

River Valley School District

Spring Green, Wisconsin

**Financial Statements and
Supplementary Financial Information**

Year Ended June 30, 2018

River Valley School District, Wisconsin

Financial Statements and Supplementary Financial Information
Year Ended June 30, 2018

Table of Contents

Independent Auditor's Report	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet – Governmental Funds – to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Net Position – Fiduciary Funds	10
Statement of Changes in Net Position – Fiduciary Funds	11
Notes to Basic Financial Statements	12
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	33
Notes to Budgetary Comparison Schedule	34
Schedule of Proportionate Share of the Net OPEB Liability (Asset) and Contributions – LRLIF	35
Schedule of Proportionate Share of the Net Pension Liability (Asset) and Contributions – Wisconsin Retirement System	36
Supplementary Financial Information	
Combining Fund Statements	
Combining Balance Sheet – Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	38
Fiduciary Fund – Schedule of Changes in Assets and Liabilities – Student Organization Funds	39
Schedule of Charter School Authorizer Operating Costs	40
Other Reports	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	41
Independent Auditor's Report on Compliance for Each Major Federal and State Program and Internal Control Over Compliance	43
Schedule of Federal Awards	45
Schedule of State Financial Assistance	46
Notes to the Schedules of Federal Awards and State Financial Assistance	47
Schedule of Findings and Questioned Costs	48
Summary Schedule of Prior Year Findings	52



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, 2018 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the budgetary comparison schedule – general fund and the schedules of the employer’s proportionate share of the net pension and OPEB liability (asset) and employer contributions – Wisconsin Retirement System and LRLIF, on pages 33 through 36 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 October 25, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

October 25, 2018
Madison, Wisconsin

Basic Financial Statements

River Valley School District

Statement of Net Position

June 30, 2018

	Governmental Activities
<i>Assets and Deferred Outflows of Resources</i>	
Current assets:	
Cash and investments	\$ 4,335,095
Receivables:	
Taxes	2,858,538
Accounts	929
Due from other governments	508,304
Prepaid expenses	151,016
Total current assets	7,853,882
Noncurrent assets:	
Net pension asset	1,679,637
Capital Assets:	
Capital assets not being depreciated	138,643
Capital assets being depreciated	21,591,372
Less - Accumulated depreciation	(11,561,197)
Total noncurrent assets	11,848,455
Total assets	19,702,337
Deferred outflows of resources:	
Related to pensions/OPEB	2,869,163
Total assets and deferred outflows of resources	\$ 22,571,500
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
Current liabilities:	
Accounts payable	\$ 135,713
Accrued liabilities	1,402,786
Current portion of long-term obligations	216,293
Total current liabilities	1,754,792
Noncurrent liabilities:	
Bonds and note payable	1,156,528
Net OPEB liability	271,374
Supplemental pension liability	27,000
Total noncurrent liabilities	1,454,902
Total liabilities	3,209,694
Deferred inflows of resources:	
Related to pensions/OPEB	3,316,665
Net position:	
Net investment in capital assets	8,882,997
Restricted	862,931
Unrestricted	6,299,213
Total net position	16,045,141
Total liabilities, deferred inflows of resources, and net position	\$ 22,571,500

See accompanying notes to the financial statements.

River Valley School District

Statement of Activities

Year Ended June 30, 2018

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	\$ 5,363,212	\$ 425,443	\$ 738,701	\$ (4,199,068)
Vocational instruction	632,163	-	-	(632,163)
Special education instruction	2,344,687	-	1,091,752	(1,252,935)
Other instruction	1,210,184	103,594	-	(1,106,590)
Total instruction	9,550,246	529,037	1,830,453	(7,190,756)
Support services:				
Pupil services	828,480	-	-	(828,480)
Instructional staff services	580,867	-	-	(580,867)
General administration services	428,397	-	-	(428,397)
Building administration services	1,007,578	-	-	(1,007,578)
Business services	2,911,609	8,255	-	(2,903,354)
Central services	453,800	58,194	-	(395,606)
Insurance	168,999	-	-	(168,999)
Food service	563,215	285,525	241,638	(36,052)
Other support services	108,675	-	-	(108,675)
Interest	45,578	-	-	(45,578)
Depreciation - Unallocated	372,058	-	-	(372,058)
Total support services	7,469,256	351,974	241,638	(6,875,644)
Non-program transactions:				
Purchased instructional services	985,955	-	-	(985,955)
Total school district	\$ 18,005,457	\$ 881,011	\$ 2,072,091	(15,052,355)
General revenues:				
Property taxes:				
General purposes				8,929,287
Debt service				172,722
Community service				80,000
State and federal aids not restricted to specific functions				5,652,964
Interest and investment earnings				61,341
Miscellaneous				6,250
Total general revenues				14,902,564
Change in net position				(149,791)
Net position - Beginning of year, as restated				16,194,932
Net position - End of year				\$ 16,045,141

See accompanying notes to the financial statements.

River Valley School District

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Assets:			
Cash and investments	\$ 3,462,271	\$ 872,824	\$ 4,335,095
Receivables:			
Accounts	2,858,538	221	2,858,759
Taxes	708	-	708
Due from other governments	500,075	8,229	508,304
Due from other funds	7,087	-	7,087
Prepaid expenses	151,016	-	151,016
Total assets	\$ 6,979,695	\$ 881,274	\$ 7,860,969
Liabilities:			
Accounts payable	\$ 134,708	\$ 1,005	\$ 135,713
Accrued liabilities	1,392,535	10,251	1,402,786
Due to other funds	-	7,087	7,087
Total liabilities	1,527,243	18,343	1,545,586
Fund balances:			
Nonspendable	151,016	-	151,016
Restricted	-	862,931	862,931
Unassigned	5,301,436	-	5,301,436
Total fund balances	5,452,452	862,931	6,315,383
Total liabilities and fund balances	\$ 6,979,695	\$ 881,274	\$ 7,860,969

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, 2018

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

Total fund balances - Governmental funds \$ 6,315,383

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	\$ 21,730,015	
Governmental accumulated depreciation	(11,561,197)	10,168,818

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

Net pension asset		1,679,637
Net OPEB liability		(271,374)
Deferred outflows of resources related to pensions/OPEB		2,869,163
Deferred inflows of resources related to pensions/OPEB		(3,316,665)

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	(1,285,821)	
Supplemental pension liability	(98,659)	
Other postemployment benefits	(15,341)	(1,399,821)

Total net position - Governmental activities \$ 16,045,141

River Valley School District

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

Year Ended June 30, 2018

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 8,929,287	\$ 252,722	\$ 9,182,009
Other local sources	193,483	353,070	546,553
Interdistrict sources	405,143	-	405,143
Intermediate sources	22,406	9,587	31,993
State sources	6,729,615	10,384	6,739,999
Federal sources	654,271	231,254	885,525
Other sources	64,242	202	64,444
Total revenues	16,998,447	857,219	17,855,666
Expenditures:			
Instruction:			
Regular instruction	5,178,425	17,561	5,195,986
Vocational instruction	620,921	-	620,921
Special instruction	2,302,990	-	2,302,990
Other instruction	1,181,385	-	1,181,385
Total instruction	9,283,721	17,561	9,301,282
Support services:			
Pupil services	810,570	3,177	813,747
Instructional staff services	560,950	9,587	570,537
General administration services	420,779	-	420,779
Building administration services	762,453	-	762,453
Business services	3,537,742	7,876	3,545,618
Central services	445,729	-	445,729
Insurance	168,999	-	168,999
Food service	-	553,199	553,199
Other support services	112,291	98,725	211,016
Total support services	6,819,513	672,564	7,492,077
Debt service:			
Principal	-	127,144	127,144
Interest	-	45,578	45,578
Total debt service	-	172,722	172,722
Nonprogram - Purchased instructional services	985,955	-	985,955
Total expenditures	17,089,189	862,847	17,952,036
Excess of revenues over (under) expenditures	(90,742)	(5,628)	(96,370)
Other financing sources (uses):			
Transfers in	-	25,212	25,212
Transfers out	(25,212)	-	(25,212)
Net other financing sources (uses)	(25,212)	25,212	-
Net change in fund balances	(115,954)	19,584	(96,370)
Fund balances - Beginning of year	5,568,406	843,347	6,411,753
Fund balances - End of year	\$ 5,452,452	\$ 862,931	\$ 6,315,383

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, 2018

Net change in fund balances - Governmental funds (from previous page) \$ (96,370)

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	\$ 685,788
Depreciation expense reported in the statement of activities	(678,388)

Amount by which capital outlays are more than depreciation in the current year 7,400

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 asset (liability)	2,161,377
Change in net OPEB liability	(45,333)
Change in deferred outflows of resources related to pensions/OPEB	(604,715)
Change in deferred inflows of resources related to pensions/OPEB	(1,801,635)

Amounts paid are less than amounts earned (290,306)

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 supplemental pension obligations	102,341
--	---------

Amounts paid are greater than amounts earned 102,341

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	127,144
---	---------

Change in net position - Governmental activities \$ (149,791)

River Valley School District

Fiduciary Funds - Statement of Net Position

June 30, 2018

	(Scholarship Trust) Private-Purpose Trust	Agency Fund	Total Fiduciary
Assets:			
Cash and cash equivalents	\$ 27,161	\$ 139,934	\$ 167,095
Accounts Receivable	-	279	279
Total assets	\$ 27,161	\$ 140,213	\$ 167,374
Liabilities:			
Accounts payable	\$ -	\$ 3,703	\$ 3,703
Due to student organizations	-	136,510	136,510
Total liabilities	-	140,213	140,213
Net position - Restricted for scholarships	27,161	-	27,161
Total liabilities and net position	\$ 27,161	\$ 140,213	\$ 167,374

See accompanying notes to the financial statements.

River Valley School District

Fiduciary Funds - Statement of Changes in Net Position

June 30, 2018

	(Scholarship Trust) Private-Purpose Trust
<hr/>	
Additions:	
Private donations	\$ 14,513
<hr/>	
Total additions	14,513
<hr/>	
Deductions:	
Scholarships awarded	15,300
<hr/>	
Total deductions	15,300
<hr/>	
Change in net position	(787)
Net position - Beginning of year	27,948
<hr/>	
Net position - End of year	\$ 27,161

See accompanying notes to the financial statements.

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.

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

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)

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.

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

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 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.

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.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

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 acquisition 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.

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.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Other Post-Employment Benefits (OPEB)

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

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/OPEB for its proportionate shares of collective deferred outflows of resources related to pensions/OPEB and District contributions to pension/OPEB plans subsequent to the measurement date of the collective net pension/OPEB asset/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 inflows related to pensions/OPEB for its proportionate share of collective deferred inflows related to pensions/OPEB.

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 2017 tax levy is used to finance operations of the District’s fiscal year ended June 30, 2018. 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 October 25, 2018, which is the date the financial statements were available to be issued.

Commitments

The District signed a contract on December 14, 2017 with a provider to improve the energy efficiency of the District in the amount of \$2 million to be paid over the next two fiscal years with the proceeds of an additional tax levy for those two years.

The District also agreed to commit up to \$400,000 in May 2018 for playground equipment at the Early Learning Center, Elementary School and Middle School. In June 2018, the District agreed to a quote of \$295,060 for the above improvements.

New Accounting Pronouncement

Management adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. GASB Statement No. 75 replaces the requirements of GASB Statements No. 45 on accounting and financial reporting by employers for postemployment benefits other than pensions.

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, 2018, the District's bank balance of \$4,890,823 was not exposed to custodial credit risk.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 3 Cash and Investments (Continued)

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.

The District's cash and investment balances at June 30, 2018, were as follows:

Deposits with financial institutions	\$ 1,478,160
Investments	
Local Government Investment Pool Fund	3,024,030
	<u>\$ 4,502,190</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 4,335,095
Fiduciary fund statement of net position	
Cash and investments	167,095
	<u>\$ 4,502,190</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 balances at June 30, 2018, were as follows:

Due from Other Funds	Due to Other Funds	Amount
	Special revenue funds:	
General Fund	Food Service Fund	<u>\$ 7,087</u>

The balance existed due to a cash shortfall in the Food Service Fund. The balance is expected to be repaid in the upcoming year as the cash balance improves.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 4: Interfund Activity (Continued)

Interfund transfers at June 30, 2018, were as follows:

Fund Transferred To	Fund Transferred From	Amount
	Special revenue funds:	
Food Service Fund	General Fund	<u>\$ 25,212</u>

The transfer from the General Fund to the Food Service Fund was to subsidize the funds operations.

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2018, 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	18,053,849	675,311		18,729,160
Land improvements	927,257	-		927,257
Machinery and equipment	1,924,478	10,477		1,934,955
Subtotals	<u>20,905,584</u>	<u>685,788</u>	-	<u>21,591,372</u>
Less accumulated depreciation for:				
Buildings and improvements	8,695,657	501,287		9,196,944
Land improvements	722,898	20,700		743,598
Machinery and equipment	1,464,254	156,401		1,620,655
Subtotals	<u>10,882,809</u>	<u>678,388</u>	-	<u>11,561,197</u>
Net depreciated capital assets	<u>10,022,775</u>	<u>7,400</u>	-	<u>10,030,175</u>
Net capital assets	<u>\$ 10,161,418</u>	<u>\$ 7,400</u>	<u>\$ -</u>	<u>\$ 10,168,818</u>
Less related long-term debt outstanding				<u>1,285,821</u>
Net investment in capital assets				<u>\$ 8,882,997</u>

Depreciation was charged to the following functions:

Instruction:		
Regular		\$ 65,031
Physical education		6,816
Co-curricular		7,277
Support services:		
Operation and maintenance		227,206
Depreciation - unallocated		<u>372,058</u>
Total depreciation expense		<u>\$ 678,388</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, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
State trust fund loan	\$ 1,412,965	\$ -	\$ 127,144	\$ 1,285,821	\$ 129,293
Pension payable	481,740	-	481,740	-	-
Supplemental pension benefit	201,000	-	87,000	114,000	87,000
Other post-employment benefits	234,335	52,380	15,341	271,374	-
Total	<u>\$ 2,330,040</u>	<u>\$ 52,380</u>	<u>\$ 711,225</u>	<u>\$ 1,671,195</u>	<u>\$ 216,293</u>

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, 2018, 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	\$ 977,220
State trust fund loan	5/20/2016	3/15/2026	3.0%	377,000	308,601
Total					<u>\$ 1,285,821</u>

Total interest paid and accrued during the year was \$45,578.

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, 2018:

Equalized valuation	<u>\$ 920,910,702</u>
Debt limit 10%	\$ 92,091,070
General obligation indebtedness	1,285,821
Less: Amounts available for financing general obligation debt	
Debt service fund	16
Net outstanding general obligation debt applicable to debt limitation	<u>1,285,805</u>
Legal debt margin	<u>\$ 90,805,265</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
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	147,599	25,123	172,722
2024-2027	594,460	49,136	643,596
	<u>\$ 1,285,821</u>	<u>\$ 221,385</u>	<u>\$ 1,507,206</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, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Vesting - For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially 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
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	0.5%	(5.0%)
2017	2.0%	4.0%

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 \$549,529 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

Employee Category	Employee	Employer
General (including teachers)	6.7%	6.7%
Protective with social security	6.7%	10.7%
Protective without social security	6.7%	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, 2018, the District reported an asset of \$1,679,637 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was .0565702%, which was a decrease of .0009382% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$801,628.

At June 30, 2018, 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	\$ 2,134,021	\$ 998,224
Changes in assumptions	331,863	-
Net differences between projected and actual earnings on pension plan investments	-	2,308,505
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,021	-
Employer contributions subsequent to the measurement date	338,910	-
Total	\$ 2,839,815	\$ 3,306,729

\$338,910 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 June 30:	Net Deferred Outflows of Resources
2019	\$ 194,435
2020	(2,916)
2021	(567,926)
2022	(433,463)
2023	4,046

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2016
Measurement date of net pension liability (asset)	December 31, 2017
Actuarial cost method	Entry Age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

** 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, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

River Valley School District, Wisconsin

Notes to Basic Financial Statements

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

	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class			
Global equities	50.0%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8.0%	6.5%	3.6%
Private equity/debt	8.0%	9.4%	6.5%
Multi-asset	4.0%	6.5%	3.6%
Total core fund	110%	7.3%	4.4%
Variable Fund Asset Class			
US equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total variable fund	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 3.31%. 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	\$4,345,795	(\$1,679,637)	(\$6,259,152)

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, 2018, the District reported a payable of \$224,103 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Note 8: Other Post-Employment Benefits

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

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

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

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

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

Allowable contribution rates as of June 30, 2018 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are as listed below:

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 8: Other Post-Employment Benefits (Continued)

Life Insurance Employee Contribution Rates For the year ended December 31, 2017	
Attained Age	Basic
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$1,712 in contributions from the employer

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At June 30, 2018, the District reported a liability of \$271,374 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was .090200%, which was a decrease of .002903% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$26,776.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,824
Changes in assumptions	26,223	-
Net differences between projected and actual earnings on pension plan investments	3,125	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,112
Total	\$ 29,348	\$ 9,936

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 8: Other Post-Employment Benefits (Continued)

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

Year Ended June 30:	Net Deferred Outflows of Resources
2019	\$ 2,989
2020	2,989
2021	2,989
2022	2,989
2023	2,208
Thereafter	5,248

Actuarial assumptions - The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2017
Measurement date of net pension liability (asset)	December 31, 2017
Actuarial cost method	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	3.44%
Long-term expected rate of return	5.00%
Discount rate	3.63%
Salary increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table

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

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 8: Other Post-Employment Benefits (Continued)

**Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2017**

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Government Bonds	Barclays Government	1%	1.13%
US Credit Bonds	Barclays Credit	65%	2.61%
US Long Credit Bonds	Barclays Long Credit	3%	3.08%
US Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 3.63 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
WRS Employer's proportionate share of the net OPEB (asset) liability	\$383,554	\$271,374	\$185,287

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

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	\$ (87,000)
Change in net benefit liability	(87,000)
Pension Liability - beginning of year	201,000
Pension Liability - end of year	<u>\$ 114,000</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	111,774
Capital projects	751,141
Total restricted	<u>\$ 862,931</u>

Note 11: 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.

Note 12: 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.

River Valley School District, Wisconsin

Notes to Basic Financial Statements

Note 12: Pending Accounting Pronouncements (Continued)

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.

Note 13: Prior Year Restatement

As a result of the implementation of GASB Statement No. 75, the District has restated beginning net position as follows:

Balance at June 30, 2017, as previously reported	\$ 16,420,974
Subtract restated beginning total OPEB liability	(218,994)
Subtract restated beginning total OPEB deferred inflows	(7,048)
Balance at June 30, 2017, as restated	<u>\$ 16,194,932</u>

Required Supplementary Information

River Valley School District

Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Budgeted Amounts		Variance With Final Budget
	Original and Final	Actual	Positive (Negative)
Revenues:			
Property taxes	\$ 8,925,170	\$ 8,929,287	\$ 4,117
Other local sources	174,710	193,483	18,773
Interdistrict sources	360,000	405,143	45,143
Intermediate sources	22,500	22,406	(94)
State sources	6,688,828	6,729,615	40,787
Federal sources	651,658	654,271	2,613
Other sources	53,800	64,242	10,442
Total revenues	16,876,666	16,998,447	121,781
Expenditures:			
Instruction:			
Regular instruction	5,230,753	5,178,425	52,328
Vocational instruction	622,367	620,921	1,446
Special instruction	2,232,183	2,302,990	(70,807)
Other instruction	1,162,211	1,181,385	(19,174)
Total instruction	9,247,514	9,283,721	(36,207)
Support services:			
Pupil services	820,345	810,570	9,775
Instructional staff services	604,652	560,950	43,702
General administration services	447,118	420,779	26,339
Building administration services	752,515	762,453	(9,938)
Business services	3,557,718	3,537,742	19,976
Central services	434,784	445,729	(10,945)
Insurance	175,243	168,999	6,244
Other support services	118,300	112,291	6,009
Total support services	6,910,675	6,819,513	91,162
Nonprogram:			
Purchased instructional services	843,600	985,955	(142,355)
Total expenditures	17,001,789	17,089,189	(87,400)
Excess of revenues over expenditures	(125,123)	(90,742)	\$ 34,381
Other financing sources (uses):			
Transfers out	(34,053)	(25,212)	8,841
Net other financing uses	(34,053)	(25,212)	8,841
Net change in fund balance	(159,176)	(115,954)	43,222
Fund balance - Beginning of year	5,568,406	5,568,406	-
Fund balance - End of year	\$ 5,409,230	\$ 5,452,452	\$ 43,222

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, 2018, the General fund's expenditures exceeded appropriations by \$87,400.

River Valley School District, Wisconsin

Schedule of Proportionate Share of Net OPEB Liability and Contributions

LRLIF

Last 10 Fiscal Years *

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)
2017	0.09020000%	\$ (271,374)	\$ 3,793,168	-7.15%	44.81%

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
2018	\$ 1,712	\$ 1,712	\$ -	\$ 3,743,415	0.05%

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.

* These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

River Valley School District, Wisconsin

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

Wisconsin Retirement System

Last 10 Fiscal Years *

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)
2017	0.05657023%	\$ 1,679,637	\$ 8,081,003	20.79%	102.93%
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
2018	\$ 537,242	\$ 537,242	\$ -	\$ 7,975,008	6.74%
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.

* These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

Supplementary Financial Information

River Valley School District

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2018

	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	\$111,774	\$ 16	\$751,141	\$ 9,886	\$ -	\$ 7	\$ 872,824
Accounts receivable	-	-	-	221	-	-	221
Due from other governments	-	-	-	1,142	7,087	-	8,229
Total assets	\$111,774	\$ 16	\$751,141	\$11,249	\$ 7,087	\$ 7	\$881,274
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 1,005	\$ -	\$ -	\$ 1,005
Accrued liabilities	-	-	-	10,244	-	7	10,251
Due to other funds	-	-	-	-	7,087	-	7,087
Total liabilities	-	-	-	11,249	7,087	7	18,343
Fund balances - restricted	111,774	16	751,141	-	-	-	862,931
Total liabilities and fund balance	\$111,774	\$ 16	\$751,141	\$11,249	\$ 7,087	\$ 7	\$ 881,274

River Valley School District

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

Year Ended June 30, 2018

	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	\$ -	\$ 172,722	\$ -	\$ -	\$ -	\$ 80,000	\$ 252,722
Other local sources	40,943	-	7,077	286,325	-	18,725	353,070
Intermediate sources	-	-	-	-	9,587	-	9,587
State sources	-	-	-	10,384	-	-	10,384
Federal sources	-	-	-	231,254	-	-	231,254
Other sources	178	-	-	24	-	-	202
Total revenues	41,121	172,722	7,077	527,987	9,587	98,725	857,219
Expenditures:							
Instruction:							
Regular instruction	17,561	-	-	-	-	-	17,561
Other instruction	-	-	-	-	-	-	-
Total instruction	17,561	-	-	-	-	-	17,561
Support services:							
Pupil services	3,177	-	-	-	-	-	3,177
Instructional staff services	-	-	-	-	9,587	-	9,587
Building administration services	-	-	-	-	-	-	-
Business services	-	-	7,876	-	-	-	7,876
Food service	-	-	-	553,199	-	-	553,199
Other support services	-	-	-	-	-	98,725	98,725
Total support services	3,177	-	7,876	553,199	9,587	98,725	672,564
Debt service:							
Principal	-	127,144	-	-	-	-	127,144
Interest	-	45,578	-	-	-	-	45,578
Total debt service	-	172,722	-	-	-	-	172,722
Total expenditures	20,738	172,722	7,876	553,199	9,587	98,725	862,847
Excess (deficiency) of revenues over (under) expenditures	20,383	-	(799)	(25,212)	-	-	(5,628)
Other financing sources (uses):							
Transfers in	-	-	-	25,212	-	-	25,212
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	25,212	-	-	25,212
Net change in fund balances	20,383	-	(799)	-	-	-	19,584
Fund balances - Beginning of year	91,391	16	751,940	-	-	-	843,347
Fund balances - End of year	\$ 111,774	\$ 16	\$ 751,141	\$ -	\$ -	\$ -	\$ 862,931

River Valley School District

Fiduciary Fund - Schedule of Changes in Assets and Liabilities

Student Organizations' Funds

Year ended June 30, 2018

	Balance 07/01/17	Additions	Deductions	Balance 06/30/18
Assets:				
Cash and investments	\$ 158,854	\$ 417,604	\$ 436,524	\$ 139,934
Accounts receivable	-	279	-	279
Total assets	\$ 158,854	\$ 417,883	\$ 436,524	\$ 140,213
Liabilities:				
Accounts payable	\$ 5,293	\$ 412,963	\$ 414,553	\$ 3,703
Due to student organizations:				
High school	133,686	371,609	388,434	116,861
Middle school	8,555	31,772	32,309	8,018
Elementary school	11,320	25,060	24,749	11,631
Total liabilities	\$ 158,854	\$ 841,404	\$ 860,045	\$ 140,213

River Valley School District

Schedule of Charter School Authorizer Operating Costs

Arena Community Elementary School

Year ended June 30, 2018

Operating Activity	WUFAR Object Code	Cost
Employee Salaries	100 \$	27,647
Employee Benefits	200	22,524
Purchased Services	300	-
Non-Capital Objects	400	-
Capital Objects	500	-
Insurance & Judgements	700	-
Other - Purchased Services (Custodial)	300	-
Other - Purchased Services (Utilities)	300	-
Total	\$	50,171



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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2018.

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 2018-001.

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.

Wipfli LLP

Wipfli LLP

October 25, 2018
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, 2018. 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, 2018.

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 2018-002.

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

October 25, 2018
Madison, Wisconsin

River Valley School District

Schedule of Federal Awards For the Year Ended June 30, 2018

Grantor Agency/Pass Through Agency/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Wisconsin Department of Public Instruction			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	2018-565523-SB-546	\$ 34,505
National School Lunch Program	10.555	2018-565523-NSL-547	165,292
Donated Food Commodities	10.555	N/A	31,458
Total CFDA 10.555			<u>196,750</u>
Total Child Nutrition Cluster			<u>231,255</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Wisconsin Department of Public Instruction			
ESEA Title I - Basic Grant	84.010	2018-565523-Title I-141	188,995
<i>Special Education Cluster</i>			
IDEA Flow Through	84.027	2018-565523-IDEA-341	339,911
Preschool Entitlement	84.173	2018-565523-Pre-S-347	15,257
Total Special Education Cluster			<u>355,168</u>
ESEA Title II-A Teacher/Principal	84.367	2018-565523-Title II-365	45,093
Passed through CESA #3			
Career and Technical Education - Basic Grants to States	84.048	2018-565523-CP-CTE-400	9,018
Total U.S. Department of Education			<u>598,274</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	65,014
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 894,543</u></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, 2018

Grantor Agency/Pass Through Agency/Program Title	State I.D. Number	Pass-Through Entity Identifying Number	State Expenditures
<u>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</u>			
Special Education and School Age Parents:			
Internal District Program	255.101	565523-100	\$ 669,081
Passed through CESA #3	255.101	749903-100	898
Passed through CESA #5	255.101	749905-100	1,590
Total Special Education and School Age Parents			<u>671,569</u>
State Lunch	255.102	565523-107	4,964
Common School Fund	255.103	565523-104	54,812
Transportation Aid	255.107	565523-102	79,626
Wisconsin School Day Milk Program	255.115	565523-109	3,320
General Equalization	255.201	565523-116	4,939,467
Alcohol and Other Drug Abuse	255.321	565523-142	1,000
State Breakfast Program	255.344	565523-108	2,100
Achievement Gap Reduction	255.504	565523-160	261,939
Per Pupil Aid	255.945	565523-113	577,800
High Cost Transportation Aid	255.947	565523-114	55,645
Career and Technical Education Incentive Grants	255.950	565523-171	8,235
Assessments of Reading Readiness	255.956	565523-166	1,958
Total Wisconsin Department of Public Instruction			<u>6,662,435</u>
<u>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</u>			
Payments in Lieu of Taxes	370.503	N/A	<u>58,491</u>
<u>WISCONSIN DEPARTMENT OF REVENUE</u>			
Computer Aid	835.109	N/A	<u>21,561</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 6,742,487</u>

See Independent Auditor's Report.
See Notes to Schedule of Federal Awards and State Financial Assistance.

River Valley School District, Wisconsin

Notes to the Schedules of Federal Awards and State Financial Assistance
Year Ended June 30, 2018

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, 2018. 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

2017–2018 eligible costs under the State Special Education Program are \$2,631,257.

River Valley School District, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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>
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
Special Education and School-Age Parents Aid	255.101
Transportation Aid	255.107

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

Auditee qualified as low-risk auditee?	Yes
--	-----

River Valley School District, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section II - Financial Statement Findings

Finding 2018-001 – 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, 2018, 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, 2018

Section III - Federal and State Award Findings and Questioned Costs

Finding 2018-002 – 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, 2018

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

October 25, 2018

River Valley School District, Wisconsin

Summary Schedule of Prior Year Findings

Year Ended June 30, 2018

2017-001 Financial Accounting and Reporting – See finding 2018-001.

2017-001 Financial Reporting for Federal and State Financial Assistance – See finding 2018-002.



RIVER VALLEY
SCHOOL DISTRICT



BRIAN KREY
Business Manager

660 West Daley Street

Spring Green, Wisconsin 53588

Phone: 608-588-2554 x8003

Corrective Action Plan for year ended June 30, 2018

Finding 2018-001 – 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 2018-002 – 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.

