



**HIGHLAND COMMUNITY SCHOOLS**  
**FINANCIAL STATEMENTS**  
Including Independent Auditor's Report  
As of and for the year ended June 30, 2019

Johnson Block and Company, Inc.  
Certified Public Accountants  
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Mineral Point, WI 53565  
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Highland Community Schools  
June 30, 2019  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Highland Community Schools  
Highland, 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 Highland Community Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Highland Community Schools' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

### **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 Highland Community Schools, 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 budgetary comparison information, the schedule of changes in the District's total OPEB liability and related ratios, the local retiree life insurance fund schedules, and the Wisconsin Retirement System schedules on pages 42-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Highland Community Schools' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of Highland Community Schools' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
October 31, 2019

## BASIC FINANCIAL STATEMENTS

Exhibit A-1  
Highland Community Schools  
Statement of Net Position  
June 30, 2019

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 464,870
Restricted cash	44,601
Receivables:	
Taxes	477,841
Accounts	11,541
Due from other governmental units	108,607
Total current assets	1,107,460
Noncurrent assets:	
Capital assets:	
Property and equipment	10,691,196
Less: accumulated depreciation	(4,594,962)
Net book value of capital assets	6,096,234
Total noncurrent assets	6,096,234
Total assets	7,203,694
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension outflows	872,965
OPEB - group life insurance plan outflows	5,220
OPEB - District health insurance plan outflows	2,635
Deferred amount on refunding	112,500
Total deferred outflows of resources	993,320
Total assets and deferred outflows of resources	\$ 8,197,014
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 16,692
Customer deposits	2,514
Accrued payroll and withholdings	105,027
Accrued interest payable	14,942
Current portion of long-term obligations	366,439
Total current liabilities	505,614
Noncurrent liabilities:	
General obligation debt	2,115,000
Capital leases payable	14,145
OPEB - group life insurance plan	42,284
OPEB - District health insurance plan	250,473
Net pension liability	337,622
Less: current portion of long-term obligations	(366,439)
Total noncurrent liabilities	2,393,085
Total liabilities	2,898,699
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension inflows	468,711
OPEB - group life insurance plan inflows	14,926
OPEB - District health insurance plan inflows	5,087
Total deferred inflows of resources	488,724
<b>NET POSITION</b>	
Net investment in capital assets	4,194,970
Restricted for:	
Debt service	41,534
Special revenue trust	21,771
Long-term capital improvement trust	45,000
Community service	28,866
Unrestricted	477,450
Total net position	4,809,591
Total liabilities, deferred inflows of resources, and net position	\$ 8,197,014



Exhibit A-2  
Highland Community Schools  
Statement of Activities  
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Instruction:					
Regular instruction	\$ 1,756,326	\$ 236,762	\$ 200,578	\$	\$ (1,318,986)
Vocational education	165,237		1,600		(163,637)
Special education	317,995		166,454		(151,541)
Other instruction	330,475	5,890			(324,585)
Total instruction	2,570,033	242,652	368,632		(1,958,749)
Support services:					
Pupil services	251,484		2,952		(248,532)
Instructional staff services	111,899		12,842		(99,057)
General administration services	162,693				(162,693)
Building administration services	144,612				(144,612)
Business administration	860,599		5,458	102,096	(753,045)
Food service	161,512	78,163	68,623		(14,726)
Central services	43,680		112		(43,568)
Insurance	47,974				(47,974)
Other support services	152,190				(152,190)
Community service	21,186	3,879			(17,307)
Interest and fiscal charges	50,966				(50,966)
Amortization expense	18,750				(18,750)
Depreciation-unallocated	150,601				(150,601)
Total support services	2,178,146	82,042	89,987	102,096	(1,904,021)
Non-program transactions:					
Purchased instructional services	382,728		41,999		(340,729)
Total non-program transactions	382,728		41,999		(340,729)
Total governmental activities	\$ 5,130,907	\$ 324,694	\$ 500,618	\$ 102,096	(4,203,499)
General revenues:					
Property taxes:					
General purposes					944,841
Debt services					407,886
Community services					20,000
Other taxes					8,591
Federal and State aid not restricted for specific purposes:					
General					2,769,960
Interest and investment earnings					814
Miscellaneous					37,418
Total general revenues					4,189,510
Changes in net position					(13,989)
Net position - beginning					4,823,580
Net position - ending					\$ 4,809,591

Exhibit A-3  
Highland Community Schools  
Balance Sheet  
Governmental Funds  
June 30, 2019

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 312,239	\$ 101,740	\$ 50,891	\$ 464,870
Restricted cash			44,601	44,601
Taxes receivable	477,841			477,841
Accounts receivable	4,533		7,008	11,541
Due from other governmental units	102,869		5,738	108,607
Due from other funds	55,496		10,780	66,276
<b>Total assets</b>	<b>\$ 952,978</b>	<b>\$ 101,740</b>	<b>\$ 119,018</b>	<b>\$ 1,173,736</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 16,692			\$ 16,692
Customer deposits			2,514	2,514
Accrued payroll and withholdings	104,773		254	105,027
Due to other funds	10,780	45,264	10,232	66,276
<b>Total liabilities</b>	<b>132,245</b>	<b>45,264</b>	<b>13,000</b>	<b>190,509</b>
<b>FUND BALANCES</b>				
Restricted		56,476	106,018	162,494
Unassigned	820,733			820,733
<b>Total fund balances</b>	<b>820,733</b>	<b>56,476</b>	<b>106,018</b>	<b>983,227</b>
<b>Total liabilities and fund balances</b>	<b>\$ 952,978</b>	<b>\$ 101,740</b>	<b>\$ 119,018</b>	<b>\$ 1,173,736</b>

Exhibit A-4  
Highland Community Schools  
Reconciliation of the Governmental Funds Balance Sheet  
with the Statement of Net Position  
June 30, 2019

Total fund balances - governmental funds: \$ 983,227

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:

Governmental capital assets	10,691,196	
Governmental accumulated depreciation	<u>(4,594,962)</u>	6,096,234

Pension and OPEB deferred outflows of resources and deferred inflows  
of resources are actuarially determined by the plans. These items  
are reflected in the statement of net position and are being amortized  
with pension and OPEB expense in the statement of activities.

The deferred outflows of resources and deferred inflows of resources  
are not financial resources or uses and therefore are not reported  
in the fund statements.

Deferred outflows of resources		880,820
Deferred inflows of resources		(488,724)

Deferred amounts on refunding are reported in the fund statements when  
expended, but are amortized over the life of the bond in the statement  
of net position.

112,500

Long term liabilities, including bonds and notes payable, are not due in the  
current period and therefore are not reported in the fund statements.

Long-term liabilities reported in the statement of net position that are not  
reported in the funds balance sheet are:

General obligation debt	2,115,000	
Capital lease	14,145	
Accrued interest on long-term debt	14,942	
Net pension liability	337,622	
OPEB - group life insurance plan	42,284	
OPEB - District health insurance plan	<u>250,473</u>	<u>(2,774,466)</u>

Total net position - governmental activities \$ 4,809,591

Exhibit A-5  
Highland Community Schools  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 944,975	\$ 407,886	\$ 20,000	\$ 1,372,861
Other local sources	42,403	224	112,126	154,753
Interdistrict sources	211,387			211,387
Intermediate sources	11,362			11,362
State sources	3,081,245		3,084	3,084,329
Federal sources	181,244		65,538	246,782
Other sources	35,443			35,443
<b>Total revenues</b>	<b>4,508,059</b>	<b>408,110</b>	<b>200,748</b>	<b>5,116,917</b>
<b>EXPENDITURES</b>				
Instruction:				
Regular instruction	1,638,083		1,639	1,639,722
Vocational instruction	158,399			158,399
Special instruction	308,099			308,099
Other instruction	273,242		18,281	291,523
<b>Total instruction</b>	<b>2,377,823</b>		<b>19,920</b>	<b>2,397,743</b>
Support services:				
Pupil services	241,180			241,180
Instructional staff services	107,708			107,708
General administration services	162,693			162,693
Building administration services	136,475			136,475
Business administration	805,570		155,216	960,786
Central services	31,472			31,472
Insurance	47,974			47,974
Food service			161,511	161,511
Community service			20,597	20,597
Principal and interest	8,514	410,945		419,459
Other support services	151,569			151,569
<b>Total support services</b>	<b>1,693,155</b>	<b>410,945</b>	<b>337,324</b>	<b>2,441,424</b>
Non-program transactions:				
Purchased instructional services	382,729			382,729
<b>Total non-program transactions</b>	<b>382,729</b>			<b>382,729</b>
<b>Total expenditures</b>	<b>4,453,707</b>	<b>410,945</b>	<b>357,244</b>	<b>5,221,896</b>
Excess (deficiency) of revenues over expenditures	54,352	(2,835)	(156,496)	(104,979)
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	10,121			10,121
Transfer to capital projects fund	(45,000)			(45,000)
Transfer to food service fund	(14,726)			(14,726)
Transfer from general fund			59,726	59,726
<b>Total other financing sources (uses)</b>	<b>(49,605)</b>		<b>59,726</b>	<b>10,121</b>
<b>Net change in fund balances</b>	<b>4,747</b>	<b>(2,835)</b>	<b>(96,770)</b>	<b>(94,858)</b>
Fund balance - beginning	815,986	59,311	202,788	1,078,085
<b>Fund balance - ending</b>	<b>\$ 820,733</b>	<b>\$ 56,476</b>	<b>\$ 106,018</b>	<b>\$ 983,227</b>

Exhibit A-6  
Highland Community Schools  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$	(94,858)
Amounts reported for governmental activities in the statement of activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
Capital outlay reported in governmental fund statements	172,934	
Depreciation expenses reported in the statement of activities	<u>(273,988)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(101,054)
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan.		
Pension expense in the statement of activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability from the prior year to the current year, with some adjustments.		
Difference between the required contributions into the defined benefit plan and the actuarially determined change in net pension liability between years, with adjustments.		(126,821)
Deferred amounts on refunding are reported as other financing uses in the governmental funds, but are amortized over the life of the debt issue in the statement of net position.		
Amortization in the statement of activities		(18,750)
OPEB amounts are reported in the governmental funds when amounts are paid.		
The statement of activities reports the value of benefits earned during the year.		
Change in OPEB - group life insurance plan liability and related deferred outflows and inflows of resources		(4,353)
Change in OPEB - District health insurance plan liability and related deferred outflows and inflows of resources		(26,525)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.		
Amount of long-term debt principal payments in excess of debt proceeds		356,332
In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.		
The amount of interest paid on long-term debt during the current period	50,945	
The amount of interest accrued on long-term debt during the current period	<u>(48,905)</u>	
Interest paid is greater (less) than interest accrued by		2,040
Change in net position-governmental activities	\$	<u><u>(13,989)</u></u>

Exhibit A-7  
 Highland Community Schools  
 Statement of Net Position  
 Fiduciary Funds  
 June 30, 2019

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 5,940	\$ 148,693	\$ 154,633
 Total assets	 <u>\$ 5,940</u>	 <u>\$ 148,693</u>	 <u>\$ 154,633</u>
 <b>LIABILITIES</b>			
Due to student groups	\$	\$ 148,693	\$ 148,693
 <b>NET POSITION</b>			
Restricted for scholarships	<u>5,940</u>		<u>5,940</u>
 Total liabilities and net position	 <u>\$ 5,940</u>	 <u>\$ 148,693</u>	 <u>\$ 154,633</u>

Exhibit A-8  
 Highland Community Schools  
 Statement of Changes in Net Position  
 Fiduciary Funds  
 For the Year Ended June 30, 2019

	Private Purpose Trust
<b>ADDITIONS</b>	
Interest	\$ 33
Gifts	100
Total additions	133
<b>DEDUCTIONS</b>	
Scholarships awarded	500
Total deductions	500
Change in net position	(367)
Net position - beginning	6,307
Net position - ending	\$ 5,940

NOTES TO THE BASIC FINANCIAL STATEMENTS



Highland Community Schools  
June 30, 2019  
Index to Notes to the Basic Financial Statements

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is organized as a common school district governed by an elected seven-member school board. The district operates grades pre-kindergarten through grade 12. The district is comprised of all or parts of six taxing districts.

The accompanying financial statements present the activities of the District. The school district is not a component unit of another reporting entity nor does it have any component units.

The reporting entity for the district is based upon criteria set forth by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of (a) organizations for which the stand-alone government is financially accountable and (b) the stand-alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the district comprise the stand-alone government.

B. 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 for fiduciary funds, which are presented in the fund financial statements by type. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District does not report any business-type activities.

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 for 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 that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

Funds are organized as major funds or non-major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

*Governmental Funds*

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Permanent Funds - Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

*Fiduciary Funds (Not included in district-wide statements)*

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

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

*Major Funds*

The District reports the following major governmental funds:

General  
Debt Service

*Non-Major Funds*

The District reports the following non-major funds:

Special Revenue Funds:

Food Service – accounts for the activities of the District’s food service, generally school hot lunch program.

Trust – accounts for trust funds that can be used for District operations. The source of such funds is gifts and donations from private parties.

Community Service – accounts for activities associated with providing recreational and enrichment programs to the community.

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

*Fiduciary Funds*

The District reports the following fiduciary funds:

Private-Purpose Trust Funds -  
Scholarship Fund – accounts for assets that are accumulated to provide scholarships.

Agency Funds:  
Student Activity Fund – accounts for assets held as an agent for various student and parent organizations.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The district-wide Statement of Net Position and Statement of Activities and fiduciary fund financial statements are presented 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.

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

Property taxes are recognized as revenue in the period for which the taxes are levied. All property taxes are considered due on January 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided by other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, deferred inflows of resources are removed from the balance sheet and revenue is recognized.

Deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

D. Assets and Liabilities

*Cash and Investments*

The District has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund’s portion of total cash and investments is reported as cash and cash equivalents/investments by the District’s individual major funds, and in the aggregate for non-major and agency funds. Interest earned is distributed monthly to the various funds based on each fund’s proportionate equity in the cash and investments pool.

All deposits of the District are made in board designated official depositories and are secured as required by State Statute. The District may designate, as an official depository, any bank or savings association. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

*Accounts Receivable*

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 such allowance would not be material.

*Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory in the general fund and governmental activities consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

*Internal receivables and payables*

The amounts reported on the statement of net position for internal receivables and payables represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for these internal balances within the same fund type.

*Capital Assets*

District-wide Statements

In the district-wide financial statements, capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at acquisition value.

All capital assets, or groups of assets, that meet the District's capitalization threshold of \$5,000 are capitalized and updated for additions. Assets that are returned are taken off on an annual basis. All improvements to capital assets are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation and half-year convention. The range of estimated useful lives by type of asset is as follows:

Computer equipment	3 years
Vehicles and buses	5 years
Other equipment	5 years
Site improvements	10 years
Buildings	27.5 years
Subsequent Modernization to Buildings	10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities (Continued)

*Vested Employee Benefits*

Leave Days

Employees of the District earn varying amounts of leave days. Teachers can accumulate up to 120 days. Teachers will be paid \$45 per day for each day accumulated over 120 days. Support staff will be paid \$45 per day for each day accumulated over 96 days.

Other Postemployment Benefits

Other postemployment benefits are accrued as liabilities for employees who are currently receiving these benefits and for employees who could receive these benefits if retired. These liabilities are reported on the district-wide financial statements. In the governmental fund financial statements, none of the liabilities are reported as they are not expected to be paid using expendable available resources.

*District health insurance plan*

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

*Group life insurance plan*

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Long-Term Obligations*

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the district-wide statements. Long-term debt consists primarily of notes, bonds or loans payable, capital leases and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.



NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types. If they are not liquidated with expendable available financial resources, a liability is recorded in the District-wide statement of net position. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

F. Estimates

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

G. Interfund Transactions

Charges for services between funds are reported as revenues in the seller funds and as expenditure/expense in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. These transfers are eliminated from the statement of activities. On the fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net position.

H. Equity Classifications

*District-wide Statements*

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

- a. 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 bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. 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.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Equity Classifications (Continued)

*Fund Statements*

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-Spendable – includes amounts that are not in a spendable form (such as inventory/or are required to be maintained intact.
- Restricted – includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed – includes amounts constrained to specific purposes by the Board of Education, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest level action to remove or change the constraint.
- Assigned – includes amounts the Board of Education intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority. All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- Unassigned – includes residual positive fund balance within the general fund which has not been classified within the above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

The Board of Education may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board of Education. Commitments of fund balance, once made, can be modified only by majority vote of the Board of Education.

The Board of Education authorizes and directs the district administrator to assign the fund balance, to the extent such assignment does not create a negative unassigned fund balance.

The School Board recognizes the need to maintain an operating reserve in the general fund for the following purposes:

1. Hold adequate working capital to meet cash flow needs during the fiscal year
2. Reduce the need for short term borrowing
3. Serve as a safeguard for unanticipated expenditures of the District
4. Show fiscal responsibility to maintain a high credit rating which will help reduce future borrowing costs

The Board of Education shall strive to develop operating budgets, which will add sufficient funds each year to the operating fund balance to maintain an adequate level of fund balance. To that end, it shall be the policy of the District to budget to maintain a general fund balance of 15-20% and not less than 10% of the subsequent year's operational expenditures. If the District, as of June 30 of a given fiscal year, shows a general fund balance below 10% of the subsequent year budget, the Board will take proactive action to raise the general fund balance to 10%. As of June 30, 2019 the general fund balance was 19.0% of current year expenditures.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Equity Classifications (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

I. Pensions

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

J. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The deferred outflows of resources are for the WRS pension system, OPEB plans, and unamortized debt refunding costs.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources are for the WRS pension system and OPEB plans.

NOTE 2                    EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND  
STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

Explanation of Differences between Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balances and the Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities in the basic financial statements represent:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the Statement of Activities. The long-term expenses reported recognize the change in vested employee benefits.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the statement of activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

Highland Community Schools  
June 30, 2019  
Notes to the Basic Financial Statements

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NOTE 3

CASH AND INVESTMENTS

As previously discussed, cash for all District funds is pooled for investment purposes. With the exception of a separate checking account for debt service. At June 30, 2019, the cash and investments included the following:

Deposits with financial institutions	<u>\$ 664,104</u>
--------------------------------------	-------------------

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Per statement of net position	\$ 464,870
Per statement of net position - restricted	44,601
Per statement of net position - fiduciary funds	<u>154,633</u>
Total	<u>\$ 664,104</u>

Investments Authorized by Wisconsin State Statutes

Investment of District funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state.
- Bonds or securities issued or guaranteed as to principal and interest by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements that are fully collateralized by bonds or securities.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local artist district.
- Bonds issued by the Wisconsin Aerospace Authority.

Foreign Currency Risk

The District did not invest in any foreign currency during this fiscal year.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Highland Community Schools  
 June 30, 2019  
 Notes to the Basic Financial Statements

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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

Investment Type	Remaining Maturity (in months)	
	Amount	12 months or less
Certificates of deposit	\$ 5,566	\$ 5,566

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

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

*Federal Deposit Insurance Corporation (FDIC) Insurance*

The insurance coverage of public accounts depends upon the type of deposit and the location of the insured depository institution. All time and savings deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution with the State in which the public unit is located are added together and insured up to \$250,000. Separately, all demand deposits owned by a public unit and held by public unit's official custodian in an insured depository within the State in which the public unit is located are added together and insured up to \$250,000. For purpose of these rules, the term 'time and savings deposits' include NOW accounts and money market deposit accounts but does not include interest bearing demand deposits accounts. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal.

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

*Collateralization of Public Unit Deposits*

Depending on applicable state or federal law, public unit deposits may be secured by collateral or assets of the bank. In the event of the failure of the bank, the FDIC will honor the collateralization agreement if the agreement is valid and enforceable under applicable law. The FDIC does not guarantee, however, that the collateral will be sufficient to cover the amount of the uninsured funds. As such, although it does not increase the insurance coverage of the public unit deposits, collateralization provides an avenue of recovery in the event of the failure of an insured bank.

In addition to FDIC insurance, a bank pledged \$700,000 to collateralize deposits that exceed FDIC limits.

As of June 30, 2019, \$407,125 of the District's deposits were insured by the FDIC and \$565,026 of deposits were collateralized with assets pledged by a bank.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 above the amount of FDIC insurance at each public depository. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances exceeding uninsured amounts at the balance sheet date.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Highland Community Schools  
June 30, 2019  
Notes to the Basic Financial Statements

NOTE 4

CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 124,956	\$	\$	\$ 124,956
Total capital assets not being depreciated	124,956			124,956
<i>Capital assets, being depreciated:</i>				
Buildings	8,214,071	19,166		8,233,237
Land improvements	748,699	14,493		763,192
Furniture and equipment	1,398,746	130,002	(8,100)	1,520,648
Vehicles	39,890	9,273		49,163
Total capital assets, being depreciated	10,401,406	172,934	(8,100)	10,566,240
Total capital assets	10,526,362	172,934	(8,100)	10,691,196
Less accumulated depreciation:				
Buildings	2,542,243	174,479		2,716,722
Land improvements	573,798	10,850		584,648
Furniture and equipment	1,180,612	82,754	(8,100)	1,255,266
Vehicles	32,421	5,905		38,326
Total accumulated depreciation	4,329,074	273,988	(8,100)	4,594,962
Total net capital assets	\$ 6,197,288	\$ (101,054)	\$	\$ 6,096,234

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 8,482
Special education	1,233
Vocational instruction	1,823
Other instruction	29,365
Instructional staff services	2,602
Business administration	67,674
Central services	12,208
Depreciation not charged to a specific function	150,601
Total depreciation for governmental activities	\$ 273,988



Highland Community Schools  
June 30, 2019  
Notes to the Basic Financial Statements

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital outlay was charged to governmental fund functions as follows:

Other instruction	\$ 5,072
Business administration	167,862
Total capital outlay	\$ 172,934

NOTE 5 LONG-TERM OBLIGATIONS

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2019 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
General obligation bonds	\$ 1,740,000	\$	\$ (240,000)	\$ 1,500,000	\$ 240,000
Promissory notes	735,000		(120,000)	615,000	120,000
Capital lease	10,477	10,121	(6,453)	14,145	6,439
Per statement of net position	\$ 2,485,477	\$ 10,121	\$ (366,453)	\$ 2,129,145	\$ 366,439

Long-Term General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2019 is comprised of the following individual issues:

Description	Issue Date	Interest Rates	Date of Maturity	Balance 6/30/19
Promissory notes	07/06/16	1.10-1.90%	03/01/26	\$ 510,000
Promissory notes	11/02/11	4.25%	03/01/21	105,000
Refunding bonds	06/19/13	1.70-2.55%	03/01/25	1,500,000
Total general obligation debt				\$ 2,115,000

The 2018 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$107,182,449. The legal debt limit and margin of indebtedness as of June 30, 2019 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$107,182,449)	\$ 10,718,245
Deduct long-term debt applicable to debt margin	(2,115,000)
Margin of indebtedness	\$ 8,603,245

Highland Community Schools  
June 30, 2019  
Notes to the Basic Financial Statements

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NOTE 5

LONG-TERM OBLIGATIONS (CONTINUED)

Long-Term General Obligation Debt (Continued)

Total interest paid and accrued during the year:

	Expense	Paid
General obligation debt	\$ 48,905	\$ 50,945

Aggregate cash flow requirements for the retirement of long-term principal and interest at June 30, 2019 follows:

Year Ended	Principal	Interest	Total
June 30,			
2020	\$ 360,000	\$ 44,413	\$ 404,413
2021	370,000	37,713	407,713
2022	315,000	29,878	344,878
2023	325,000	23,753	348,753
2024	330,000	16,895	346,895
2025-2026	415,000	11,095	426,095
Totals	\$ 2,115,000	\$ 163,747	\$ 2,278,747

Capital Leases, as Lessee

The following is an analysis of the original cost of leased property under capital leases by major classes as of June 30, 2019.

Equipment \$ 25,107

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2019:

Year Ended June 30,	
2020	\$ 7,964
2021	7,964
2022	471
Total payments	\$ 16,399
Less: interest	(2,254)
Principal lease payments	\$ 14,145

Highland Community Schools  
June 30, 2019  
Notes to the Basic Financial Statements

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NOTE 6     OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN

Highland Community Schools reports its liability for other post-employment benefits based on an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description – The District operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses. There are 40 active and 2 retired members in the plan. Benefits and eligibility for teachers, administrators, and support staff are established and amended by the School Board. The plan does not issue stand-alone financial statements. Current approved benefits are as follows:

**Teachers and other Employees Retiring from the District that are also eligible for the Wisconsin Retirement System:** Retirees may self-pay the full 100% amount of premiums to remain on the District’s medical plan indefinitely, provided they continue to pay all required premiums.

Funding Policy – The District will fund the OPEB with a pay-as-you go basis. There are no assets accumulated in a trust that meet the criteria in Governmental Accounting Standards to pay related benefits.

Employees Covered by Benefit Terms – At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	40
	42
	42

Total OPEB Liability – The District’s total OPEB Liability of \$250,473 was measured at June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	2.5 percent
Salary increases	3 percent, average, including inflation
Discount rate	3.75 percent
Healthcare cost trend rates	Actual increases in the first year then 7.50% decreasing by 0.50% per year down to 6.50%, then down by 0.10% per year down to 5.0%, and level thereafter
Retirees' share of benefit-related costs	Retirees' are responsible for the full (100%) amount of premiums.

The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve for the week at the beginning of the measurement period.

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**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)**

Mortality rates were based on the Wisconsin 2012 Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on a study conducted in 2015 using the Wisconsin Retirement System (WRS) experience from 2012-2014.

***Changes in the Total OPEB Liability:***

	Total OPEB Liability
<b>Balance at 6/30/2017</b>	\$ 231,086
<b>Changes for the year:</b>	
Service cost	21,244
Interest	8,378
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(5,549)
Benefit payments	(4,686)
<b>Net Changes</b>	19,387
<b>Balance at 6/30/2018</b>	\$ 250,473

There were no changes of benefit terms.

The actuarial valuation was performed as of June 30, 2017. The discount rate was increased from 3.5% to 3.75% when the information was rolled forward to June 30, 2018.

**Sensitivity of the total OPEB liability to changes in the discount rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

		1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total OPEB Liability	6/30/2018	\$ 273,279	\$ 250,473	\$ 229,303

**Sensitivity of the total OPEB liability to changes in healthcare cost trend rates**

The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 decreasing to 6.0 percent) than the current healthcare cost trend rates:

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NOTE 6 OTHER POSTEMPLOYMENT BENEFITS – SINGLE EMPLOYER HEALTH INSURANCE PLAN (CONTINUED)

	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 6/30/2018	\$ 216,743	\$ 250,473	\$ 291,235

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$29,160. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ -
Changes of assumptions or other inputs	-	5,087
Contributions after the measurement date	2,635	-
Total	<u>\$ 2,635</u>	<u>\$ 5,087</u>

\$2,635 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2020	\$ (462)
2021	(462)
2022	(462)
2023	(462)
2024	(462)
Thereafter	<u>(2,777)</u>
Total	<u>\$ (5,087)</u>

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN

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

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

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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN (CONTINUED)**

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

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

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

Contribution rates as of June 30, 2019 are:

Coverage Type	Employer Contribution
25% Post Retirement Coverage	20% of employee contribution

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

<b>Life Insurance Employee Contribution Rates * For the year ended December 31, 2018</b>		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57
*Disabled members under age 70 receive a waiver-of-premium benefit		

During the reporting period, the LRLIF recognized \$315 in contributions from the employer.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs***

At June 30, 2019, the LRLIF Employer reported a liability (asset) of \$42,284 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net OPEB liability (asset) was based on the District’s share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the District’s proportion was 0.01638700%, which was a decrease of 0.001365% from its proportion measured as of December 31, 2017.

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**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN (CONTINUED)**

For the year ended June 30, 2019, the District recognized OPEB expense of \$3,606.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$ 2,145
Changes of assumptions	4,035	9,165
Net differences between projected and actual earnings on OPEB plan investments	1,011	
Changes in proportion and differences between employer contributions and proportionate share of contributions		3,616
Employer contributions subsequent to the measurement date	174	
Totals	\$ 5,220	\$ 14,926

\$174 reported as deferred outflows related to OPEB resulting from the District employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<b>Net Outflows (Inflows) of Resources</b>
Year ended June 30:	
2020	\$ (1,427)
2021	(1,427)
2022	(1,427)
2023	(1,569)
2024	(1,715)
Thereafter	(2,315)
Total	\$ (9,880)

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

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	4.10%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	4.22%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN (CONTINUED)**

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

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

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

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

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

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



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NOTE 7 OTHER POSTEMPLOYMENT BENEFITS – MULTIPLE-EMPLOYER LIFE INSURANCE PLAN (CONTINUED)

	<b>1% Decrease to Discount Rate (3.22%)</b>	<b>Current Discount Rate (4.22%)</b>	<b>1% Increase to Discount Rate (5.22%)</b>
District's proportionate share of the net OPEB liability (asset)	\$60,152	\$42,284	\$28,503

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

NOTE 8 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Receivable	Purpose
General	Debt service	\$ 45,264	Debt service payments yet to be reimbursed to operating cash
Capital Projects	General	10,780	Long-term capital improvement trust and reimbursements yet to be remitted
General	Food Service	10,232	Cash flow
		<u>\$ 66,276</u>	

During the fiscal year ended June 30, 2019, \$14,726 was transferred to the food service fund and \$299,249 to the special education fund. These transfers were used to cover any costs not covered by direct revenues. In the Statement of Activities, the transfers were eliminated.

A \$45,000 transfer was made from the general fund to the capital projects fund. After an initial five year waiting period, these amounts may be spent in accordance with a ten-year capital improvement plan.

NOTE 9 DEFINED BENEFIT PENSION PLAN

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

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

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

NOTE 9

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1%)	(42%)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17

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

During the reporting period, the WRS recognized \$95,867 in contributions from the employer.

Highland Community Schools  
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Notes to the Basic Financial Statements

NOTE 9

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contribution rates as of June 30, 2019 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers)	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 (asset) of \$337,622 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) 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 (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.00948994%, which was a decrease of 0.00013235% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District's recognized pension expense of \$225,430.

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

	<u><b>Deferred Outflows of Resources</b></u>	<u><b>Deferred Inflows of Resources</b></u>
Differences between expected and actual experience	\$ 262,957	\$ 464,812
Change in assumptions	56,910	
Net differences between projected and actual earnings on pension plan investments	493,074	
Changes in proportion and differences between employer contributions and proportionate share of contributions	188	3,899
Employer contributions subsequent to the measurement date	59,836	
Totals	<u>\$ 872,965</u>	<u>\$ 468,711</u>

Highland Community Schools  
June 30, 2019  
Notes to the Basic Financial Statements

NOTE 9

DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$59,836 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 of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	<b>Net Outflows (Inflows) of Resources</b>
2020	\$ 123,925
2021	30,582
2022	54,763
2023	135,148
Total	\$ 344,418

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

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

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure 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.

NOTE 9

DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

<b>Asset Allocation Targets and Expected Returns</b>			
<b>As of December 31, 2018</b>			
<u>Core Fund Asset Class</u>	<u>Asset Allocation</u> %	<u>Long-Term</u> <u>Expected Nominal</u> <u>Rate of Return %</u>	<u>Long-Term</u> <u>Expected Real</u> <u>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			

**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 is 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.

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NOTE 9

DEFINED BENEFIT PENSION PLAN (CONTINUED)

***Sensitivity of the Highland Community Schools' proportionate share of the net pension liability (asset) to changes in the discount rate.*** The following presents the Highland Community Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the Highland Community Schools' 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:

	<b>1% Decrease to Discount Rate (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase to Discount Rate (8.00%)</b>
District's proportionate share of the net pension liability (asset)	\$1,341,746	\$337,622	(\$409,021)

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

NOTE 10

GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2019 include the following:

Restricted:	
Major fund:	
Debt service fund	\$ 56,476
Nonmajor fund:	
Special revenue trust fund	21,771
Community service fund	28,866
Capital projects fund	55,381
Total restricted fund balance	\$ 162,494

Highland Community Schools  
 June 30, 2019  
 Notes to the Basic Financial Statements

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NOTE 11

GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government wide statement of net position at June 30, 2019 includes the following:

Governmental activities:	
Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 6,096,234
Less: related long-term debt outstanding	(2,115,000)
Less: capital lease payable	(14,145)
Add: WRS liability debt	105,000
Add: unspent debt proceeds	10,381
Add: deferred amount on refunding	112,500
Total net investment in capital assets	4,194,970
Restricted:	
Debt service	41,534
Special revenue trust	21,771
Long-term capital improvement trust	45,000
Community service	28,866
Total restricted	137,171
Unrestricted	477,450
Total governmental activities net position	\$ 4,809,591

NOTE 12

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 13

LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts are permitted to derive from general state aids and property taxes unless a higher amount is approved by a referendum of the taxpayers. This limitation does not apply to revenues needed for the repayment of any general obligation debt (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or a referendum prior to August 12, 1993, (b) a referendum on or after August 12, 1993.

NOTE 14

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases*. When these become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



Exhibit B-1  
Required Supplementary Information

Highland Community Schools  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>REVENUES</b>					
Property taxes	\$ 944,916	\$ 944,916	\$ 944,975	\$ 59	\$ 59
Other local sources	34,300	34,300	42,403	8,103	8,103
Interdistrict sources	211,098	211,098	202,767	(8,331)	(8,331)
Intermediate sources	17,723	17,723	10,000	(7,723)	(7,723)
State sources	2,969,817	2,975,394	2,972,842	3,025	(2,552)
Federal sources	82,678	82,678	100,071	17,393	17,393
Other sources	35,300	35,300	35,443	143	143
<b>Total revenues</b>	<b>4,295,832</b>	<b>4,301,409</b>	<b>4,308,501</b>	<b>12,669</b>	<b>7,092</b>
<b>EXPENDITURES</b>					
Instruction:					
Undifferentiated curriculum	737,816	737,816	720,974	16,842	16,842
Regular curriculum	887,363	887,363	917,109	(29,746)	(29,746)
Vocational instruction	145,279	145,279	158,399	(13,120)	(13,120)
Physical curriculum	132,291	132,291	131,202	1,089	1,089
Co-curricular activities	134,330	134,330	137,534	(3,204)	(3,204)
Other instruction	5,262	5,262	4,506	756	756
<b>Total instruction</b>	<b>2,042,341</b>	<b>2,042,341</b>	<b>2,069,724</b>	<b>(27,383)</b>	<b>(27,383)</b>
Support services:					
Pupil services	127,754	127,754	115,627	12,127	12,127
Instructional staff services	112,752	112,752	105,101	7,651	7,651
General administration services	176,595	176,595	162,693	13,902	13,902
Building administration services	140,914	140,914	136,475	4,439	4,439
Business administration	788,865	788,865	791,564	(2,699)	(2,699)
Central services	26,700	26,700	30,385	(3,685)	(3,685)
Insurance	53,940	53,940	47,974	5,966	5,966
Principal and interest	5,750	5,750	8,514	(2,764)	(2,764)
Other support services	144,757	144,757	151,569	(6,812)	(6,812)
<b>Total support services</b>	<b>1,578,027</b>	<b>1,578,027</b>	<b>1,549,902</b>	<b>28,125</b>	<b>28,125</b>
Non-program transactions:					
Purchased instructional services	335,696	335,696	335,274	422	422
<b>Total non-program transactions</b>	<b>335,696</b>	<b>335,696</b>	<b>335,274</b>	<b>422</b>	<b>422</b>
<b>Total expenditures</b>	<b>3,956,064</b>	<b>3,956,064</b>	<b>3,954,900</b>	<b>1,164</b>	<b>1,164</b>
Excess (deficiency) of revenues over expenditures	339,768	345,345	353,601	13,833	8,256
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease proceeds			10,121	10,121	10,121
Transfer to special education fund	(319,768)	(319,768)	(299,249)	20,519	20,519
Transfer to capital projects fund			(45,000)	(45,000)	(45,000)
Transfer to food service fund	(20,000)	(20,000)	(14,726)	5,274	5,274
<b>Total other financing sources (uses)</b>	<b>(339,768)</b>	<b>(339,768)</b>	<b>(348,854)</b>	<b>(9,086)</b>	<b>(9,086)</b>
Net change in fund balance		5,577	4,747	4,747	(830)
Fund balance - beginning	815,986	815,986	815,986		
Fund balance - ending	\$ 815,986	\$ 821,563	\$ 820,733	\$ 4,747	\$ (830)

See accompanying notes to the required supplementary information.

Exhibit B-2  
Required Supplementary Information

Highland Community Schools  
Budgetary Comparison Schedule for the Special Education Fund  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances	
	Original	Final		Positive (Negative)	
				to Actual	Final to Actual
<b>REVENUES</b>					
Interdistrict sources	\$ 9,000	\$ 9,000	\$ 8,620	\$ (380)	\$ (380)
Intermediate sources	2,500	2,500	1,362	(1,138)	(1,138)
State sources	115,000	115,000	108,403	(6,597)	(6,597)
Federal sources	106,612	106,612	81,173	(25,439)	(25,439)
Total revenues	233,112	233,112	199,558	(33,554)	(33,554)
<b>EXPENDITURES</b>					
Instruction:					
Special instruction	336,557	336,557	308,099	28,458	28,458
Total instruction	336,557	336,557	308,099	28,458	28,458
Support services:					
Pupil services	141,605	141,605	125,553	16,052	16,052
Instructional staff services	2,950	2,950	2,607	343	343
Business administration	17,638	17,638	14,006	3,632	3,632
Central services	750	750	1,087	(337)	(337)
Total support services	162,943	162,943	143,253	19,690	19,690
Non-program transactions:					
Purchased instructional services	53,380	53,380	47,455	5,925	5,925
Total non-program transactions	53,380	53,380	47,455	5,925	5,925
Total expenditures	552,880	552,880	498,807	54,073	54,073
Excess (deficiency) of revenues over expenditures	(319,768)	(319,768)	(299,249)	20,519	20,519
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from general fund	319,768	319,768	299,249	(20,519)	(20,519)
Net change in fund balances					
Fund balance - beginning					
Fund balance - ending	\$	\$	\$	\$	\$

Exhibit B-3  
Required Supplementary Information  
Highland Community Schools  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
For the Year Ended June 30, 2019

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	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 21,244	\$ 21,244
Interest	8,378	7,795
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	(5,549)	-
Benefit payments	(4,686)	(20,100)
Net change in total OPEB	\$ 19,387	\$ 8,939
Total OPEB Liability- Beginning	231,086	222,147
Total OPEB Liability- Ending	\$ 250,473	\$ 231,086
<b>Covered Employee Payroll</b>	\$ 1,879,266	\$ 1,879,266
 <b>Total OPEB liability as a percentage of covered- employee payroll</b>	 13.33%	 12.30%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is only presented for the years for which the required supplementary information is available.

Exhibit B-4  
 Required Supplementary Information  
 Highland Community Schools  
 Local Retiree Life Insurance Fund Schedules  
 June 30, 2019

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
Last 10 Calendar Years\*

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered- employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2018	0.01638700%	\$ 42,284	\$ 1,449,000	2.92%	48.69%
2017	0.01775200%	53,408	1,369,000	3.90%	44.81%

\*The proportionate share of the net OPEB liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years\*\*

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2019	\$ 337	(337)		\$ 1,449,000	0.02%
2018	380	(380)		1,369,000	0.03%

\*\*The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

Exhibit B-5  
 Required Supplementary Information  
 Highland Community Schools  
 Wisconsin Retirement System Schedules  
 June 30, 2019

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
Last 10 Calendar Years\*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2018	0.00948994%	\$ 337,622	\$ 1,430,870	23.60%	96.45%
2017	0.00962229%	(285,697)	1,391,296	(20.53%)	(102.93%)
2016	0.00963531%	79,418	1,418,889	5.60%	99.12%
2015	0.00947486%	153,965	1,377,571	11.18%	98.20%
2014	(0.00935825%)	(229,801)	1,315,571	(17.47%)	(102.74%)

\*The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years\*\*

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2019	\$ 98,409	\$ (98,409)		\$ 1,489,228	6.61%
2018	94,437	(94,437)		1,401,357	6.74%
2017	94,312	(94,312)		1,403,346	6.72%
2016	95,000	(95,000)		1,422,378	6.68%
2015	91,546	(91,546)		1,331,100	6.88%

\*\*The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

Highland Community Schools  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

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NOTE 1

BUDGET SCHEDULE

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the one-digit function level for all funds. Reported budget amounts are as originally adopted or as amended by the School Board resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may alter the proposed budget.
- After the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.

The District is legally required by the State of Wisconsin to maintain and budget separately for a Special Education Fund. Professional standards require the Special Education Fund to be combined with the General Fund in the basic financial statements. Due to the perspective differences in budgeting, the required supplementary information reports the budgetary comparison information separately for the General Fund and the Special Education Fund.

Except as noted in the previous paragraph, annual budgets are adopted on a basis consistent with U.S generally accepted accounting principles for all governmental and special revenue funds.

Appropriations lapse at year-end unless authorized as a carryover by the School Board.

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

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

Fund	Excess Expenditures
General fund:	
Instruction	\$ 27,383
Transfer to capital projects fund	45,000

Highland Community Schools  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

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NOTE 3

EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY  
INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues"		
from the budgetary comparison schedules	\$ 4,308,501	\$ 199,558
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	199,558	(199,558)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 4,508,059	\$
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures"		
from the budgetary comparison schedules	\$ 3,954,900	\$ 498,807
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	498,807	(498,807)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 4,453,707	\$

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS PLAN – DISTRICT HEALTH INSURANCE PLAN

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

*Changes of benefit terms.* There were no changes of benefit terms during the year.

*Changes of assumptions.* The discount rate was increased from 3.5% to 3.75% when the June 30, 2017 actuarial study was rolled forward to June 30, 2018.

*Assets.* There are no assets accumulated in a trust that meet the criteria in governmental accounting standards to pay related benefits.

Highland Community Schools  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2019

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NOTE 5

LOCAL RETIREE LIFE INSURANCE SCHEDULES

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 8 preceding years.

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

*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 OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

NOTE 6

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 5 preceding years.

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



**SUPPLEMENTARY INFORMATION**

Exhibit C-1  
Highland Community Schools  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2019

	Special Revenue Funds				Total Non-major Governmental Funds
	Food Service Fund	Community Service Fund	Trust Fund	Capital Projects Fund	
<b>ASSETS</b>					
Cash and investments	\$	\$ 29,120	\$ 21,771	\$	\$ 50,891
Restricted cash				44,601	44,601
Accounts receivable	7,008				7,008
Due from other governmental units	5,738				5,738
Due from other funds				10,780	10,780
<b>Total assets</b>	<b>\$ 12,746</b>	<b>\$ 29,120</b>	<b>\$ 21,771</b>	<b>\$ 55,381</b>	<b>\$ 119,018</b>
<b>LIABILITIES</b>					
Customer deposits	\$ 2,514	\$	\$	\$	\$ 2,514
Accrued payroll and withholdings		254			254
Due to other funds	10,232				10,232
<b>Total liabilities</b>	<b>12,746</b>	<b>254</b>			<b>13,000</b>
<b>FUND BALANCES</b>					
Restricted		28,866	21,771	55,381	106,018
<b>Total fund balances</b>		<b>28,866</b>	<b>21,771</b>	<b>55,381</b>	<b>106,018</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,746</b>	<b>\$ 29,120</b>	<b>\$ 21,771</b>	<b>\$ 55,381</b>	<b>\$ 119,018</b>

Exhibit C-2  
Highland Community Schools  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-major Governmental Funds  
For the Year Ended June 30, 2019

	Special Revenue Funds			Capital Projects Fund	Total Non-major Governmental Funds
	Food Service Fund	Community Service Fund	Trust Fund		
<b>REVENUES</b>					
Property taxes	\$	\$ 20,000	\$	\$	\$ 20,000
Other local sources	78,163	3,879	30,035	49	112,126
State sources	3,084				3,084
Federal sources	65,538				65,538
<b>Total revenues</b>	<b>146,785</b>	<b>23,879</b>	<b>30,035</b>	<b>49</b>	<b>200,748</b>
<b>EXPENDITURES</b>					
Instruction:					
Regular instruction			1,639		1,639
Other instruction			18,281		18,281
<b>Total instruction</b>			<b>19,920</b>		<b>19,920</b>
Support services:					
Business administration			27,866	127,350	155,216
Food service	161,511				161,511
Community service		20,597			20,597
<b>Total support services</b>	<b>161,511</b>	<b>20,597</b>	<b>27,866</b>	<b>127,350</b>	<b>337,324</b>
<b>Total expenditures</b>	<b>161,511</b>	<b>20,597</b>	<b>47,786</b>	<b>127,350</b>	<b>357,244</b>
Excess (deficiency) of revenues over expenditures	(14,726)	3,282	(17,751)	(127,301)	(156,496)
<b>OTHER FINANCING SOURCES</b>					
Operating transfer in	14,726			45,000	59,726
<b>Total other financing sources</b>	<b>14,726</b>			<b>45,000</b>	<b>59,726</b>
Net change in fund balances		3,282	(17,751)	(82,301)	(96,770)
Fund balances - beginning		25,584	39,522	137,682	202,788
Fund balances - ending	\$	\$ 28,866	\$ 21,771	\$ 55,381	\$ 106,018

Exhibit C-3  
 Highland Community Schools  
 Schedule of Changes in Assets and Liabilities  
 Pupil Activity Funds  
 For the Year Ended June 30, 2019

	Balance 7/1/2018	Additions	Deductions	Balance 06/30/19
<b>ASSETS</b>				
Cash	\$ 139,646	\$ 153,041	\$ (143,994)	\$ 148,693
Total assets	\$ 139,646	\$ 153,041	\$ (143,994)	\$ 148,693
<b>LIABILITIES</b>				
Due to student organizations	\$ 139,646	\$ 153,041	\$ (143,994)	\$ 148,693
Total liabilities	\$ 139,646	\$ 153,041	\$ (143,994)	\$ 148,693

Exhibit C-4  
 Highland Community Schools  
 Schedule of Charter School Authorizer Operating Costs  
 Fiscal Year Ending June 30, 2019

OPERATING ACTIVITY	WUFUR OBJECT CODE	COST
Employee Salaries	100	
Employee Benefits	200	
Purchased Services	300	
Non-Capital Objects	400	
Capital Objects	500	
Insurance & Judgements	700	
Dues & Fees	900	
<b>Total</b>		-

Exhibit C-5  
Highland Community Schools  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Pass Through Identity Identifying Number	Accrued Receivable July 1, 2018	Revenues Grantor Reimbursements	Expenditures	Accrued Receivable June 30, 2019
<u><i>U.S. DEPARTMENT OF AGRICULTURE</i></u>						
Pass through: Wisconsin Department of Public Instruction <i>Donated</i> Food Commodities	10.555	Not Available	\$	\$ 10,504	\$ 10,504	\$
National School Lunch Program	10.555	2019-252527-NSL-547		42,261	46,902	4,641
National School Breakfast Program	10.553	2019-252527-SB-546		7,035	8,131	1,096
Total Child Nutrition Cluster				59,800	65,537	5,737
Total U.S. Department of Agriculture				59,800	65,537	5,737
<u><i>U.S. DEPARTMENT OF EDUCATION</i></u>						
REAP	84.358A	N/A - Direct		30,571	30,571	
Pass through: Wisconsin Department of Public Instruction Title I Basic Grant	84.010	2019-252527-TIA-141	5,004	27,218	30,675	8,461
Title II-A Teacher Principal Training	84.367	2019-252527-TIIA-365	1,209	6,936	6,932	1,205
Title IV-A Student Support and Academic Enrichment Grants	84.424	2019-252527-TIVA-381	5,375	5,375	14,625	14,625
IDEA Cluster: IDEA Flowthrough	84.027	2019-252527-IDEA-FT-341	5,823	51,036	48,020	2,807
IDEA Preschool Entitlement	84.173	2019-252527-IDEA-PS-347	1,940	1,940	3,200	3,200
High Cost Special Education Aid	84.027	2019-252527-IDEA-342		1,020	1,020	
Total IDEA Cluster			7,763	53,996	52,240	6,007
Passed through CESA #3: Career and Technical Education - Basic Grant to States	84.048	2019-749903-CTE-400		1,600	1,600	
Total U.S. Department of Education			19,351	125,696	136,643	30,298
<u><i>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</i></u>						
Pass through: Wisconsin Department of Public Instruction Medicaid - School Based Services	93.778	Not Available		43,211	46,203	2,992
Total U.S. Department of Health and Human Services				43,211	46,203	2,992
Total Federal Awards			\$ 19,351	\$ 228,707	\$ 248,383	\$ 39,027

Exhibit C-6  
Highland Community Schools  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2019

Administering Agency Pass-Through Agency Award Description	State I.D. Number	Pass Through Identity Identifying Number	Accrued July 1, 2018	Revenues State Reimbursements	Expenditures	Accrued June 30, 2019
<u>Wisconsin Department of Public Instruction</u>						
Special Education and School Age Parents	255.101	252527-100	\$	\$ 103,586	\$ 440,630	\$
Internal District Programs						
Participant in Package Program at Riverdale		223850-100		8,620		
Participant in Package Program at CESA #3		749903-100		1,362		
Total Special Education and School Age Parents Program				113,568		
State School Lunch Aid	255.102	252527-107		1,726		
Common School Fund Library Aid	255.103	252527-104		10,949		
Pupil Transportation Aid	255.107	252527-102		5,458		
WI School Day Milk Program	255.115	252527-109		906		
General Equalization Aid	255.201	252527-116	38,631	2,533,168		42,364
High Cost Special Education Aid	255.210	252527-119		3,817		
Sparsity Aid	255.212	252527-162		124,400		
Personal Electronic Computing Device	255.296	252527-175		2,625		
State School Breakfast Aid	255.344	252527-108		452		
Educator Effectiveness Eval Sys Grant	255.940	252527-154		2,640		
Per Pupil Aid	255.945	252527-113		196,854		
Assessments of Reading Readiness	255.956	252527-166		493		
Aid for Special Ed Transition Grant BBL	255.960	252527-168		1,000		
Total Wisconsin Department of Public Instruction			38,631	2,998,056		42,364
<u>Wisconsin Department of Justice</u>						
School Safety Initiative Grant	455.206	Not Available		72,060		20,102
Total State Awards			\$ 38,631	\$ 3,070,116		\$ 62,466

Note: Eligible costs under the State Special Education Program are \$440,630. The 2019-2020 aid estimate is \$107,954.

Highland Community Schools  
Notes to the Schedules of Expenditures for Federal and State Awards  
For the Year Ended June 30, 2019

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NOTE 1

BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of Highland Community Schools and are presented on the modified accrual basis of accounting. The information in these schedules are presented in accordance with the requirements of Title 2. U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Guidelines, issued by the Wisconsin Department of Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2

INDIRECT COST RATE

District does not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3

SUBRECIPIENTS

There were no awards passed through to subrecipients.





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

Board of Education  
Highland Community Schools  
Highland, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Community Schools (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated October 31, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item #2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item #2019-002 to be a significant deficiency.

## **Compliance and Other Matters**

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

## **Highland Community Schools' Response to Findings**

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

## **Purpose of this Report**

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

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
October 31, 2019



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

To the Board of Education  
Highland Community Schools  
Highland, Wisconsin

**Report on Compliance for Each State Program**

We have audited Highland Community Schools (District)'s compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that are required to be conducted on each of the District's state programs with limited required procedures and those that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2019. The District's state programs that have limited required procedures and the District's major state programs are identified in the accompanying schedule of findings and responses.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## **Opinion on Each State Program**

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and responses as item #2019-001 to be a material weakness in internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

## **District's Response to Finding**

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

*Johnson Block & Company, Inc.*

Johnson Block and Company, Inc.  
October 31, 2019

Highland Community Schools  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2019

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Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified?   X   Yes        No
- Significant deficiency (ies) identified?   X   Yes        None Reported
- Noncompliance material to the financial statements?        Yes   X   No

State Awards

Internal Control over state major programs:

- Material Weakness(es) identified?   X   Yes        No
- Significant deficiency (ies) identified?        Yes   X   None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the *Wisconsin Public School District Audit Manual*?        Yes   X   No

Management Letter Issued?   X   Yes        No

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.201	General Aids

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

Other Programs with Limited Required Procedures

Internal Control over programs with required procedures:

- Material Weakness(es) identified?   X   Yes        No
- Significant deficiency (ies) identified?        Yes   X   None Reported

Any audit findings disclosed that are required to be reported in accordance with the *Wisconsin Public School District Audit Manual*?        Yes   X   No

Identification of other programs with limited required procedures:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School Age Parents

Highland Community Schools  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019

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Section II – Financial Statement Findings

Finding #2019-001 - Segregation of Duties (also a 2018 finding)

Condition: The available office staff precludes a proper segregation of duties in the following control areas: cash receipts/revenues, payroll, cash disbursements, and grant claims processing.

Effect: Because of the lack of segregation of duties, errors or irregularities could occur and not be detected on a timely basis.

Cause: Due to the small size of the District there is only one person in the bookkeeping department, who records all transactions and performs all reconciliations.

Criteria: Checks and balances should be in place to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct any misstatements on a timely basis.

Recommendation: Procedures should be implemented segregating duties among different employees. Management should continue to maintain a working knowledge of matters relating to the district's operations.

Response: We agree with this finding but due to the size of our District and financial constraints we do not believe it is cost effective to increase the office staff in an attempt to bring about a more effective segregation of duties. The Board of Education approves monthly accounts payable checks and the Superintendent approves payroll timesheets prior to processing payroll. The Board of Education and Superintendent will continue to monitor transactions of the District.

Finding #2019-002- Preparation of Financial Statements (also a 2018 finding)

Condition: District staff does not prepare the financial statements and accompanying notes. The District has designated individuals responsible for reviewing and accepting the financial statements and related notes.

Effect: Because district staff relies on the auditor to assist with the preparation of the financial statements, the District's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

Cause: The District does not prepare the financial statements and related notes.

Criteria: Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

Recommendation: The auditor will work with the District to make personnel more knowledgeable about its responsibility for the financial statements.

Response: The auditors prepare the financial statements but we review and accept the statements and the audit adjustments prior to them being issued. We prepare financial reports that are reviewed by management and the Board of Education on a monthly basis. Any concerns or questions are addressed throughout the year.

Highland Community Schools  
Schedule of Findings and Responses  
For the Year Ended June 30, 2019

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Section III – State Award Findings and Responses

Finding #2019-001 noted in Section II also applies to internal control procedures over state awards.

Section IV – Other Programs with Limited Required Procedures

Finding #2019-001 noted in Section II also applies to internal control procedures over the other programs with limited required procedures.

Highland Community Schools  
Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2019

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Finding

#2018-001 – Segregation of Duties

This is still a finding. See finding #2019-001.

#2018-002 – Preparation of Financial Statements

This is still a finding. See finding #2019-002.