	---	---
Peer review mentoring grant	641638-141	255.301	23,021	23,021	20,832	20,832	---
Tuition payments by State (LEA) Fund 10	641638-157	255.401	---	5,571	5,571	---	---
Educator Effective Eval Sys Grant Public	641638-154	255.940	---	18,800	18,800	---	---
Career and Technical Education Incentive Grants	641638-152	255.950	---	61,000	61,000	---	---
Aid for Special Education Transition Grant BBL	641638-168	255.960	---	10,000	10,000	---	---
Per pupil adjustment aid	641638-113	255.945	---	1,987,506	1,987,506	---	---
Assessments of reading readiness	641638-166	255.956	---	5,619	5,619	---	---
Robotics league participation grants	641638-167	255.959	---	---	466	466	---
Total Wisconsin Department of Public Instruction			278,225	21,081,684	21,110,324	306,865	---
Wisconsin Department of Justice							
School safety grant	Unavailable	455.206	---	138,814	193,603	54,789	---
Wisconsin Department of Workforce Development							
Passed through Gateway Technical College							
Computer Integrated Manufacturing	Unavailable	455.109	---	34,859	34,859	---	---
Total			\$ 278,225	\$ 21,255,357	\$ 21,338,786	\$ 361,654	\$ ---

** Total DPI aidable expenditures for the year ended June 30, 2019 were \$4,242,147

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

Awarding Agency	Identifying	Federal	Accrued or		Federal	Accrued or		
Pass-Through Agency	Number of	Catalog	(Unearned)		Disbursements/	(Unearned)		
Award Description	Pass-through	Number	Revenue at	Receipts	Expenditures	Revenue at	Subrecipient	
	Entity		July 1, 2018			June 30, 2019	Awards	
U.S. Department of Agriculture								
Passed through Wisconsin Department of Public Instruction:								
<i>Child Nutrition Cluster</i>								
<i>School Breakfast program:</i>								
Food Service Aid - Breakfast	2019-641638-SB-546	10.553	\$ ---	\$ 73,089	\$ 73,089	\$ ---	\$ ---	
Food Service Aid - Breakfast severe	2019-641638-SB-Severe-546	10.553	---	54,038	54,038	---	---	
<i>Total School Breakfast Program</i>			---	127,127	127,127	---	---	
<i>National School Lunch Program:</i>								
Donated Commodities - noncash	N/A	10.555	---	87,951	87,951	---	---	
Food Service Aid - Lunch	2019-641638-NSL-547	10.555	---	463,183	463,183	---	---	
<i>Total National School Lunch Program</i>			---	551,134	551,134	---	---	
Total Child Nutrition Cluster and U.S. Department of Agriculture			---	678,261	678,261	---	---	
U.S. Department of Education								
Passed through Wisconsin Department of Public Instruction:								
ESEA Title I-A Basic	2019-641638-TIA-141	84.010	48,201	326,282	324,012	45,931	---	
ESEA Title III-A English Language	2019-641638-TIIIA-391	84.365	3,905	24,988	24,972	3,889	---	
ESEA Title II-A Teacher Principal Training	2019-641638-TIIA-365	84.367	9,240	58,445	56,763	7,558	---	
ESEA Title IV Student Support and Academic Enrichmen	2019-641638-TIVA-381	84.424	---	---	15,750	15,750	---	
<i>Special Education Cluster (IDEA)</i>								
<i>Special Education - Grants to States:</i>								
IDEA Flow Through	2019-641638-IDEA-FT-341	84.027	92,491	440,849	541,244	192,886	---	
High Cost Special Education Aid	2019-641638-IDEA-FT-341	84.027	---	7,471	7,471	---	---	
<i>Total Special Education - Grants to States</i>			92,491	448,320	548,715	192,886	---	
<i>Special Education - Preschool Grants:</i>								
IDEA Preschool Entitlement	2019-641638-IDEA-PS-347	84.173	2,792	8,266	5,474	---	---	
<i>Total Special Education Cluster</i>			95,283	456,586	554,189	192,886	---	
Passed through Lake Geneva School District:								
Carl Perkins	2019-642884-CTE-400	84.048	---	876	876	---	---	
Total U.S. Department of Education			156,629	867,177	976,562	266,014	---	
U.S. Department of Health and Human Services								
Passed through Wisconsin Department of Public Instruction:								
inSPIRE Teen Parents Dropout Prevention	2019-591631-InSPIRE-591	93.500	52,905	52,905	49,112	49,112	---	
Passed through Wisconsin Department of Health Services:								
<i>Medicaid Cluster</i>								
Medical Assistance Program	44222200	93.778	12,479	161,159	186,199	37,519	---	
Total Medicaid Cluster and U.S. Department of Health and Human Services			65,384	214,064	235,311	86,631	---	
Total			\$ 222,013	\$ 1,759,502	\$ 1,890,134	\$ 352,645	\$ ---	

See Independent Auditors' Report and Accompanying Notes to Schedules of Expenditures of State and Federal Awards.

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards
Year Ended June 30, 2019

1. Basis of Presentation

The accompanying schedules of expenditures of state and federal awards (the "Schedules") includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Wisconsin State Single Audit Guidelines*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

4. Noncash awards

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

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



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

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

Board of Education
Elkhorn Area School District
Elkhorn, Wisconsin

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

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Reilly, Penner & Benton LLP

November 21, 2019
Milwaukee, Wisconsin

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



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

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

To the Board of Education
Elkhorn Area School District
Elkhorn, Wisconsin

Report on Compliance for Each Major Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Program

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

Report on Internal Control Over Compliance

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

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

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

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

Reilly, Penner & Benton LLP

November 21, 2019
Milwaukee, Wisconsin

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

Schedule of Prior Audit Findings
Year Ended June 30, 2019

None reported

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

Section 1 - Summary of Auditors' Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to financial statements? | No |

Federal Awards

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

CFDA Number(s)

Name of Federal Program or Cluster

84.027	<u>Special Education Cluster – IDEA</u>
84.173	Special Education Grants to States
	Special Education Preschool Grants

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

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

A. Summary of Auditors Results (continued)

State Awards

- | | |
|---|---------------|
| 10. Internal control over major programs: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | None reported |
| 11. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 12. Any audit findings disclosed that are required to be reported in accordance with Wisconsin State Single Audit Guidelines? | No |
| 13. Dollar threshold used to distinguish Type A and Type B programs | \$250,000 |
| 14. Identification of major state programs: | |

<u>State ID</u>	<u>Name of State Program or Cluster</u>
255.201	Equalization Aid

Section II - Financial Statement Findings

None reported

Section III - Federal and State Award Findings and Questioned Costs

None reported

ELKHORN AREA SCHOOL DISTRICT
Elkhorn, Wisconsin

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

Section IV – Other Issues

1. Does the auditors' report or the notes to the financial statements include disclosures with regard to substantial doubt as to the auditee's ability to continue as a going concern?
2. Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, 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 *Wisconsin State Single Audit Guidelines*:

Department of Public Instruction

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

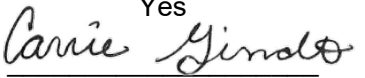
4. Name and signature of partner

5. Date of Report

No

No

Yes



Carrie A. Gindt

November 21, 2019