

River Valley School District

Spring Green, Wisconsin

Financial Statements and Supplementary Financial Information

Year Ended June 30, 2017

River Valley School District, Wisconsin

Financial Statements and Supplementary Financial Information Year Ended June 30, 2017

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Independent Auditor's Report

To the Board of Education
River Valley School District
Spring Green, 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 River Valley School District, Wisconsin (the "District"), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 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 River Valley School District, Wisconsin, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the budgetary comparison schedule – general fund, the schedule of funding progress – OPEB, and the schedules of the employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, on pages 30 through 33 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, 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary financial information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are also not a required part of the basic financial statements. The supplementary financial information and the schedules of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary financial information and the schedules of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Wipfli LLP

Wipfli LLP

November 20, 2017
Madison, Wisconsin

Basic Financial Statements

River Valley School District

Statement of Net Position

June 30, 2017

	Governmental Activities
<i>Assets and Deferred Outflows of Resources</i>	
Current assets:	
Cash and investments	\$ 4,307,503
Receivables:	
Taxes	3,144,322
Accounts	1,724
Due from other governments	433,927
Total current assets	7,887,476
Noncurrent assets:	
Capital Assets:	
Capital assets not being depreciated	138,643
Capital assets being depreciated	20,905,585
Less - Accumulated depreciation	(10,882,809)
Total noncurrent assets	10,161,419
Total assets	18,048,895
Deferred outflows of resources:	
Related to pensions	3,473,878
Total assets and deferred outflows of resources	\$ 21,522,773
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Current liabilities:	
Accounts payable	\$ 63,338
Accrued liabilities	1,412,385
Current portion of long-term obligations	230,401
Total current liabilities	1,706,124
Noncurrent liabilities:	
Bonds and note payable	1,284,905
Net pension liability	481,740
Supplemental pension liability	114,000
Total noncurrent liabilities	1,880,645
Total liabilities	3,586,769
Deferred inflows of resources:	
Related to pensions	1,515,030
Net position:	
Net investment in capital assets	8,748,454
Restricted	843,347
Unrestricted	6,829,173
Total net position	16,420,974
Total liabilities, deferred inflows of resources, and net position	\$ 21,522,773

See accompanying notes to the financial statements.

River Valley School District

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Total Governmental Activities
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,804,355	\$ 394,941	\$ 840,816	\$ (4,568,598)
Vocational instruction	643,562	-	-	(643,562)
Special education instruction	2,382,479	-	1,091,800	(1,290,679)
Other instruction	1,143,362	129,754	-	(1,013,608)
Total instruction	9,973,758	524,695	1,932,616	(7,516,447)
Support services:				
Pupil services	711,965	-	-	(711,965)
Instructional staff services	602,732	-	-	(602,732)
General administration services	467,925	-	-	(467,925)
Building administration services	1,077,180	-	-	(1,077,180)
Business services	2,932,987	5,585	-	(2,927,402)
Central services	344,300	52,241	-	(292,059)
Insurance	141,723	-	-	(141,723)
Food service	602,509	294,324	243,768	(64,417)
Other support services	111,317	-	-	(111,317)
Interest	50,534	-	-	(50,534)
Depreciation - Unallocated	372,253	-	-	(372,253)
Total support services	7,415,425	352,150	243,768	(6,819,507)
Non-program transactions:				
Purchased instructional services	844,947	-	-	(844,947)
Total school district	\$ 18,234,130	\$ 876,845	\$ 2,176,384	(15,180,901)
General revenues:				
Property taxes:				
General purposes				9,261,594
Debt service				172,723
Community service				80,000
State and federal aids not restricted to specific functions				5,327,498
Interest and investment earnings				26,859
Miscellaneous				6,195
Total general revenues				14,874,869
Change in net position				(306,032)
Net position - Beginning of year				16,727,006
Net position - End of year				\$ 16,420,974

See accompanying notes to the financial statements.

River Valley School District

Balance Sheet - Governmental Funds

June 30, 2017

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 3,454,611	\$ 852,892	\$ 4,307,503
Receivables:			
Accounts	3,144,322	-	3,144,322
Taxes	1,724	-	1,724
Due from other governments	429,776	4,151	433,927
Total assets	\$ 7,030,433	\$ 857,043	\$ 7,887,476
Liabilities:			
Accounts payable	\$ 62,695	\$ 643	\$ 63,338
Accrued liabilities	1,399,332	13,053	1,412,385
Total liabilities	1,462,027	13,696	1,475,723
Fund balances:			
Restricted	-	843,347	843,347
Unassigned	5,568,406	-	5,568,406
Total fund balances	5,568,406	843,347	6,411,753
Total liabilities and fund balances	\$ 7,030,433	\$ 857,043	\$ 7,887,476

See accompanying notes to the financial statements.

River Valley School District

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

June 30, 2017

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

Total fund balances - Governmental funds	\$ 6,411,753
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental capital assets	\$ 21,044,228	
Governmental accumulated depreciation	(10,882,809)	10,161,419

The net pension liability (asset) and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position:

Net pension liability	(481,740)
Deferred outflows of resources related to pensions	3,473,878
Deferred inflows of resources related to pensions	(1,515,030)

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:

Bonds and notes payable	(1,412,965)	
Supplemental pension liability	(201,000)	
Other postemployment benefits	(15,341)	(1,629,306)

Total net position - Governmental activities	\$ 16,420,974
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River Valley School District

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 9,261,594	\$ 252,723	\$ 9,514,317
Other local sources	211,194	371,371	582,565
Interdistrict sources	357,570	-	357,570
Intermediate sources	21,905	8,293	30,198
State sources	6,476,255	10,763	6,487,018
Federal sources	664,989	233,005	897,994
Other sources	55,955	2,481	58,436
Total revenues	17,049,462	878,636	17,928,098
Expenditures:			
Instruction:			
Regular instruction	5,565,704	30,378	5,596,082
Vocational instruction	618,074	-	618,074
Special instruction	2,287,696	-	2,287,696
Other instruction	1,067,946	22,856	1,090,802
Total instruction	9,539,420	53,234	9,592,654
Support services:			
Pupil services	681,622	2,146	683,768
Instructional staff services	570,568	8,293	578,861
General administration services	449,393	-	449,393
Building administration services	845,770	871	846,641
Business services	3,506,561	24,575	3,531,136
Central services	330,664	-	330,664
Insurance	141,723	-	141,723
Food service	-	578,301	578,301
Other support services	107,432	105,325	212,757
Total support services	6,633,733	719,511	7,353,244
Debt service:			
Principal	-	471,114	471,114
Interest	-	55,695	55,695
Total debt service	-	526,809	526,809
Nonprogram - Purchased instructional services	844,947	-	844,947
Total expenditures	17,018,100	1,299,554	18,317,654
Excess of revenues over (under) expenditures	31,362	(420,918)	(389,556)
Other financing sources (uses):			
Transfers in	8,268	393,018	401,286
Transfers out	(393,018)	(8,268)	(401,286)
Net other financing sources (uses)	(384,750)	384,750	-
Net change in fund balances	(353,388)	(36,168)	(389,556)
Fund balances - Beginning of year	5,921,794	879,515	6,801,309
Fund balances - End of year	\$ 5,568,406	\$ 843,347	\$ 6,411,753

See accompanying notes to the financial statements.

River Valley School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities Year Ended June 30, 2017

Net change in fund balances - Governmental funds (from previous page) \$ (389,556)

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

The acquisition of capital assets is 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 expense in the statement of activities.

Capital outlays reported in governmental fund statements	\$ 762,402
Depreciation expense reported in the statement of activities	(646,412)
Book value of fixed asset disposals	(18,635)

Amount by which capital outlays are more than depreciation in the current year 97,355

Vested employee benefits 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 net pension liability	490,206
Change in deferred outflows of resources related to pensions	(1,712,171)
Change in deferred inflows of resources related to pensions	536,339

Amounts paid are less than amounts earned (685,626)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Decrease in accrual for compensated absences	94,080
Decrease in obligation for other postemployment benefits	26,440
Decrease in supplemental pension obligations	75,000

Amounts earned and adjusted are greater than amounts paid 195,520

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.

The amount of long-term debt principal payments in the current year 471,114

In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred.

The amount of interest paid during the current year	55,695
The amount of interest accrued during the current year	(50,534)

The difference between interest paid and accrued 5,161

Change in net position - Governmental activities \$ (306,032)

See accompanying notes to the financial statements.

River Valley School District

Fiduciary Funds - Statement of Net Position

June 30, 2017

	(Scholarship Trust) Private-Purpose Trust	Agency Fund	Total Fiduciary
<hr/>			
Assets:			
Cash and cash equivalents	\$ 27,948	\$ 158,854	\$ 186,802
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Total assets	\$ 27,948	\$ 158,854	\$ 186,802
<hr/>			
Liabilities:			
Accounts payable	\$ -	\$ 5,293	\$ 5,293
Due to student organizations	-	153,561	153,561
<hr/>			
Total liabilities	-	158,854	158,854
<hr/>			
Net position - Restricted for scholarships	27,948	-	27,948
<hr/>			
Total liabilities and net position	\$ 27,948	\$ 158,854	\$ 186,802
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River Valley School District

Fiduciary Funds - Statement of Changes in Net Position

June 30, 2017

	(Scholarship Trust) Private-Purpose Trust
Additions:	
Private donations	\$ 12,584
Total additions	12,584
Deductions:	
Scholarships awarded	14,800
Total deductions	14,800
Change in net position	(2,216)
Net position - Beginning of year	30,164
Net position - End of year	\$ 27,948

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies

Introduction

The financial statements of the River Valley School District (the "District") have been prepared in accordance with accounting principles generally accepted in the United States (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.

Reporting Entity

The District is organized as a common school district. An elected board of supervisors governs River Valley School District. The District, governed by a nine member elected school board, operates early childhood through grade 12 and is comprised of all or parts of seventeen taxing districts. This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the statements of fiduciary net position at the fund financial statement level.

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

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Fund Financial Statements:

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

The District reports the following major governmental funds:

- General Fund – This is the District's primary operating fund. It accounts for all financial activity that is not accounted for and reported in another fund, including educational programs for students with disabilities as well as programs provided to the community as a whole.

The District accounts for assets held as an agent for various student organizations in an agency fund and assets held for scholarship purposes in a private purpose trust fund.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange 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 they become both measurable and available (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less and shares in the local government investment pool.

The Debt Service Fund accounts for its transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the Trust and Agency Funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

State Statutes permit the District to invest available cash balances, other than debt service funds, in time deposits (maturing in not more than three years) of authorized depositories, U.S. Treasury obligations, U.S. agency issues, municipal obligations within Wisconsin, high-grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in obligations of the United States and the local government pooled investment fund administered by the State of Wisconsin Investment Board.

Donations to the District of securities or other property are considered trust funds and are invested as the donor specifies. In the absence of any specific directions, the District may invest the donated items in accordance with laws applicable to trust investments.

All investments are stated at fair market value, except for the investment in the Local Government Investment Pool, which is reported on the amortized cost basis.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables and Payables

All accounts receivable are shown at gross amounts and, where appropriate, are reduced by an allowance for uncollectible accounts. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing capital assets.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 70 years for land improvements and buildings and 5 to 20 years for equipment.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the assets' lives is not capitalized.

Capital assets not being depreciated include land.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

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

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Pension Plan

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows 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. The District reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and District contributions to pension plans subsequent to the measurement date of the collective net pension liability.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred outflows related to pensions for its proportionate share of collective deferred outflows related to pensions.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education – the District’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but the amounts are neither restricted nor committed. The Board of Education has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Property Tax Levy

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town, and village treasurers or clerks who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes.

The aggregate district tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or “equalized” taxable property values. As permitted by a collecting municipality’s ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2016 tax levy is used to finance operations of the District’s fiscal year ended June 30, 2017. All property taxes are considered due on January 1, 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 30 and are available to pay current liabilities.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 20, 2017, which is the date the financial statements were available to be issued.

Commitments

During the fiscal year, the District entered into a \$1,200,000 contract for energy efficiency projects. The District paid \$600,000 of the contract during the current fiscal year and will pay the remaining balance of \$600,000 during the fiscal year ending June 30, 2018.

Note 2 Stewardship and Accountability

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

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

Note 3 Cash and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017, the District's bank balance of \$3,770,396 was not exposed to custodial credit risk.

Investments

Interest Rate Risk: 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. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years.

Credit Risk: State Statute limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ratings are not required, or available, for the Wisconsin Local Government Investment Pool (LGIP) or the Wisconsin Investment Series Cooperative (WISC). The District has no investment policy that would further limit its investment choices.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

The District's cash and investment balances at June 30, 2017, were as follows:

Deposits with financial institutions	\$ 2,975,439
Investments	
Local Government Investment Pool Fund	1,518,866
	<u>\$ 4,494,305</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 4,307,503
Fidiciary fund statement of net position	
Cash and investments	186,802
	<u>\$ 4,494,305</u>

The District is a participant in the Local Government Investment Pool (LGIP), which is authorized in Wisconsin statutes 25.14 and 25.17 under the oversight of the State of Wisconsin Investment Board. The LGIP is not registered with the Securities Exchange Commission as an investment company. The LGIP operates and reports to participants on the amortized cost basis. LGIP pool shares are bought and redeemed at \$1 based on the amortized cost of the investments in the LGIP. The investment in the LGIP is not subject to the fair value hierarchy disclosures.

Note 4: Interfund Activity

Interfund transfers at June 30, 2017, were as follows:

Fund Transferred To	Fund Transferred From	Amount
	Special revenue funds:	
General Fund	Debt Service Fund	\$ 354,086
	Food Service Fund	38,932
		<u>393,018</u>
Debt Service	General Fund	8,268
		<u>\$ 401,286</u>

The purpose of the General Fund transfer to the Debt Service Fund was to make debt payments. The transfer from the General Fund to the Food Service Fund was to subsidize the funds operations. The purpose of the Debt Service Fund transfer to the General Fund was to transfer the remaining balance of Referendum Debt Service Funds.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 138,643	\$ -	\$ -	\$ 138,643
Capital assets, being depreciated:				
Buildings and improvements	17,476,383	631,714	54,248	18,053,849
Land improvements	933,627	-	6,370	927,257
Machinery and equipment	1,801,891	130,688	8,100	1,924,479
Subtotals	20,211,901	762,402	68,718	20,905,585
Less accumulated depreciation for:				
Buildings and improvements	8,269,169	467,717	41,229	8,695,657
Land improvements	705,383	20,700	3,185	722,898
Machinery and equipment	1,311,928	157,995	5,669	1,464,254
Subtotals	10,286,480	646,412	50,083	10,882,809
Net depreciated capital assets	9,925,421	115,990	18,635	10,022,776
Net capital assets	\$ 10,064,064	\$ 115,990	\$ 18,635	\$ 10,161,419
Less related long-term debt outstanding				1,412,965
Net investment in capital assets				<u>\$ 8,748,454</u>

Depreciation was charged to the following functions:

Instruction:	
Regular	\$ 67,883
Physical education	6,815
Special education	425
Co-curricular	7,277
Support services:	
Operation and maintenance	191,759
Depreciation - unallocated	372,253
Total depreciation expense	<u>\$ 646,412</u>

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 6: Long-Term Obligations

The District's long-term obligations activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
State trust fund loan	\$ 1,884,079	\$ -	\$ 471,114	\$ 1,412,965	\$ 128,060
Pension payable	971,946	-	490,206	481,740	-
Supplemental pension benefit	276,000	-	75,000	201,000	87,000
Other post-employment benefits	41,781	-	26,440	15,341	15,341
Compensated absences	94,080	-	94,080	-	-
Total	\$ 3,267,886	\$ -	\$ 1,156,840	\$ 2,111,046	\$ 230,401

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, 2017, is comprised of the following individual issues:

Type	Date of Issue	Final Maturity	Interest Rate	Original Indebtedness	Balance
State trust fund loan	5/26/2016	3/15/2027	3.5%	\$ 1,507,079	\$ 1,070,666
State trust fund loan	5/20/2016	3/15/2026	3.0%	377,000	342,299
Total					\$ 1,412,965

Total interest paid during the year was \$55,695. The interest accrued as \$50,534.

Legal Debt Limit

The Wisconsin State Statutes Chapter 67.03(1)(a) provides that the amount of indebtedness of a District not exceed 10% of the equalized valuation of the taxable property in the District. The following computation compares the total debt allowable for the District with actual outstanding indebtedness at June 30, 2017:

Equalized valuation	<u>\$ 920,910,702</u>
Debt limit 10%	\$ 92,091,070
General obligation indebtedness	1,412,965
Less: Amounts available for financing general obligation debt	
Debt service fund	16
Net outstanding general obligation debt applicable to debt limitation	<u>1,412,949</u>
Legal debt margin	<u>\$ 90,678,121</u>

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 6: Long-Term Obligations (Continued)

Principal and interest requirements, until maturity, on the general obligation debt are as follows:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 128,060	\$ 44,662	\$ 172,722
2019	129,293	43,429	172,722
2020	133,538	39,184	172,722
2021	138,140	34,582	172,722
2022	142,791	29,931	172,722
2023-2027	741,143	74,259	815,402
	<u>\$ 1,412,965</u>	<u>\$ 266,047</u>	<u>\$ 1,679,012</u>

Note 7: Employees' Retirement System – Wisconsin Retirement System

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

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

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 7: Employees' Retirement System – Wisconsin Retirement System (Continued)

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
2007	3.0%	10.0%
2008	6.6%	0.0%
2009	(2.1%)	(42.0%)
2010	(1.3%)	22.0%
2011	(1.2%)	11.0%
2012	(7.0%)	(7.0%)
2013	(9.6%)	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	5.0%	(5.0%)

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 executive 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 \$548,062 in contributions from the employer.

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Protective with social security	6.8%	10.6%
Protective without social security	6.8%	14.9%

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 7: Employees' Retirement System – Wisconsin Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$481,740 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was .05844663%, which was a decrease of .00136615% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,233,688.

At June 30, 2017, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 183,687	\$ 1,515,030
Changes in assumptions	503,678	-
Net differences between projected and actual earnings on pension plan investments	2,397,948	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	37,389	-
Employer contributions subsequent to the measurement date	351,176	-
Total	\$ 3,473,878	\$ 1,515,030

\$351,176 reported as deferred outflows related to pensions results from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Net Deferred Outflows of Resources
2017	\$ 649,483
2018	649,483
2019	445,615
2020	(138,010)
2021	1,101

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 7: Employees' Retirement System – Wisconsin Retirement System (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2015
Measurement date of net pension liability (asset)	December 31, 2016
Actuarial cost method	Entry Age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience, and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

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

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

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 7: Employees' Retirement System – Wisconsin Retirement System (Continued)

	Asset Allocation %	Destination Target Asset Allocation %	Destination Target Asset Allocation %	Destination Target Asset Allocation %
Core Fund Asset Class				
Global equities	50.0%	45.0%	8.3%	5.4%
Fixed income	24.5%	37.0%	4.2%	1.4%
Inflation sensitive assets	15.5%	20.0%	4.3%	1.5%
Real estate	8.0%	7.0%	6.5%	3.6%
Private equity/debt	8.0%	7.0%	9.4%	6.5%
Multi-asset	4.0%	4.0%	6.6%	3.7%
Total core fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
US equities	70%	70%	7.6%	4.7%
International equities	30%	30%	8.5%	5.6%
Total variable fund	100%	100%	7.9%	5.0%

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.75%

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

Single Discount Rate - A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
WRS Employer's proportionate share of the net pension (asset) liability	\$6,337,596	\$481,740	(\$4,027,534)

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 7: Employees' Retirement System – Wisconsin Retirement System (Continued)

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

Payables to the Pension Plan - At June 30, 2017, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Note 8: Other Post-Employment Benefits

Plan Description - The River Valley School District operates a single-employer retiree benefit plan that provides postemployment health and dental benefits to eligible employees and their spouses. Benefits and eligibility are established and amended by the governing body; and include post-employment health coverage.

The River Valley School Board will make it possible for its teachers who have had at least 18 years of experience in the River Valley School District to elect retirement. A teacher must be at least 55 not later than August 31, 2014, in order to be eligible for this retirement benefit.

For the year ended June 30, 2017, 7 retirees were receiving this benefit. To be eligible for this benefit the employee had to retire prior June 30, 2014, therefore there is no current OPEB expense recorded on the financial statements.

Funding Policy -The District has elected not to establish an Employee Benefit Trust Fund to accumulate assets for payment of future benefits.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

Contributions made	(26,440)
Change in net OPEB obligation	(26,440)
OPEB obligation - beginning of year	41,781
OPEB obligation - end of year	<u>\$ 15,341</u>

Trend Information -The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ -	N/A	\$ 15,341
6/30/2016	-	N/A	41,781
6/30/2015	137,816	99.40%	138,675

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 9: Supplemental Pension Plan

Plan Description - One retired administrator receives an annual stipend for a period of 5 years. The annual amount of this stipend is \$15,000. There are also eight retired teachers who receive an annual stipend for a period of 3 years. The annual amount of the stipend is \$9,000. These have been recorded on the District-Wide Statements.

Active employees are no longer eligible for this benefit.

Funding policy - Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

Annual Pension Cost and Net Pension Liability - The District's annual pension cost and net pension liability for the current year is:

Contributions made	\$ (75,000)
Change in net benefit liability	(75,000)
Pension Liability - beginning of year	276,000
Pension Liability - end of year	<u>\$ 201,000</u>

Note 10: Restricted Net Position/Fund Balance

Restricted net position/fund balance reported on financial statements includes the following:

Restricted:	
Debt service	\$ 16
Special revenue trust	91,391
Capital projects	751,940
Total restricted	<u>\$ 843,347</u>

Note 12: Risk Management

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

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 13: Pending Accounting Pronouncements

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* amends the required the presentation to include the covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations, and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2018.

Management has not completed its assessment of these pending standards as to the effect, if any, they may have on the financial statements.

Required Supplementary Information

River Valley School District

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2017

	Budgeted Amounts		Actual on Budgetary	Variance With Final Budget
	Original and Final		Basis	Positive (Negative)
Revenues:				
Property taxes	\$ 9,263,708		\$ 9,261,594	\$ (2,114)
Other local sources	140,507		211,194	\$ 70,687
Interdistrict sources	252,000		357,570	105,570
Intermediate sources	33,000		21,905	(11,095)
State sources	6,427,289		6,476,255	48,966
Federal sources	679,995		664,989	(15,006)
Other sources	35,000		55,955	20,955
Total revenues	16,831,499		17,049,462	217,963
Expenditures:				
Instruction:				
Regular instruction	5,634,930		5,565,704	69,226
Vocational instruction	614,881		618,074	(3,193)
Special instruction	2,223,236		2,287,696	(64,460)
Other instruction	1,032,490		1,067,946	(35,456)
Total instruction	9,505,537		9,539,420	(33,883)
Support services:				
Pupil services	761,120		681,622	79,498
Instructional staff services	594,839		570,568	24,271
General administration services	420,034		449,393	(29,359)
Building administration services	848,312		845,770	2,542
Business services	3,264,791		3,506,561	(241,770)
Central services	296,057		330,664	(34,607)
Insurance	151,949		141,723	10,226
Other support services	131,446		107,432	24,014
Total support services	6,468,548		6,633,733	(165,185)
Nonprogram:				
Purchased instructional services	826,275		844,947	(18,672)
Total expenditures	16,800,360		17,018,100	(217,740)
Excess of revenues over expenditures	31,139		31,362	\$ 223
Other financing sources (uses):				
Transfers in	-		8,268	8,268
Transfers out	(32,647)		(393,018)	(360,371)
Net other financing uses	(32,647)		(384,750)	(352,103)
Net change in fund balance	(1,508)		(353,388)	(351,880)
Fund balance - Beginning of year	5,921,794		5,921,794	-
Fund balance - End of year	\$ 5,920,286		\$ 5,568,406	\$ (351,880)

See accompanying notes to the required supplementary information.

River Valley School District, Wisconsin

Notes to Budgetary Comparison Schedule

Note 1: Budgetary Information

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 two-digit subfunction level in the General Fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by 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 make alterations to the proposed budget.
- Once 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.

Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as an assigned fund balance.

Note 2: Budgetary Comparison

GAAP requires a budgetary comparison for the general fund and each major special revenue fund.

Required comparisons are between the final budget and actual on a budgetary basis. The "original budget" represents the budget as approved by the school board after it sets the tax to be levied for the fiscal year. The "final budget" is the "original budget" adjusted for any budget amendments approved by the school board during the fiscal year and up to the time the financial statements are ready to be issued.

Note 3: Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, the General fund's expenditures exceeded appropriations by \$217,740.

River Valley School District, Wisconsin

Schedule of Funding Progress

Other Post-employment Benefit Plan

	(1)	(2)	(3)	(4)	(5)	
	Actuarial	Actuarial		Unfunded		UAAAL as a
	Value of	Accrued Liability	Funded Ratio	Actuarial Accrued	Covered	Percentage of
Actuarial	Assets	(AAL) Entry Age	(1) / (2)	Liability (UAAAL)	Payroll	Covered Payroll
Valuation Date		Normal		(2) - (1)		(4) / (5)
7/1/2012	\$ -	\$ 4,237,747	0.00%	\$ 4,237,747	\$ 6,336,973	66.87%
7/1/2009	-	4,614,348	0.00%	4,614,348	6,643,406	69.46%
7/1/2006	-	4,555,033	0.00%	4,555,033	5,537,897	82.25%

Since the plan has been closed to new entrants since June 30, 2014, the remaining liability is not significant enough to require a new actuarial valuation since that date.

River Valley School District, Wisconsin

Schedule of Proportionate Share of Net Pension Asset (Liability) and Contributions Wisconsin Retirement System

Year ended December 31,	District's proportion of the net pension asset (liability)	District's proportionate share of the net pension asset (liability)	District's covered- employee payroll during the measurement period	District's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension asset (liability)
2016	0.05844663%	\$ 481,740	\$ 8,247,125	5.84%	99.12%
2015	0.05981278%	971,946	8,289,419	11.73%	98.20%
2014	-0.06066889%	(1,489,874)	8,384,543	-17.77%	102.74%

* The amounts presented for each year were determined as of the calendar year-end that occurred 6 months prior to the fiscal year.

Year ended June 30,	Contractually required contribution for the fiscal period	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered- employee payroll for the fiscal period	Contributions as a percentage of covered- employee payroll
2017	\$ 548,062	\$ 548,062	\$ -	\$ 8,147,466	6.73%
2016	553,918	553,918	-	8,300,975	6.67%
2015	574,324	574,324	-	8,354,678	6.87%

Notes to the Schedules:

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

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

Supplementary Financial Information

River Valley School District

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Trust Fund	Debt Service Fund	Capital Projects Fund	Food Service Fund	Package Cooperative Fund	Community Service Fund	Total Nonmajor Governmental Funds
Assets:							
Cash and investments	\$91,850	\$ 16	\$751,940	\$ 9,086	\$ -	\$ -	\$ 852,892
Due from other governments	-	-	-	4,151	-	-	\$ 4,151
Total assets	\$91,850	\$ 16	\$751,940	\$13,237	\$ -	\$ -	\$857,043
Liabilities:							
Accounts payable	459	-	-	184	-	-	643
Accrued liabilities	-	-	-	13,053	-	-	13,053
Total liabilities	459	-	-	13,237	-	-	13,696
Fund balances - restricted	91,391	16	751,940	-	-	-	843,347
Total liabilities and fund balance	\$91,850	\$ 16	\$751,940	\$13,237	\$ -	\$ -	\$ 857,043

River Valley School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance: Nonmajor Governmental Funds

Year Ended June 30, 2017

	Special Revenue Trust Fund	Debt Service Fund	Capital Projects Fund	Food Service Fund	Package Cooperative Fund	Community Service Fund	Total Nonmajor Governmental Funds
Revenues:							
Property taxes	\$ -	\$ 172,723	\$ -	\$ -	\$ -	\$ 80,000	\$ 252,723
Other local sources	49,661	13	2,820	294,324	-	24,553	371,371
Intermediate sources	-	-	-	-	8,293	-	8,293
State sources	-	-	-	10,763	-	-	10,763
Federal sources	-	-	-	233,005	-	-	233,005
Other sources	1,204	-	-	1,277	-	-	2,481
Total revenues	50,865	172,736	2,820	539,369	8,293	104,553	878,636
Expenditures:							
Instruction:							
Regular instruction	26,332	-	4,046	-	-	-	30,378
Other instruction	22,856	-	-	-	-	-	22,856
Total instruction	49,188	-	4,046	-	-	-	53,234
Support services:							
Pupil services	2,146	-	-	-	-	-	2,146
Instructional staff services	-	-	-	-	8,293	-	8,293
Building administration services	871	-	-	-	-	-	871
Business services	311	-	24,264	-	-	-	24,575
Food service	-	-	-	578,301	-	-	578,301
Other support services	772	-	-	-	-	104,553	105,325
Total support services	4,100	-	24,264	578,301	8,293	104,553	719,511
Debt service:							
Principal	-	471,114	-	-	-	-	471,114
Interest	-	55,695	-	-	-	-	55,695
Total debt service	-	526,809	-	-	-	-	526,809
Total expenditures	53,288	526,809	28,310	578,301	8,293	104,553	1,299,554
Excess (deficiency) of revenues over (under) expenditures	(2,423)	(354,073)	(25,490)	(38,932)	-	-	(420,918)
Other financing sources (uses):							
Transfers in	-	354,086	-	38,932	-	-	393,018
Transfers out	-	(8,268)	-	-	-	-	(8,268)
Total other financing sources (uses):	-	345,818	-	38,932	-	-	384,750
Net change in fund balances	(2,423)	(8,255)	(25,490)	-	-	-	(36,168)
Fund balances - Beginning of year	93,814	8,271	777,430	-	-	-	879,515
Fund balances - End of year	\$ 91,391	\$ 16	\$ 751,940	\$ -	\$ -	\$ -	\$ 843,347

River Valley School District

Fiduciary Fund - Schedule of Changes in Assets and Liabilities

Student Organizations' Funds

Year ended June 30, 2017

	Balance 07/01/16	Additions	Deductions	Balance 06/30/17
Assets:				
Cash and investments	\$ 128,089	\$ 350,909	\$ 320,144	\$ 158,854
Accounts receivable	330	-	330	-
Total assets	\$ 128,419	\$ 350,909	\$ 320,474	\$ 158,854
Liabilities:				
Accounts payable	\$ -	\$ 5,293	\$ -	\$ 5,293
Due to student organizations:				
High school	97,606	282,490	246,410	133,686
Middle school	12,535	42,417	46,397	8,555
Elementary school	18,278	20,709	27,667	11,320
Total liabilities	\$ 128,419	\$ 350,909	\$ 320,474	\$ 158,854

River Valley School District

Schedule of Charter School Authorizer Operating Costs

Arena Community Elementary School

Year ended June 30, 2017

Operating Activity	WUFAR Object Code	Cost
Employee Salaries	100 \$	27,343
Employee Benefits	200	21,524
Purchased Services	300	-
Non-Capital Objects	400	-
Capital Objects	500	-
Insurance & Judgements	700	-
Other - Purchased Services (Custodial)	300	-
Other - Purchased Services (Utilities)	300	-
Total	\$	48,867



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Education
River Valley School District
Spring Green, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States 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 River Valley School District, Wisconsin (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2017.

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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and questioned costs as item 2017-001.

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*.

Responses to Findings

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

Purpose of This Report

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

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

Wipfli LLP

November 20, 2017
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance

Board of Education
River Valley School District
Spring Green, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited River Valley School District, Wisconsin's (the "District") compliance with the types of compliance requirements described in the U.S. Office of Management and *Budget (OMB) Compliance Supplement* and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2017-002.

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

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



Wipfli LLP

November 20, 2017
Madison, Wisconsin

River Valley School District

Schedule of Federal Awards

For the Year Ended June 30, 2017

<u>Grantor Agency/Pass Through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Wisconsin Department of Public Instruction			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	2017-565523-SB-546	\$ 34,345
National School Lunch Program	10.555	2017-565523-NSL-547	163,640
Donated Food Commodities	10.555	N/A	35,020
Total CFDA 10.555			<u>198,660</u>
Total Child Nutrition Cluster			<u>233,005</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Wisconsin Department of Public Instruction			
ESEA Title I - Basic Grant	84.010	17-565523-Title I-141	198,485
<i>Special Education Cluster</i>			
IDEA Flow Through	84.027	2017-565523-IDEA-341	307,316
Preschool Entitlement	84.173	17-565523-Pre-S-347	14,063
Total Special Education Cluster			<u>321,379</u>
ESEA Title II-A Teacher/Principal	84.367	17-565523-Title II-365	58,538
Passed through CESA #3			
Career and Technical Education - Basic Grants to States	84.048	2017-565523-CP-CTE-400	7,583
Total U.S. Department of Education			<u>585,985</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Wisconsin Department of Health Services			
Medical Assistance Program Cluster	93.778	N/A	86,587
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 905,577</u>

See Independent Auditor's Report.

See Notes to Schedule of Federal Awards and State Financial Assistance.

River Valley School District

Schedule of State Financial Assistance For the Year Ended June 30, 2017

<u>Grantor Agency/Pass Through Agency/Program Title</u>	<u>State I.D. Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>			
Special Education and School Age Parents:			
Internal District Program	255.101	565523-100	\$ 680,194
Passed through CESA #3	255.101	749903-100	1,157
Passed through CESA #5	255.101	749905-100	2,482
Total Special Education and School Age Parents			<u>683,833</u>
State Lunch	255.102	565523-107	5,248
Common School Fund	255.103	565523-104	50,806
Transportation Aid	255.107	565523-102	82,073
Wisconsin School Day Milk Program	255.109	565523-109	3,252
General Equalization	255.201	565523-116	4,909,790
State Breakfast Program	255.344	565523-108	2,262
Achievement Gap Reduction	255.504	565523-160	250,655
Financial Literacy	255.913	565523-146	10,000
Educator Effective Eval Sys Grants Public	255.940	565523-154	20,400
Per Pupil Aid	255.945	565523-113	327,000
Career and Technical Education Incentive Grants	255.950	565523-151	2,563
Assessments of Reading Readiness	255.956	565523-166	2,066
Total Wisconsin Department of Public Instruction			<u>6,349,948</u>
<u>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</u>			
Payments in Lieu of Taxes	370.503	N/A	<u>69,459</u>
<u>WISCONSIN DEPARTMENT OF REVENUE</u>			
Computer Aid	835.109	N/A	<u>21,250</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 6,440,657</u>

River Valley School District, Wisconsin

Notes to the Schedules of Federal Awards and State Financial Assistance
Year Ended June 30, 2017

Note 1: Basis of Presentation

The accompanying schedule of federal and state assistance include the federal and state grant activity of River Valley School District under programs of the federal and state government for the year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance") and *State of Wisconsin Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of River Valley School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of River Valley School District.

Note 2: Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. River Valley School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Special Education and School Age Parents Program

2016–2017 eligible costs under the State Special Education Program are \$2,606,808.

River Valley School District, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major federal and state programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	Yes

Type of auditor's report issued on compliance for major program	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)] or <i>State Single Audit Guidelines</i> ?	No
--	----

Identification of major federal programs:

<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Child Nutrition Cluster	10.553/10.555
Special Education Cluster	84.027/84.173

<u>Name of State Major Program or Cluster</u>	<u>State ID No.</u>
Equalization Aid	255.201
Achievement Gap Reduction	255.504
Per Pupil Aid	255.945

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
State	\$250,000

Auditee qualified as low-risk auditee?	No
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River Valley School District, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Section II - Financial Statement Findings

Finding 2017-001 – Financial Accounting and Reporting

Criteria – The District is responsible for reporting financial data reliably in accordance with accounting principles generally accepted in the United States (GAAP).

Condition – As part of our professional services for the year ended June 30, 2017, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – The District does not expect, nor does it require, its financial staff to have the ability to prepare GAAP financial statements.

Effect – As a result of not having an individual trained in the preparation of GAAP basis financial statements, the completeness of the financial statement disclosures and the accuracy of the financial statement presentation are negatively impacted as outside auditors do not have the same comprehensive understanding of the District as its own management.

Recommendation – We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of responsible officials and planned corrective actions – We agree with the finding and have developed a corrective action plan.

River Valley School District, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Section III - Federal and State Award Findings and Questioned Costs

Finding 2017-002 – Financial Reporting for Federal and State Financial Assistance

Applicable to all federal and state awards.

Criteria - In accordance with the Uniform Guidance and Wisconsin State Single Audit Guidelines, the auditee is responsible for maintaining internal control over Federal and State programs that provide reasonable assurance that the auditee is managing Federal and State awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal and State programs. The Uniform Guidance and Wisconsin State Single Audit Guidelines indicates the auditee shall prepare financial statements and the auditee shall also prepare a schedule of expenditures of Federal and State awards for the period covered by the auditee's financial statements.

Condition - The District does not have a complete system in place for identifying federal and state financial assistance to enable management to identify all federal and state programs and complete its Schedule of Expenditures of Federal and State Assistance.

Questioned Costs – None.

Cause – The District does not prepare the financial statements with related notes and the schedules of expenditures of federal and state awards.

Effect – The lack of a complete system to administer Federal and State awards indicates a deficiency in the design and operation of internal control that could result in violations of laws, regulations, provisions of contract or grant agreements, fraud or abuse having a direct and material effect on the financial statements or the audit objectives of the Federal and State grants.

Recommendation - The auditor will continue to work with the District, providing information and training where needed, to make the District's personnel more knowledgeable about its responsibility for the financial statements with related notes and the schedules of expenditures of federal and state awards.

View of responsible officials and planned corrective actions – We agree with the finding and have developed a corrective action plan.

River Valley School District, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Section IV - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

No

Does the audit report show audit issues related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*?

Department of Public Instruction

No

Department of Health Services

No

Department of Natural Resources

No

Department of Revenue

No

Was a management letter or other document conveying audit comments issued as a result of this audit?

Yes

Name and signature of partner



Dan Walker, CPA

Date of report

November 20, 2017

River Valley School District, Wisconsin

Summary Schedule of Prior Year Findings

Year Ended June 30, 2017

2016-001 Financial Accounting and Reporting – See finding 2017-001.

2016-001 Financial Reporting for Federal and State Financial Assistance – See finding 2017-002.

Corrective Action Plan

Finding 2017-001 – Financial Accounting and Reporting

Corrective Action Plan:

None. The District will continue to review the financial statements and required footnotes prepared by the external auditors. The District believes this process to be the most economical and appropriate to help ensure complete and proper financial reporting. There is no anticipated completion date for this item.

Person(s) Responsible: District Management and Board of Education

Timing for Implementation: There is no anticipated completion date for this item.

Finding 2017-002 – Financial Reporting for Federal and State Financial Assistance

Corrective Action Plan:

None. The District would prefer to utilize the auditors to compile the Schedule of Expenditures of Federal and State Assistance as part of their audit services. There is no anticipated completion date for this item.

Person(s) Responsible: District Management and Board of Education

Timing for Implementation: There is no anticipated completion date for this item.