



ANNUAL FINANCIAL REPORT

for the fiscal year ended
June 30, 2018



Kenosha Unified
School District

ACADEMICS. OPPORTUNITY. SUCCESS.

KENOSHA UNIFIED SCHOOL DISTRICT

SCHOOL BOARD AND ADMINISTRATION

2017-2018

Our Vision: *"To be Wisconsin's top performing urban school district that is highly regarded for continuously exceeding all expectations."*

Our Mission: *"Provide excellent, challenging learning opportunities and experiences that prepare each student for success."*

MEMBERS OF THE BOARD OF EDUCATION

Daniel Wade	President
Anthony Garcia	Vice President
Todd Battle	Clerk
Gary Kunich	Treasurer
Tom Duncan	Member
Mary Modder	Member
Rebecca Stevens	Member

2017-18 ADMINISTRATION

Dr. Sue Savaglio-Jarvis	Superintendent of Schools
Tarik Hamdan	Chief Financial Officer
Julie Housaman	Chief Academic Officer
Susan Valeri	Chief of School Leadership
Annie Petering	Chief Human Resource Officer
Kristopher Keckler	Chief Information Officer
Tanya Ruder	Chief Communication Officer
Bridget Kotarak	Chief of Special Education and Student Support

ANNUAL FINANCIAL REPORT PREPARED BY

Lisa M. Salo, CPA, Accounting Manager

Kenosha Unified School District

Kenosha, Wisconsin

JUNE 30, 2018

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Kenosha Unified School District

Kenosha, Wisconsin

JUNE 30, 2018

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Independent auditors' report

To the Board of Education
Kenosha Unified School District
Kenosha, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenosha Unified School District, Kenosha, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINIONS

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

CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2017, the District early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for its single-employer defined postemployment health plan. In the current year, the Local Retiree Life Insurance Fund (LRLIF), a multiple-employer defined benefit OPEB plan, completed an actuarial study under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans*, which identified a net OPEB liability for the Plan. The District recorded its proportionate share of this liability as of December 31, 2016 as a cumulative effort of change in accounting principle in the 2018 district-wide financial statements. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 52 through 57 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards 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 the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements.

The supplementary information and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
November 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kenosha Unified School District

Kenosha, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

The management's discussion and analysis of the Kenosha Unified School District's financial performance provides an overall review of financial activities for the fiscal year. This analysis focuses on school district financial performance as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's basic financial statements are comprised of 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, required supplementary information and supplementary information is provided in the annual financial report.

District-wide Financial Statements

The District-wide financial statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*.

- The *statement of net position* presents information on all of the District's assets, deferred outflows of resources and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *statement of activities* presents information showing how the District's net position changed during the year. This statement reports the cost of government functions and how those functions were financed in the fiscal year.

Fund Financial Statements

There are three kinds of fund types: *governmental*, *proprietary*, and *fiduciary*. The District has governmental funds and fiduciary funds. The District does not have any proprietary funds. A fund is a grouping of related accounts, which is used to maintain control over resources that have been segregated for specific activities. Fund statements report operations in more detail than the District-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.

1. Governmental Funds

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. In general, this means that the focus of the fund types is what revenues have come in and what expenditures have been paid out. *Governmental funds* include the general fund, special revenue funds (Head Start, Trust, Food Service and Community Service), debt service fund and capital projects fund. Under generally accepted accounting principles, the activities of the Special Education Fund (Fund 27) are reported with general fund activities because the excess expenditures within the Special Education Fund are financed by a transfer from the Fund 10 General Fund.

The District produces *fund financial statements* for this fund type. There are two fund financial statements, the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances* (operating statement). Financial information is presented separately on both the *balance sheet* and the *statement of revenues, expenditures and changes in fund balances* for the general fund and the capital projects fund as these are considered to be major funds. Data for the special revenue trust fund, Head Start fund, food service fund, community service fund, and debt service fund is combined into a single, aggregated column. Data for each of these individual non-major funds is provided separately as supplementary information.

A reconciliation to facilitate the comparison of the Statement of Net Position to the Governmental Funds Balance Sheet is presented at the bottom of the governmental funds statement. A separate statement to reconcile the Statement of Activities to the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds is also presented.

The District adopts an annual budget for its governmental funds. Budgetary comparison statements for the general fund and any major special revenue funds have been provided in the required supplementary information to demonstrate budget compliance as required by generally accepted accounting principles.

2. *Proprietary Funds*

Proprietary funds operate similar to a business. These funds have exchange transactions where each party receives and gives up essentially equal value for the essential activity for that fund. This fund type uses the accrual basis of accounting. The District does not have any proprietary funds.

3. *Fiduciary Funds*

The District also serves as a trustee, or *fiduciary*, for student organizations called the pupil activity fund, a retiree insurance fund used to provide for premiums the District has obligated itself related to prior service of retired employees, and a private benefit trust fund for scholarships. The assets of these organizations do not directly benefit the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. *Fiduciary* activities are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations. These funds follow the accrual basis of accounting that is described above in the District-wide Financial Statement section. There are two fiduciary financial statements, the *statement of net position* and the *statement of changes in net position* (operating statement).

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential to the full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Required Supplementary Information

The *required supplementary information and related notes* contain information that is required to be reported under generally accepted accounting principles (GAAP). This information is not audited and although not part of the basic financial statements, it is considered to be an essential part of financial reporting. The required supplementary information and related notes follow the notes to the financial statements.

Supplementary Information

The *supplementary information* is provided for additional analysis and is not part of the basic financial statements. It includes the combining fund statements which provide additional details for the non-major governmental funds. This information follows the required supplementary information section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded the liabilities and deferred inflows at the close of the fiscal year by \$93.4 million (*net position*), a decrease of \$10.3 million over the prior year. Of this amount, \$102.4 million represents the net investment in capital assets and \$8.9 million is restricted; \$3.4 million for food service programs, \$3.1 million for community service programs and \$2.4 million for debt service. This results in an unrestricted net deficit balance of \$17.9 million. The unrestricted net deficit balance exists because of the increase in the other-post employment benefits liability for the District's proportionate share of the Wisconsin Department of Employee Trust Fund (ETF) Local Retiree Life Insurance Fund. The ETF had an actuarial study performed with a measurement date of December 31, 2017, which determined a net OPEB liability for life insurance for each of its employer participants.
- Total capital assets increased by \$28.8 million due to the continuation of the phase II energy efficiency projects.
- Other liabilities increased by \$4.2 million which included construction payables for the energy efficiency projects in progress.
- Long-term general obligation debt decreased by \$10.7 million due to scheduled principal and interest payments.
- Accrued OPEB obligation increased \$14.5 million. The accrued OPEB obligation is a combination of two plan liabilities. The first liability included is from the Local Retiree Life Insurance Fund. The District participates in this multi-employer defined benefit plan and as a result, District must record its proportionate share of the Wisconsin Department of Employee Trust Fund (ETF) Local Retiree Life Insurance Fund in its statement of net position. The ETF had an actuarial study performed with a measurement date of December 31, 2017, which determined a net OPEB liability for life insurance for each of its employer participants. This liability is approximately \$17.7 million and is included in the statements for the first time this year. The second OPEB liability included is the District's single-employer defined benefit post-employment benefit plan liability. This plan has been included in the District's past financials and has a liability of approximately \$72.9 million which decreased by approximately \$4.0 million from the previous year.
- Net pension liability changed to a net pension asset in the amount of \$29.1 million. This is a net change of \$37.4 million as a result of the actuarial study performed on behalf of the State of Wisconsin Retirement System (WRS) with a measurement date of December 31, 2017.
- In the governmental funds, total fund balance decreased by \$19.5 million. The net decrease is comprised of the General Fund experiencing a surplus from operations of \$6.2 million, and the Capital Projects Fund experiencing a use of \$25.5 million of previously issued bond proceeds from the energy efficiency projects in progress.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$51.3 million dollars.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Governmental Activities

As noted earlier, the District-wide financial statements are the *statement of net position* and *statement of activities*. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*.

Statement of Net Position

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2018 compared to 2017.

Table 1 Condensed Statement of Net Position (in thousands of dollars)				
	Governmental Activities		\$ Change	% Change
	2018	2017		
Assets				
Current assets	\$ 163,478	\$ 179,283	\$ (15,805)	-8.8%
Net Pension Asset	29,106	-	29,106	#DIV/0!
Capital assets	216,573	193,345	23,228	12.0%
Total Assets	409,157	372,628	36,529	9.8%
Deferred Outflows				
Loss on advance refunding	460	604	(144)	-23.8%
Related to OPEB	4,692	2,187	2,505	100.0%
Related to pension	49,247	59,620	(10,373)	-17.4%
Total Deferred Outflows	54,399	62,411	(8,012)	-12.8%
Liabilities				
Other liabilities	56,927	52,688	4,239	8.0%
Long-term obligations	159,610	170,320	(10,710)	-6.3%
Accrued OPEB obligation	90,670	76,080	14,590	19.2%
Net pension liability	-	8,305	(8,305)	-100.0%
Total Liabilities	307,207	307,393	(186)	-0.1%
Deferred Inflows				
Related to OPEB	5,480	4,054	1,426	100.0%
Related to pension	57,447	26,284	31,163	118.6%
Total Deferred Inflows	62,927	30,338	32,589	107.4%
Net Position				
Net investment in capital assets	102,402	93,783	8,619	9.2%
Restricted	8,900	9,382	(482)	-5.1%
Unrestricted (deficit)	(17,880)	(5,857)	(12,023)	-205.3%
Total Net Position	\$ 93,422	\$ 97,308	\$ (3,886)	4.0%

The largest portion of the District's net position is its net investment in capital assets (e. g. land, buildings, and equipment); less related outstanding debt used to acquire those assets. These assets are used to provide services to students and consequently are not available for future spending.

Restricted net position accounts for 10% of total net position. The restricted net position is a result of restrictions imposed by external groups such as creditors, grantors or other governments or through enabling legislation. Of this amount, \$102.4 million represents the net investment in capital assets and \$8.9 million is restricted; \$3.4 million for food service programs, \$3.1 million for community service programs and \$2.4 million for debt service. These restrictions have been imposed by bond issuance and through legislation from the state of Wisconsin. The remaining net position is called unrestricted net position (deficit) which decreased \$12.0 million resulting in a net deficit of \$17.9 million. The unrestricted net deficit balance exists because of the increase in the other-post employment benefits liability for the District's proportionate share of the Wisconsin Department of Employee Trust Fund (ETF) Local Retiree Life Insurance Fund. The ETF had an actuarial study performed with a measurement date of December 31, 2017, which determined a net OPEB liability for life insurance for each of its employer participants.

Changes in Net Position

Table 2 provides summarized operating results and their impact on net position for the year ended June 30, 2018, compared to 2017.

<div>Table 2</div> <div>Changes in Net Position from Operating Results</div> <div>(in thousands of dollars)</div>					
	Governmental Activities		\$ Change	% Change	
	2018	2017			
Revenues					
Program Revenues					
Charges for services	\$ 4,410	\$ 4,264	\$ 146	3.4%	
Operating grants and contributions	37,470	40,402	(2,932)	-7.3%	
General Revenues					
Property taxes	90,937	87,432	3,505	4.0%	
State and Federal Aids					
Not restricted	162,566	162,410	156	0.1%	
Interest and investment earnings	1,358	456	902	197.8%	
Miscellaneous	1,301	3,977	(2,676)	-67.3%	
Total Revenues	298,042	298,941	(899)	-0.3%	
Expenses					
Instruction	170,379	170,633	(254)	-0.1%	
Support services	104,033	105,036	(1,003)	-1.0%	
Interest and fiscal charges	7,110	7,053	57	0.8%	
Community services	1,153	1,004	149	14.8%	
Non-program transactions	5,014	4,522	492	10.9%	
Total Expenses	287,689	288,248	(559)	-0.2%	
Change in Net Position	\$ 10,353	\$ 10,693	\$ (340)	-3.2%	

Note: May be rounding differences.

Revenues

The District relies primarily on property taxes (30.51%), state and federal aids that are not restricted (54.54%) and operating grants and contributions (12.57%) to fund District activities. School funding regulations restrict property tax and general state equalization aid amounts by which these two revenue sources, in combination, may be increased. This restriction, called the revenue limit, is intended to help hold down increases in property taxes throughout the state. The 2017-2018 District equalized property value of \$8,868,543,467 represents a 3.36% increase over the previous year and the

total tax mill rate for 2017-2018 is \$10.23 and represents a .59% increase over the previous year. General state equalization aid is paid according to a complex formula taking into consideration district spending, pupil counts and property values as compared to spending and property values for the state as a whole. The District's general equalization state aid decreased by \$4,408,921 or 2.84% over the prior year.

Other variations between years existed within the sources of revenue as well. Program revenues, in the form of charges for services and operating grants and contributions, decreased \$2.7 million for governmental activities compared to the prior year. In 2016-17, the District received a \$2 million E-Rate grant which was not applicable for the current year. The remaining decrease of \$0.7 million was a result of fluctuations in restricted grant reimbursements. Miscellaneous general revenues include general donations and gifts to the District, and those sources may vary from year to year based on generosity of the community. Interest and investment earnings are earnings on all cash sources. In 2017-18, investment rates continued to rise from the prior year and provided increased rates of return.

Expenses

Overall, expenses experienced a minimal decrease of \$0.5 million or 0.2% compared to the prior year. There were fluctuations amongst the functions with the largest increases being in the community services function as a result of increased participation in the programs, and related to the non-program transactions function related to the private school voucher program increased costs. The offsetting decreases in expenses occurred in the instruction and support service functions.

Total and Net Cost of Governmental Activities

Table 3 presents the cost of the five major District activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3 Total and Net Cost of Governmental Activities (in thousands of dollars)								
	Total Cost of Services		\$ Change	% Change	Net Cost of Services		\$ Change	% Change
	2018	2017			2018	2017		
Instruction	\$ 170,379	\$ 170,633	\$ (254)	-0.1%	\$ 146,605	\$ 146,499	\$ 106	0.1%
Support services	104,033	105,036	(1,003)	-1.0%	87,849	86,340	1,509	1.7%
Interest and fiscal charges	7,110	7,053	57	0.8%	6,299	6,135	164	2.7%
Community services	1,153	1,004	149	14.8%	948	850	98	11.5%
Non-program transactions	5,014	4,522	492	10.9%	4,108	3,742	366	9.8%
Totals	\$ 287,689	\$ 288,248	\$ (559)	-0.2%	\$ 245,809	\$ 243,566	\$ 2,243	0.9%

Note: May be rounding differences.

The cost of all governmental activities this year was \$287,688,568. Individuals who directly participated or benefited from a program offering paid \$4,410,381 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$37,469,603. The net cost of governmental activities totaling \$245,808,584 was financed by general revenues of the District.

Governmental Funds

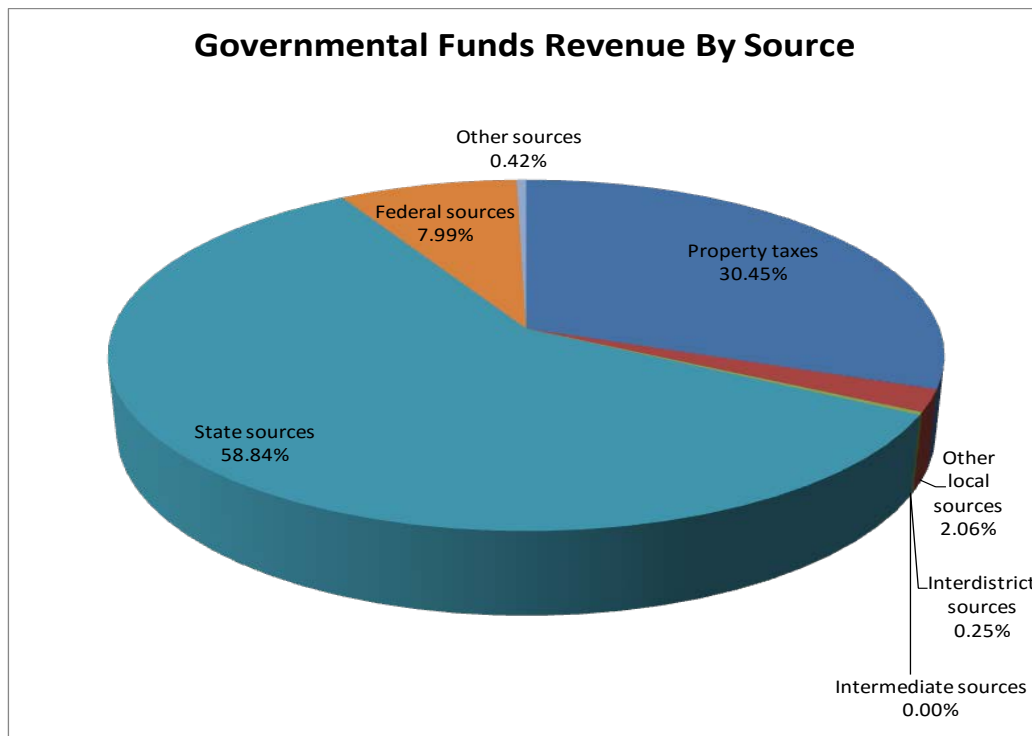
The District uses fund accounting to provide information on inflows, outflows and balances of spendable resources. Fund statements report operations in more detail than the District-wide statements and provide information that may be useful in evaluating a district's near-term financing requirements.

Revenues

Table 4 presents a comparison of the 2018 governmental funds revenue by source results to the 2017 results.

Table 4 Governmental Funds Revenue By Source (in thousands of dollars)				
			\$	%
	2018	2017	Change	Change
Property taxes	\$ 90,742	\$ 87,256	\$ 3,486	4.00%
Other local sources	6,126	4,829	1,297	26.86%
Interdistrict sources	750	611	139	22.75%
Intermediate sources	-	15	(15)	-100.00%
State sources	175,368	175,720	(352)	-0.20%
Federal sources	23,804	24,206	(402)	-1.66%
Other sources	1,251	6,305	(5,054)	-80.16%
Total	\$ 298,041	\$ 298,942	\$ (901)	-0.3%

Note: May be rounding differences.



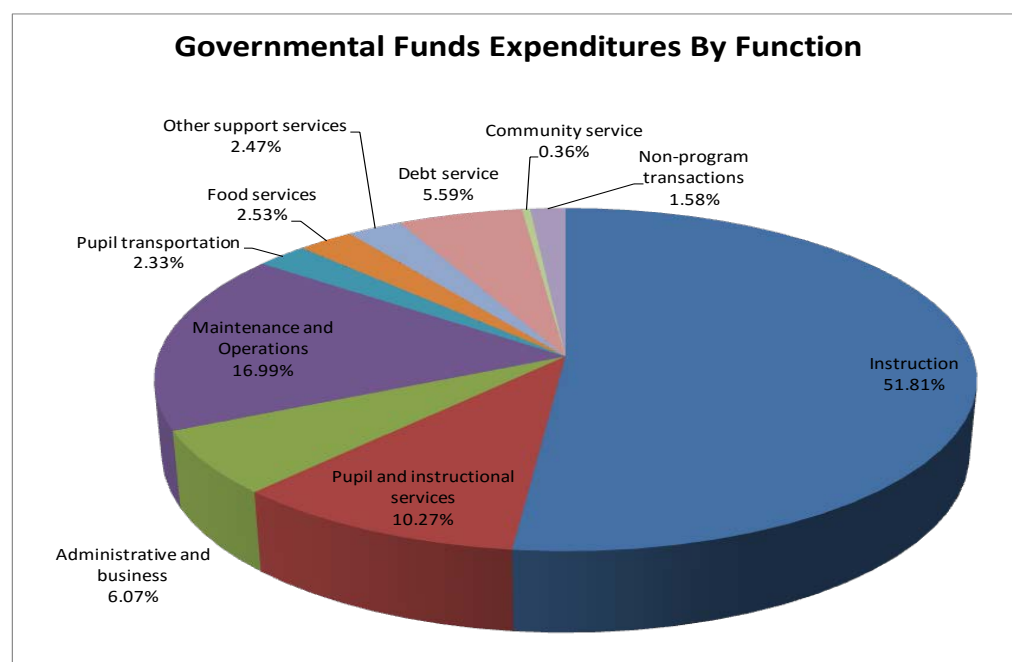
Total governmental fund revenues remained stable from the prior year in total by (0.3%). However, revenues did shift amongst the revenue sources. Property taxes increased as a result of the decrease in general state equalization aid, which both revenues fall within the revenue limit calculation. In addition, the District received additional per pupil aid in the amount of approximately \$4.5 million. Finally, other sources decreased from the prior year as the prior year included the final lawsuit settlement payment for the CDO investments.

Expenditures

Table 5 presents a comparison of the 2018 governmental funds expenditures by function results to the 2017 results.

Table 5 Governmental Funds Expenditures By Function (in thousands of dollars)				
			\$	%
	2018	2017	Change	Change
Instruction	\$ 164,549	\$ 162,194	\$ 2,355	1.5%
Pupil and instructional services	32,620	33,320	(700)	-2.1%
Administrative and business	19,290	19,127	163	0.9%
Maintenance and Operations	53,949	45,332	8,617	19.0%
Pupil transportation	7,392	7,247	145	2.0%
Food services	8,041	7,791	250	3.2%
Other support services	7,832	10,456	(2,624)	-25.1%
Debt service	17,770	22,726	(4,956)	-21.8%
Community service	1,153	1,006	147	14.6%
Non-program transactions	5,014	4,522	492	10.9%
Total	\$ 317,610	\$ 313,721	\$ 3,889	1.2%

Note: May be rounding differences.



Total governmental expenditures experienced a modest overall increase of 1.2% from the prior year. However, there were shifts amongst the functions. Expenditures shifted towards the instruction, maintenance and operations, community service and non-program transaction functions. The instruction function increase was a result of salary and benefits expenditures increases from raises and filled open positions. The increase in maintenance and operations occurred because of the increased progress on the remaining phase II energy efficiency projects. Community service expenditures increased from the prior year due an increase in participation in the Kenosha Youth Performance Arts Center (KYPAC) Theater and Marching Band programs. Finally, non-program expenditures increased as a result of the general voucher program's increased participation from the prior year. On the other hand, expenditures shifted away from the other support services and debt service functions. Other support services decreased as a result of a reduction in required other post-employment benefit contributions. The debt service function decreased as a result of the reduction of required principal and interest payments for the current year.

Fund Balance

Table 6 provides a comparison of the governmental fund balances for the current year and the prior year.

Table 6 Comparison of Governmental Fund Balances (in thousands of dollars)				
Fund	Fund Balance		\$ Change	% Change
	2018	2017		
General Fund	\$ 55,316	\$ 49,045	\$ 6,271	12.8%
Head Start	-	-	-	0.0%
Special Revenue Trust	70	157	(87)	100.0%
Food service	3,354	3,170	184	5.8%
Community service	3,125	3,012	113	3.8%
Debt service	4,158	4,644	(486)	-10.5%
Capital projects	42,219	67,783	(25,564)	-37.7%
	<u>\$ 108,242</u>	<u>\$ 127,811</u>	<u>\$ (19,569)</u>	<u>-15.3%</u>

Note: May be rounding differences.

The District completed the year with a fund balance of \$108,242,098 which decreased from last year's ending fund balance of \$127,811,237 due to the following:

- The general fund had an increase in fund balance of \$6,270,468, of which was achieved as a result of conservative staffing practices, and an overall conservative spending approach. The general fund actual results are discussed further in the General Fund Budgetary Highlights below.
- The special revenue trust fund had a decrease in fund balance of \$87,291. The special revenue trust fund is used to track the use of gifts and donations from private parties.
- The food service fund balance had an increase of \$184,092. The food service department continued to replace various equipment and coolers at the individual schools in addition to providing students with nutritious meals.
- The debt service fund balance had a decrease of \$486,210. The fund balance of the debt service fund will fluctuate each year, based on bond activity and the timing of bond payments.

- The capital project fund had a decrease in fund balance of \$25,563,529. The capital projects fund balance will fluctuate depending on the status of the various projects and the corresponding unspent bond proceeds. The District issued \$75 million in debt obligations to complete phase II of the energy efficiency projects. The energy efficiency expenditures for this fiscal year were \$23.7 million. The District expects the energy efficiency projects to be completed by 2022. Also, the district finished the athletic facility upgrades in fiscal year 2018 and spent \$2.5 million on these projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District authorizes expenditures prior to formal adoption of the budget in June for the subsequent fiscal year (beginning July 1st). Consistent with current state statutes and regulations an *original* budget is adopted in October, following a determination of the official enrollment, the certification of general state aids, and equalized property valuations. After the October budget adoption, the District then notifies its respective municipalities of their share of the tax levy no later than November 10th, in compliance with Wis. Stats. 120.12(3)(a).

For budgetary purposes, DPI requires the District to separate the special education revenues and expenditures from other general fund amounts. The budgetary schedules are displayed in the required supplementary information section.

The general fund was budgeted anticipating no change in fund balance. The actual general fund net change in fund balance was \$6,270,468. There are several reasons for the surplus. When final enrollments were determined at the start of the year, there were positions budgeted for that remained vacant. In addition, contracted transportation costs were less than anticipated. Lastly, the District benefited from another mild winter, and as a result, utility expenditures were less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the District had invested \$352,572,789 in capital assets, including buildings, sites, and equipment (See Table 7). Total accumulated depreciation on these assets total \$135,999,977. Capital Asset acquisitions for governmental activities totaled \$29,460,489 The District recognized depreciation expense of \$6,231,969 for governmental activities. The increase in the construction in progress is a result of the energy efficiency capital projects. Detailed information about capital assets can be found in Note 2(B) in the notes to the financial statements.

Table 7 Capital Assets (in thousands of dollars)				
	Governmental Activities		\$ Change	% Change
	2018	2017		
Land	\$ 8,830	\$ 8,830	\$ -	0.0%
Construction in progress	35,451	25,303	10,148	40.1%
Land improvements	16,580	6,208	10,372	167.1%
Buildings and improvements	239,503	232,041	7,462	3.2%
Furniture and equipment	52,208	51,342	866	1.7%
Total	<u>\$ 352,572</u>	<u>\$ 323,724</u>	<u>\$ 28,848</u>	<u>8.9%</u>

Note: May be rounding differences.

Outstanding Long-Term Obligations

Outstanding long-term obligations include general obligation debt and related premiums and/or discounts, compensated absences, other post-employment benefits liabilities and net pension liability. These liabilities are shown below in Table 8. At year-end, the District had \$150,444,000, in general obligation bonds – a decrease of 6.7% over last year due to principal paid. No new general obligation bonds were issued in 2018. Net pension liability changed to a net pension asset in the amount of \$29.1 million. This is a net change of \$37.4 million as a result of the actuarial study performed on behalf of the State of Wisconsin Retirement System (WRS) with a measurement date of December 31, 2017. As one of the multi-employer participants in this plan, governmental accounting standards require the District to include its proportional share of net pension liability or asset determined by the actuarial study performed by the state hired actuary. The District does not have control over the results of that study.

Table 8 Outstanding Long-term Obligations (in thousands of dollars)				
	Governmental Activities		\$ Change	% Change
	2018	2017		
General obligation debt				
Bonds and notes payable	\$ 150,444	\$ 161,172	\$ (10,728)	-6.7%
Premium on long-term debt	6,406	6,776	(370)	-5.5%
Other liabilities				
Compensated absences	2,760	2,372	388	16.4%
Other post-employment benefits liability	90,670	76,080	14,590	19.2%
Net pension liability	-	8,305	(8,305)	-100.0%
Total	<u>\$ 250,280</u>	<u>\$ 254,705</u>	<u>\$ (10,710)</u>	<u>-4.2%</u>

Note: May be rounding differences.

Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

On September 7, 2018, Moody's Investors Service upgraded the District's general obligation unlimited (GOULT) rating to Aa2 from Aa3. The upgrade to Aa2 on the District's outstanding long-term debt reflects positive financial operations which have strengthened reserves despite ongoing enrollment declines; a large, growing tax base; and moderate debt and pension burdens.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District is continuing to experience declining enrollment, which can be primarily attributed to a decrease of births in the community. This lower birthrate occurred most significantly during the years of 2008 to 2012, which first had an impact on kindergarten enrollments during the 2013-2014 school year. The 2017-18 enrollment was 21,655. The projected 2018-19 enrollment is 21,329.
- The 2017-19 state budget did not include changes to the allowed per pupil amount for revenue limit calculation purposes; however additional revenues were allocated in the form of per pupil categorical aid that is outside of the revenue limit formula. Looking ahead to the 2019-21 state biannual budget and the upcoming November 2018 gubernatorial election, any funding expectations, either positive or negative, would be difficult to determine at this time.

- On September 7, 2018, Moody's Investors Service affirmed a MIG 1 short-term rating to the District's short-term tax and revenue anticipation promissory notes. This is the highest rating for short-term debt obligations. The MIG 1 short-term rating incorporates the historical timeliness and predictability of pledged revenues, which include property tax receipts and state aid, the accuracy of the District's past cash flow projections, as well as the reasonableness of the District's future cash flow projections.
- The District's tax base has experienced modest growth given the recent recovery in property valuations and ongoing development in the local economy. The District is located in Kenosha County along the busy I-94 transportation corridor and benefits from its position between the converging Milwaukee and Chicago metro areas. There has been significant development activity within the District's boundaries, and Kenosha County is one of the fastest growing areas in the State of Wisconsin.
 - The Village of Somers has created a new industrial park called First Park 94 which features 309 acres with frontage along the Canadian Pacific Railroad and potential railroad access. The Ariens Company is currently the key tenant in this park.
 - Also, construction on the 500,000 square foot confectionary facility for the German-based company, Haribo, along with the construction of an Aurora Health Care Facility has begun in the Prairie Highlands Corporate Park located in the Village of Pleasant Prairie.
 - Other companies such as Aldi, Colbert Packaging Corporation, Communications Test Design, Inc., Edible Cuts, Elmprovements, LLC, Gold Standard Baking, Madden Communications, and Froedert/Medical College of Wisconsin have also invested in the Kenosha area. Amazon, Costco, InSinkErator, Meijer, Niagara Bottling, LLC, and Uline continue to perform well in Kenosha.
 - Other long standing businesses, such as Commercial Plastics, have completed expansion projects in Kenosha. With this success, the Kenosha Area Business Alliance continues its efforts to grow existing businesses and recruit new businesses to Kenosha County.
- The overall economic conditions continue to be positive in and around Kenosha County. Kenosha County's unemployment rate continues to hover in the low to mid 3% range, with strong job and employment growth in the County. The tight labor market is driving wage inflation, particularly at certain entry level occupations. The strong job market and growing industrial economy has also fueled residential growth.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kenosha Unified School District Finance Department (262-359-6300), Kenosha Unified School District, 3600 52nd Street, Kenosha, WI 53144.

BASIC FINANCIAL STATEMENTS

Kenosha Unified School District

Kenosha, Wisconsin

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 129,468,910
Receivables	
Taxes	18,952,930
Accounts	5,252,388
Due from other governments	8,117,152
Inventories and prepaid items	1,686,729
Net pension asset	29,106,175
Capital assets	
Nondepreciable	44,281,317
Depreciable	172,291,495
Total assets	<u>409,157,096</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on advance refunding	460,293
Pension related amounts	49,247,285
Other postemployment related amounts	4,691,691
Total deferred outflows of resources	<u>54,399,269</u>
LIABILITIES	
Short-term notes payable	15,000,000
Accounts payable	18,607,845
Accrued and other current liabilities	20,968,189
Accrued interest payable	2,049,635
Unearned revenues	106,000
Deposits payable	195,888
Long-term obligations	
Due in one year	9,210,246
Due in more than one year	150,399,484
Other postemployment benefits liability	90,670,198
Total liabilities	<u>307,207,485</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	57,447,560
Other postemployment related amounts	5,479,898
Total deferred inflows of resources	<u>62,927,458</u>
NET POSITION	
Net investment in capital assets	102,401,888
Restricted	8,899,506
Unrestricted	(17,879,972)
Total net position	<u><u>\$ 93,421,422</u></u>

The notes to the basic financial statements are an integral part of this statement.

Kenosha Unified School District

Kenosha, Wisconsin

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 170,378,928	\$ 1,281,895	\$ 22,492,464	\$ -
Support services	104,032,671	2,173,214	14,010,474	-
Community services	1,152,603	204,933	-	-
Non-program	5,014,283	750,339	156,019	-
Interest and fiscal charges	7,110,083	-	810,646	-
Total governmental activities	<u>\$ 287,688,568</u>	<u>\$ 4,410,381</u>	<u>\$ 37,469,603</u>	<u>\$ -</u>
General revenues				
Property taxes				
Other taxes				
State and federal aids not restricted to specific functions				
Interest and investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position - July 1, as originally reported				
Cumulative effect for change in accounting principle				
Net position - July 1				
Net position - June 30				

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities

\$	(146,604,569)
	(87,848,983)
	(947,670)
	(4,107,925)
	<u>(6,299,437)</u>
	<u>(245,808,584)</u>
	90,741,848
	195,353
	162,565,810
	1,357,676
	<u>1,300,608</u>
	<u>256,161,295</u>
	<u>10,352,711</u>
	97,307,749
	<u>(14,239,038)</u>
	<u>83,068,711</u>
\$	<u><u>93,421,422</u></u>

Kenosha Unified School District

Kenosha, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and investments	\$ 70,147,563	\$ 49,090,442	\$ 10,230,905	\$ 129,468,910
Receivables				
Taxes	18,952,930	-	-	18,952,930
Accounts	5,018,033	-	234,355	5,252,388
Due from other funds	323,264	-	-	323,264
Due from other governments	7,450,287	-	666,865	8,117,152
Inventories and prepaid items	1,220,667	-	466,062	1,686,729
Total assets	<u>\$ 103,112,744</u>	<u>\$ 49,090,442</u>	<u>\$ 11,598,187</u>	<u>\$ 163,801,373</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Short-term notes payable	\$ 15,000,000	\$ -	\$ -	\$ 15,000,000
Accounts payable	11,306,795	6,871,450	429,600	18,607,845
Accrued and other current liabilities	21,013,995	-	-	21,013,995
Accrued interest payable	312,283	-	-	312,283
Due to other funds	-	-	323,264	323,264
Unearned revenues	106,000	-	-	106,000
Deposits payable	57,811	-	138,077	195,888
Total liabilities	<u>47,796,884</u>	<u>6,871,450</u>	<u>890,941</u>	<u>55,559,275</u>
Fund balances				
Nonspendable	1,220,667	-	466,062	1,686,729
Restricted	-	42,218,992	10,170,796	52,389,788
Committed	192,452	-	70,388	262,840
Assigned	2,600,105	-	-	2,600,105
Unassigned	51,302,636	-	-	51,302,636
Total fund balances	<u>55,315,860</u>	<u>42,218,992</u>	<u>10,707,246</u>	<u>108,242,098</u>
Total liabilities and fund balances	<u>\$ 103,112,744</u>	<u>\$ 49,090,442</u>	<u>\$ 11,598,187</u>	<u>\$ 163,801,373</u>

The notes to the basic financial statements are an integral part of this statement.

Kenosha Unified School District

Kenosha, Wisconsin

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page \$ 108,242,098

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 216,572,812

Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.

Loss on advance refunding	460,293
Deferred outflows related to pensions	49,247,285
Deferred inflows related to pensions	(57,447,560)
Deferred outflows related to other postemployment benefits	4,691,691
Deferred inflows related to other postemployment benefits	(5,479,898)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(150,444,000)
Premium on debt	(6,406,209)
Compensated absences	(2,713,715)
Other postemployment benefits liability	(90,670,198)
Net pension liability (asset)	29,106,175
Accrued interest on long-term obligations	(1,737,352)

Net position of governmental activities as reported on the statement of net position (see page 15)

\$ 93,421,422

The notes to the basic financial statements are an integral part of this statement.

Kenosha Unified School District

Kenosha, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Other Governmental Funds	Total
REVENUES				
Property taxes	\$ 73,540,969	\$ -	\$ 17,200,879	\$ 90,741,848
Other local sources	2,904,974	711,240	2,509,806	6,126,020
Interdistrict sources	750,339	-	-	750,339
State sources	175,222,059	-	145,737	175,367,796
Federal sources	15,279,327	-	8,524,600	23,803,927
Other sources	440,703	-	810,646	1,251,349
Total revenues	268,138,371	711,240	29,191,668	298,041,279
EXPENDITURES				
Instruction				
Regular instruction	113,549,596	-	301,065	113,850,661
Vocational instruction	4,755,351	-	-	4,755,351
Special education instruction	36,361,359	-	-	36,361,359
Other instruction	8,594,598	-	986,694	9,581,292
Total instruction	163,260,904	-	1,287,759	164,548,663
Support services				
Pupil services	17,037,701	-	416,596	17,454,297
Instructional staff services	14,950,723	-	215,097	15,165,820
General administration services	1,213,111	-	423,803	1,636,914
School administration services	15,039,632	-	238,898	15,278,530
Business services	2,374,048	-	-	2,374,048
Operations and maintenance of plant	27,263,200	26,274,769	411,099	53,949,068
Pupil transportation services	7,244,248	-	147,859	7,392,107
Food services	-	-	8,041,424	8,041,424
Central services	7,085,060	-	-	7,085,060
Insurance	651,800	-	-	651,800
Other support services	95,352	-	-	95,352
Total support services	92,954,875	26,274,769	9,894,776	129,124,420
Debt service				
Principal	-	-	10,728,000	10,728,000
Interest and fiscal charges	180,145	-	6,861,833	7,041,978
Total debt service	180,145	-	17,589,833	17,769,978
Community service	-	-	1,153,074	1,153,074
Non-program				
General tuition payments	4,803,981	-	-	4,803,981
Special education tuition payments	121,828	-	-	121,828
Adjustments and refunds	88,474	-	-	88,474
Total non-program	5,014,283	-	-	5,014,283
Total expenditures	261,410,207	26,274,769	29,925,442	317,610,418
Excess of revenues over (under) expenditures	6,728,164	(25,563,529)	(733,774)	(19,569,139)
OTHER FINANCING SOURCES (USES)				
Transfers in	42,304	-	500,000	542,304
Transfers out	(500,000)	-	(42,304)	(542,304)
Total other financing sources (uses)	(457,696)	-	457,696	-
Net change in fund balances	6,270,468	(25,563,529)	(276,078)	(19,569,139)
Fund balances - July 1	49,045,392	67,782,521	10,983,324	127,811,237
Fund balances - June 30	\$ 55,315,860	\$ 42,218,992	\$ 10,707,246	\$ 108,242,098

The notes to the basic financial statements are an integral part of this statement.

Kenosha Unified School District

Kenosha, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page \$ (19,569,139)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay reported in governmental fund statements	29,460,489
Depreciation expense reported in the statement of activities	(6,231,969)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repaid	10,728,000
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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:

Accrued interest on long-term debt	(294,119)
Amortization of debt premium	369,440
Amortization of loss on advance refunding	(143,426)
Compensated absences	(568,337)
Net pension liability	37,411,018
Deferred outflows of resources related to pensions	(10,372,975)
Deferred inflows of resources related to pensions	(31,163,280)
Other postemployment benefits	(351,034)
Deferred outflows of resources related to other postemployment benefits	2,504,020
Deferred inflows of resources related to other postemployment benefits	(1,425,977)

Change in net position of governmental activities as reported in the statement of activities (see pages 16 - 17)	\$ 10,352,711
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The notes to the basic financial statements are an integral part of this statement.

Kenosha Unified School District

Kenosha, Wisconsin

STATEMENT OF NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	Retiree Health Insurance	Private Benefit Trust	Agency Pupil Activity	Total
ASSETS				
Cash and investments	\$ 22,323,620	\$ 249,228	\$ 1,935,806	\$ 24,508,654
Accounts receivable	8,912,861	1,835	-	8,914,696
Total assets	31,236,481	251,063	1,935,806	33,423,350
LIABILITIES				
Accounts payable	4,497,720	-	35,364	4,533,084
Due to student organizations	-	-	1,900,442	1,900,442
Total liabilities	4,497,720	-	1,935,806	6,433,526
NET POSITION				
Restricted	\$ 26,738,761	\$ 251,063	\$ -	\$ 26,989,824

The notes to the basic financial statements are an integral part of this statement.

Kenosha Unified School District

Kenosha, Wisconsin

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Retiree Health Insurance	Private Benefit Trust	Total
ADDITIONS			
Contributions			
Employer	\$ 10,928,534	\$ -	\$ 10,928,534
Investment earnings	286,004	943	286,947
Other sources	-	14,600	14,600
Total additions	<u>11,214,538</u>	<u>15,543</u>	<u>11,230,081</u>
DEDUCTIONS			
Trust fund disbursements	<u>6,302,725</u>	<u>15,499</u>	<u>6,318,224</u>
Change in net position	4,911,813	44	4,911,857
Net position - July 1	<u>21,826,948</u>	<u>251,019</u>	<u>22,077,967</u>
Net position - June 30	<u><u>\$ 26,738,761</u></u>	<u><u>\$ 251,063</u></u>	<u><u>\$ 26,989,824</u></u>

The notes to the basic financial statements are an integral part of this statement.

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Kenosha Unified School District is organized as a common school district governed by an elected seven-member school board. The District operates grades pre-kindergarten through grade 12, Head Start, and several adult education and recreation programs. The District is comprised of four municipal taxing districts (City of Kenosha, Village of Pleasant Prairie, Village of Somers and Town of Somers).

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. The District has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund

This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The District follows the regulatory requirements of the Wisconsin Department of Public Instruction, which requires educational programs for students with disabilities to be reported in a Special Education Fund (Fund 27), separate from other instructional activities reported in the General Fund (Fund 10). Under GAAP, the activities of the Special Education Fund are reported with General Fund activities because excess expenditures within the Special Education Fund are financed by a transfer from Fund 10. General Fund sources include financial aid received from the state and federal government and payments from other school districts.

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Capital Projects Fund

This fund accounts for the resources restricted for the acquisition or construction of specific capital projects or items.

Additionally, the District reports the following fund types:

- ▶ The *private benefit trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.
- ▶ The *retiree health insurance fund* is used to account for resources legally held in trust for other postemployment benefits.
- ▶ The District accounts for assets held as an agent for various student organizations in an *agency fund*.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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2. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in 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 is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

3. Accounts Receivable

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

5. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

6. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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Assets	Governmental Activities
	Years
Buildings	50
Building improvement	20 - 25
Land improvements	10 - 20
Furniture & equipment	4 - 15
Computer & related technology	4 - 10

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the district-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

10. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds 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.

11. Pensions

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.

12. Other Postemployment Benefits Other Than Pensions (OPEB)

Local Retiree Life Insurance Fund

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 postemployment 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

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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.

Single-employer Defined Postemployment Benefit Plan

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

13. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ▶ **Nonspendable fund balance.** Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the Chief Financial Officer to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

District-wide Statements

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

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

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E. USE OF ESTIMATES

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

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The debt service funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$153,977,564 on June 30, 2018 as summarized below:

Petty cash and cash on hand	\$ 13,253
Deposits with financial institutions	8,698,566
Investments	
Repurchase agreement	4,000,000
Wisconsin Investment Series Cooperative (WISC)	
Cash management series	1,132,701
Investment series	130,014,787
Limited term duration series	10,117,087
Wisconsin Local Government Investment Pool	1,170
	<u>\$ 153,977,564</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 129,468,910
Fiduciary fund statement of net position	
Retiree health insurance	22,323,620
Private benefit trust	249,228
Agency fund	1,935,806
	<u>\$ 153,977,564</u>

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2018:

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	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
WISC Investments			
Limited Term Duration Series	\$ -	\$ 10,117,087	\$ -

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of June 30, 2018, \$10,711,169 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. \$10,711,169 as collateralized with securities held by the pledging financial institution or its trust department or agent in the District's name.

On June 30, 2018, the District held repurchase agreement investments of \$4,000,000 of which the underlying securities are held by the investment's counterparty, not in the name of the District.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

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Investment Type	Amount	Exempt from Disclosure	AAA	AA	Not Rated
Wisconsin Local Government Investment Pool	\$ 1,170	\$ -	\$ -	\$ -	\$ 1,170
WISC Investments					
Cash management series	1,132,701	-	1,132,701	-	-
Investment series	130,014,787	-	130,014,787	-	-
Limited term duration series	10,117,087	-	-	10,117,087	-
Totals	<u>\$ 141,265,745</u>	<u>\$ -</u>	<u>\$ 131,147,488</u>	<u>\$ 10,117,087</u>	<u>\$ 1,170</u>

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. At June 30, 2018, the District had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin Local Government Investment Pool	\$ 1,170	\$ 1,170	\$ -	\$ -	\$ -
WISC Investments					
Cash management series	1,132,701	1,132,701	-	-	-
Investment series	130,014,787	130,014,787	-	-	-
Limited term duration series	10,117,087	10,117,087	-	-	-
Repurchase agreements	4,000,000	4,000,000	-	-	-
Totals	<u>\$ 145,265,745</u>	<u>\$ 145,265,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District's investments do not include investments that are highly sensitive to interest rate fluctuations.

Investment in Wisconsin Investment Series Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$141,264,575 at year-end consisting of \$1,132,701 invested in the Cash Management Series, \$130,014,787 invested in the Investment Series, \$10,117,087 invested in the Limited Duration Series, and \$5,738,731 in savings deposit accounts. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

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WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin International Cooperative Statute, Wisconsin Statute, Section 66.031. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin Local Government Investment Pool ("LGIP") of \$1,170 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

B. 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, nondepreciable:				
Land	\$ 8,830,458	\$ -	\$ -	\$ 8,830,458
Construction in progress	25,303,241	26,925,150	16,777,532	35,450,859
Total capital assets, nondepreciable	<u>34,133,699</u>	<u>26,925,150</u>	<u>16,777,532</u>	<u>44,281,317</u>
Capital assets, depreciable:				
Land improvements	6,208,343	10,905,122	532,990	16,580,475
Buildings and improvements	232,040,599	7,496,607	34,556	239,502,650
Furniture and equipment	51,341,805	911,142	44,600	52,208,347
Subtotals	<u>289,590,747</u>	<u>19,312,871</u>	<u>612,146</u>	<u>308,291,472</u>
Less accumulated depreciation for:				
Land improvements	5,589,369	216,547	532,990	5,272,926
Buildings and improvements	77,779,935	4,952,825	34,556	82,698,204
Furniture and equipment	47,010,850	1,062,597	44,600	48,028,847
Subtotals	<u>130,380,154</u>	<u>6,231,969</u>	<u>612,146</u>	<u>135,999,977</u>
Total capital assets, depreciable, net	<u>159,210,593</u>	<u>13,080,902</u>	<u>-</u>	<u>172,291,495</u>
Governmental activities capital assets, net	<u>\$ 193,344,292</u>	<u>\$ 40,006,052</u>	<u>\$ 16,777,532</u>	216,572,812
Less: Capital related debt				(108,225,008)
Less: Debt premium				(6,406,209)
Add: Loss on advance refunding				<u>460,293</u>
Net investment in capital assets				<u>\$ 102,401,888</u>

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Depreciation expense was charged to functions of the District as follows:

Governmental activities	
Instruction	\$ 3,513,598
Support services	2,716,339
Community services	2,032
Total depreciation expense - governmental activities	<u>\$ 6,231,969</u>

C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2018 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary cash advances to finance operating cash deficits		
General	\$ 323,264	\$ -
Special revenue		
Head start	-	283,046
Trust	-	40,218
Totals	<u>\$ 323,264</u>	<u>\$ 323,264</u>

Interfund transfers for the year ended June 30, 2018 were as follows:

Funds	Transfer In	Transfer Out
General	\$ 42,304	\$ 500,000
Special revenue		
Head start	-	42,304
Debt service	500,000	-
	<u>\$ 542,304</u>	<u>\$ 542,304</u>

Interfund transfers were made for the following purposes:

Indirect cost reimbursement	\$ 42,304
Facilities debt service transfer	500,000
	<u>\$ 542,304</u>

D. SHORT-TERM OBLIGATIONS

The District issued tax and revenue anticipation promissory notes in advance of property tax collections. The notes are needed because District expenses for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2018 was as follows:

	Outstanding 7/1/17	Issued	Retired	Outstanding 6/30/18
Tax and revenue anticipation notes	<u>\$ 15,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 25,000,000</u>	<u>\$ 15,000,000</u>

Total interest paid for the year on short-term debt totaled \$390,000.

Kenosha Unified School District

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NOTES TO BASIC FINANCIAL STATEMENTS

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E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2018:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt					
Bonds	\$137,550,000	\$ -	\$ 7,105,000	\$130,445,000	\$ 5,620,000
State trust fund loans	23,622,000	-	3,623,000	19,999,000	3,175,000
Total general obligation debt	161,172,000	-	10,728,000	150,444,000	8,795,000
Debt premium	6,775,649	-	369,440	6,406,209	369,440
Compensated absences	2,371,846	387,675	-	2,759,521	45,806
Governmental activities Long-term obligations	<u>\$170,319,495</u>	<u>\$ 387,675</u>	<u>\$ 11,097,440</u>	<u>\$159,609,730</u>	<u>\$ 9,210,246</u>

Total interest paid during the year on long-term debt totaled \$6,861,833.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/18
General obligation bonds	7/15/09	4/1/29	8.00%	\$ 20,000,000	\$ 20,000,000
General obligation bonds	7/15/09	4/1/24	5.00% - 5.25%	20,425,000	13,950,000
General obligation bonds	7/15/09	4/1/20	4.50% - 5.00%	1,280,000	360,000
State trust fund loan	6/10/10	3/15/19	4.25%	10,000,000	2,153,000
State trust fund loan	6/10/10	3/15/20	4.25%	3,900,000	2,116,000
General obligation bonds	9/17/13	4/1/33	3.00%	23,100,000	14,225,000
General obligation bonds	7/15/15	4/1/35	3.00% - 5.00%	30,005,000	26,205,000
General obligation bonds	7/26/16	4/1/36	2.50% - 5.00%	28,945,000	19,620,000
State trust fund loan	6/15/17	3/15/27	3.50%	16,355,000	15,730,000
General obligation bonds	6/15/17	4/1/20	3.00 - 5%	1,895,000	1,895,000
General obligation bonds	6/15/17	4/1/37	3.00 - 5.00%	34,510,000	34,190,000

Total outstanding general obligation debt \$ 150,444,000

Annual principal and interest maturities of the outstanding general obligation debt of \$150,444,000 on June 30, 2018 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 8,795,000	\$ 6,827,411	\$ 15,622,411
2020	9,454,000	6,445,362	15,899,362
2021	8,630,000	6,012,591	14,642,591
2022	9,000,000	5,611,716	14,611,716
2023	9,440,000	5,193,366	14,633,366
2024 - 2028	48,930,000	18,615,405	67,545,405
2029 - 2033	36,155,000	6,881,710	43,036,710
2034 - 2037	20,040,000	1,425,288	21,465,288
	<u>\$150,444,000</u>	<u>\$ 57,012,849</u>	<u>\$207,456,849</u>

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For governmental activities, the other long-term liabilities are generally funded by the General Fund.

The District's legal margin for creation of additional general obligation debt on June 30, 2018 was \$738,831,030 as follows:

Equalized valuation of the District		\$ 8,868,543,467
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		886,854,347
Total outstanding general obligation debt applicable to debt limitation	\$ 150,444,000	
Less: Amounts available for financing general obligation debt		
Debt service fund, less accrued interest	<u>2,420,683</u>	
Net outstanding general obligation debt applicable to debt limitation		148,023,317
Legal margin for new debt		<u>\$ 738,831,030</u>

F. OPERATING LEASES

The District leases buildings and other equipment under non-cancelable operating leases. Total costs for such leases were \$492,223 for facility leases, \$263,806 for vehicle leases, \$190,396 for copier leases, and \$14,816 for musical instrument leases for the year ended June 30, 2018. The future minimum lease payments totaling \$2,056,728 for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 698,322
2020	520,479
2021	248,188
2022	169,428
2023	110,391
2024 - 2028	191,450
2029 - 2031	118,470
Total minimum payments required	<u>\$ 2,056,728</u>

G. PENSION PLAN

WRS Pension Plan Description

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

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

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.

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Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. 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 annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

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

Contributions

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

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During the reporting period ending December 31, 2017, the WRS recognized \$9,415,003 in contributions from the District.

Contribution rates for the reporting period are:

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

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 \$29,106,175 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 0.98029680%, which was a decrease of 0.0272805% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$12,736,754.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,980,121	\$ 17,298,074
Net differences between projected and actual earnings on pension plan investments	-	40,003,730
Changes in assumptions	5,750,812	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	254,332	145,756
Employer contributions subsequent to the measurement date	6,262,020	-
Total	<u>\$ 49,247,285</u>	<u>\$ 57,447,560</u>

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\$6,262,020 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Expense
2019	\$ 3,260,454
2020	(212,100)
2021	(10,021,475)
2022	(7,558,967)
2023	69,793
Total	<u>\$ (14,462,295)</u>

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 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:

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	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Core Fund Asset Class			
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
Variable Fund Asset Class			
U.S. 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 members 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 7.2 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%)
District's proportionate share of the net pension liability (asset)	\$ 75,307,612	\$ (29,106,175)	\$ (108,463,884)

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>.

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Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$4,325,603 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2018.

H. OTHER POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2017, the District early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for its single-employer defined postemployment health plan. In the current year, the Local Retiree Life Insurance Fund (LRLIF), a multiple-employer defined benefit OPEB plan, completed an actuarial study under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans*, which identified a net OPEB liability for the Plan. The District recorded its proportionate share of this liability as of December 31, 2016 as a cumulative effect of change in accounting principle in the 2018 district-wide financial statements. Financial statements for the year ended June 30, 2017 have not been restated.

The cumulative effect of this change was to decrease the June 30, 2017 net position by \$14,239,038 as follows:

Other postemployment liability	
OPEB asset balance previously reported	\$ -
Actuarially determined balance	14,239,038
Change in other postemployment liability	<u>\$ (14,239,038)</u>

The District reports OPEB related balances at June 30, 2018 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Local Retiree Life Insurance Fund (LRLIF)	\$ 17,729,987	\$ 1,977,040	\$ 249,811
Single-employer defined OPEB plan	72,940,211	2,714,651	5,230,087
Total	<u>\$ 90,670,198</u>	<u>\$ 4,691,691</u>	<u>\$ 5,479,898</u>

1. Single-employer Defined Benefit Postemployment Benefit Plan

Plan Description

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plan. District paid medical benefits are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

Benefits Provided

The District provides medical (including prescription drugs) and dental coverage for retired employees through the District's self-insured plans.

Employees Covered by Benefit Terms

As of the July 1, 2016 actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	361
Active employees	2,129
	<u>2,490</u>

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Contributions

Employee Category

Certified Teachers

Eligibility:

Dental Benefits - Any retiree who was working more than half-time and has attained age 62 and 15 years of service.

All other benefits - Any retiree who was working more than half-time and has attained age 55 and 15 years of service.

Retiree Health Benefits:

District pays 100% of the health insurance premium for single or family coverage for employees retiring at age 62 or older buy before age 65. District pays 100% of the health insurance premium for single coverage for employees retiring prior to age 62. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

Retiree Dental Benefits:

District pays 90% of the dental insurance premiums for family coverage. The dental benefits coverage will terminate when the retiree attains age 65.

Service Employees

Eligibility:

Any retiree who was working full-time and has attained age 55 and 15 years of service.

Retiree Health Benefits:

District pays 98.3% of the health insurance premium for single coverage. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

Carpenters and Painters

Eligibility:

Any retiree who was working full-time and has attained age 57 and 15 years of service.

Retiree Health Benefits:

District pays 98% of the health insurance premium for single coverage. District portion is 88% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

Secretaries

Eligibility:

Any retiree who was working full-time and has attained age 57 and 15 years of service.

Retiree Health Benefits:

District pays 98.3% of the health insurance premium for single coverage. District portion is 90% for retirements after September 1, 2014. The health benefits coverage will terminate when the retiree attains age 65.

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Educational Assistants

Eligibility: Any retiree who was working full-time and has attained age 57 and 15 years of service.

Retiree Health Benefits: District pays 100% of the health insurance premium for single coverage. The health benefits coverage will terminate when the retiree attains age 65.

Administrators, Supervisors, and Technical Employees

Eligibility: Any retiree who was working full-time and has attained 55 and 15 years of service.

Retiree Health Benefits: District pays 100% of the health insurance premium. District portion is 88% for retirements after September 1, 2014.

Retiree Dental Benefits: District pays 90% of the dental insurance premium for family coverage. The health benefits coverage will terminate at age 65 for employees retiring with less than 20 years of service, at age 66 for employees retiring with 20 or more years of service but less than 25 years of service, and at age 67 for employees retiring with more than 25 years of service. No coverage for retirees after July 1, 2011.

Retiree Life Insurance Benefits: District pays a life insurance amount of 200% of the employee's compensation in the year before retirement if less than 66 years old, 150% of their salary if 66 years old, and 100% of their salary if 67 years old or older. No coverage for retirees after July 1, 2011.

Miscellaneous and Interpreters

Eligibility: Any Retiree who was working full-time and has attained age 55.

Retiree Health Benefits: Retiree pays 100% of the health insurance premium. The health benefits coverage will terminate when the retiree attains age 65.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions. The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.30%
Salary increases:	WRS
Investment rate of return:	2.60%
Healthcare cost trend rates:	7.3% for 2017-18 increasing to 7.0% for 2018 - 2019, and decreasing to an ultimate rate of 4.1% in 2074
Dental cost trend rates:	5.% decreasing to an ultimate rate of 4.1% in 2074

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Mortality rates are the same as those used in the WRS 2012 Mortality Table.

The actuarial assumptions used in the July 1, 2106 valuation were based on the "Wisconsin Retirement System 2012 - 2014 Experience Study".

The long-term expected rate of return on OPEB plan investments was valued at 2.60%. A blend of expected earnings on District funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.85%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected OPEB payments for 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 then municipal bond rate applied to benefit payments, to the extent that the plans' fiduciary net position is not projected to be sufficient.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2017	\$ 97,907,074	\$ 21,826,948	\$ 76,080,126
Changes for the year:			
Service cost	6,136,970	-	6,136,970
Interest	3,595,120	-	3,595,120
Effect of economic/demographic gains or losses	619,689	-	619,689
Effect of assumptions changes or inputs	(1,839,964)	-	(1,839,964)
Contributions - employer	-	10,928,534	(10,928,534)
Member contributions	-	437,193	(437,193)
Net investment income	-	286,003	(286,003)
Benefit payments	(6,739,916)	(6,739,916)	-
Net changes	1,771,899	4,911,814	(3,139,915)
Balance at June 30, 2018	\$ 99,678,973	\$ 26,738,762	\$ 72,940,211

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.85%) or 1-percentage-point higher (4.85%) than the current rate:

	1% Decrease to Discount Rate (2.85%)	Current Discount Rate (3.85%)	1% Increase to Discount Rate (4.85%)
Net OPEB liability	\$ 79,614,876	\$ 72,940,211	\$ 65,567,456

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Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.3% decreasing to 3.1%) or 1-percentage-point higher (8.3% decreasing to 5.1%) than the current healthcare cost trend rates:

	1% Decrease (6.3% decreasing to 3.1%)	Healthcare Cost Trend Rates (7.3% decreasing to 4.1%)	1% Increase (8.3% decreasing to 5.1%)
Net OPEB liability	\$ 65,359,811	\$ 72,940,211	\$ 80,462,268

OPEB plan fiduciary net position. Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements.

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$8,438,020. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,179,866	\$ -
Changes in assumptions	-	5,230,087
Net difference between projected and actual earnings on OPEB plan investments	534,785	-
Total	<u>\$ 2,714,651</u>	<u>\$ 5,230,087</u>

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

Year Ended June 30,	Expense
2019	\$ (229,627)
2020	(229,627)
2021	(229,626)
2022	(316,887)
2023	(385,138)
Thereafter	(1,124,531)
Total	<u>\$ (2,515,436)</u>

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of \$8,912,861 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2018.

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2. Local Retiree Life Insurance Fund

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 postemployment 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.

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 listed below:

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

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During the reporting period, the LRLIF recognized \$111,912 in contributions from the employer.

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

At June 30, 2018, the District reported a liability of \$17,729,987 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 benefits 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 5.89314100%, which was an increase of 0.028307% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,885,279.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 249,811
Net differences between projected and actual earnings on OPEB plan investments	204,154	-
Changes in assumptions	1,713,287	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	59,599	-
Total	<u>\$ 1,977,040</u>	<u>\$ 249,811</u>

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,	Expense
2019	\$ 284,281
2020	284,281
2021	284,281
2022	284,281
2023	233,243
Thereafter	356,862
Total	<u>\$ 1,727,229</u>

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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, unless otherwise specified:

Actuarial valuation date:	January 1, 2017
Measurement date of net OPEB 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.

Asset Class	Index	Target Allocation	Long-term Expected Geometric Real Rate of Return %
U.S. Government Bonds	Barclays Government	1%	1.13%
U.S. Credit Bonds	Barclays Credit	65%	2.61%
U.S. Long Credit Bonds	Barclays Long Credit	3%	3.08%
U.S. 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.

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Sensitivity of the District's proportionate share of 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%, 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%) or 1-percentage-point higher (4.63%) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
District's proportionate share of the net OPEB liability	\$ 25,059,209	\$ 17,729,987	\$ 12,105,577

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>.

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2018.

I. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2018, nonspendable fund balance was as follows:

	General	Nonmajor	Total
Nonspendable Inventories and prepaid items	<u>\$ 1,220,667</u>	<u>\$ 466,062</u>	<u>\$ 1,686,729</u>

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2018, restricted fund balance was as follows:

Debt Service Funds	
Restricted for	
Retirement of long-term debt	\$ 4,158,035
Capital Projects Fund	
Restricted for	
Capital expansion	42,218,992
Special Revenue Funds	
Restricted for	
Community services	3,124,920
Food services program	<u>2,887,841</u>
Total restricted fund balance	<u>\$ 52,389,788</u>

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by District Board action. At June 30, 2018, fund balance was committed as follows:

General Fund	
Committed for	
Contracts	\$ 192,452
Special Revenue Funds	
Committed for	
Donations	<u>70,388</u>
Total committed fund balance	<u>\$ 262,840</u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2018, fund balance was assigned as follows:

General Fund	
Assigned for	
Charter Schools	<u>\$ 2,600,105</u>

Minimum General Fund Balance Policy

The District has also adopted a minimum fund balance policy that unassigned fund balance in the general fund will be equal to a minimum of 15% and a maximum of 20% of the ensuing year's budgeted general fund expenditures be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2019 General Fund expenditures	\$ 258,740,682
Minimum fund balance %	(x) 15% - 20%
Minimum fund balance amount	<u>\$38,811,100 to \$51,748,100</u>

The District's unassigned General Fund balance of \$51,302,636 is within the minimum fund balance amount.

Restricted Fiduciary Fund Net Position

In the fund financial statements, portions of fiduciary fund net position are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2018, restricted fiduciary fund net position was as follows:

Fiduciary Funds	
Restricted for	
Scholarships	\$ 251,063
Postemployment benefits	<u>26,738,761</u>
Total restricted fiduciary net position	<u>\$ 26,989,824</u>

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Net Position

The District reports restricted net position at June 30, 2018 as follows:

Governmental activities

Restricted for

Debt service	\$ 2,420,683
Food service	3,353,903
Community service	<u>3,124,920</u>

Total restricted net position	<u>\$ 8,899,506</u>
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NOTE 3: OTHER INFORMATION

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from coverage in the prior year.

Self-funded Insurance Program

The District has a self-insured workman's compensation benefit plan for its employees. The Plan administrator, Aegis Corporation (administrator), is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2018.

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

As part of the workman's compensation coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$1 million per individual.

At June 30, 2018, the District has reported a liability of \$1,237,243 which represents reported and unreported claims which were incurred on or before June 30, 2018, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2017 and June 30, 2018 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2018	\$ 1,284,135	\$ 1,533,731	\$ 1,580,613	\$ 1,237,253
2017	992,507	1,837,387	1,545,759	1,284,135

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

B. CONTINGENCIES

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

C. LIMITATION ON SCHOOL DISTRICT REVENUES

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for 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.

D. COMMITMENTS

The District has active construction projects as of June 30, 2018. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. Estimated future costs to complete the construction projects is approximately \$49,920,000.

E. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after December 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2018

	Budget			Variance Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 73,540,969	\$ 73,540,969	\$ 73,540,969	\$ -
Other local sources	2,053,668	2,414,615	2,893,913	479,298
Interdistrict sources	610,000	610,000	750,339	140,339
Intermediate sources	22,500	22,500	-	(22,500)
State sources	164,352,433	164,430,579	164,570,006	139,427
Federal sources	10,140,999	11,826,198	9,564,033	(2,262,165)
Other sources	306,125	200,140	440,553	240,413
Total revenues	251,026,694	253,045,001	251,759,813	(1,285,188)
EXPENDITURES				
Instruction				
Regular instruction	114,879,417	115,689,159	113,549,596	2,139,563
Vocational instruction	4,943,646	5,030,489	4,755,351	275,138
Other instruction	8,585,391	8,581,524	8,506,334	75,190
Total instruction	128,408,454	129,301,172	126,811,281	2,489,891
Support services				
Pupil services	11,345,657	11,416,123	11,061,061	355,062
Instructional staff services	15,794,662	15,173,850	13,698,000	1,475,850
General administration services	1,195,720	1,176,320	1,213,111	(36,791)
School administration services	14,866,986	14,984,065	15,039,632	(55,567)
Business services	2,460,406	2,488,406	2,374,048	114,358
Operations and maintenance of plant	26,631,478	28,199,024	27,236,816	962,208
Pupil transportation services	4,497,339	4,500,333	4,825,403	(325,070)
Central services	7,966,931	7,967,704	7,037,313	930,391
Insurance	758,584	758,584	651,800	106,784
Other support services	128,387	128,387	95,352	33,035
Total support services	85,646,150	86,792,796	83,232,536	3,560,260
Debt service				
Interest and fiscal charges	245,150	244,593	180,145	64,448
Non-program				
General tuition payments	4,843,305	4,843,305	4,803,981	39,324
Adjustments and refunds	-	-	80,814	(80,814)
Total non-program	4,843,305	4,843,305	4,884,795	(41,490)
Total expenditures	219,143,059	221,181,866	215,108,757	6,073,109
Excess of revenues over expenditures	31,883,635	31,863,135	36,651,056	4,787,921
OTHER FINANCING SOURCES (USES)				
Transfers in	229,946	250,996	131,865	(119,131)
Transfers out	(32,113,581)	(32,114,131)	(30,512,453)	1,601,678
Total other financing sources (uses)	(31,883,635)	(31,863,135)	(30,380,588)	1,482,547
Net change in fund balance	-	-	6,270,468	6,270,468
Fund balance - July 1	49,045,392	49,045,392	49,045,392	-
Fund balance - June 30	\$ 49,045,392	\$ 49,045,392	\$ 55,315,860	\$ 6,270,468

See notes to required supplementary information.

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL -SPECIAL EDUCATION SPECIAL REVENUE FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2018

	Budget			Variance Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Other local sources	\$ 10,000	\$ 10,000	\$ 11,061	\$ 1,061
State sources	11,220,445	11,220,445	10,652,053	(568,392)
Federal sources	9,454,845	10,383,235	5,715,294	(4,667,941)
Other sources	-	-	150	150
Total revenues	20,685,290	21,613,680	16,378,558	(5,235,122)
EXPENDITURES				
Instruction				
Special education instruction	39,155,862	39,884,763	36,361,359	3,523,404
Other instruction	88,891	87,891	88,264	(373)
Total instruction	39,244,753	39,972,654	36,449,623	3,523,031
Support services				
Pupil services	6,723,181	6,774,794	5,976,640	798,154
Instructional staff services	2,498,169	2,670,590	1,252,723	1,417,867
Operations and maintenance of plant	86,819	86,819	26,384	60,435
Pupil transportation services	3,448,820	3,393,739	2,418,845	974,894
Central services	47,047	58,083	47,747	10,336
Total support services	12,804,036	12,984,025	9,722,339	3,261,686
Non-program				
Special education tuition payments	67,220	67,220	121,828	(54,608)
Adjustments and refunds	-	-	7,660	(7,660)
Total non-program	67,220	67,220	129,488	(62,268)
Total expenditures	52,116,009	53,023,899	46,301,450	6,722,449
Excess of revenues under expenditures	(31,430,719)	(31,410,219)	(29,922,892)	1,487,327
OTHER FINANCING SOURCES (USES)				
Transfers in	31,613,581	31,614,131	30,012,453	(1,601,678)
Transfers out	(182,862)	(203,912)	(89,561)	114,351
Total other financing sources (uses)	31,430,719	31,410,219	29,922,892	(1,487,327)
Net change in fund balance	-	-	-	-
Fund balance - July 1	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS SINGLE-EMPLOYER DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLAN LAST 10 FISCAL YEARS *

	2018	2017
Total OPEB liability		
Service cost	\$ 6,136,970	\$ 6,651,090
Interest	3,595,120	2,902,942
Effect of economic/demographic gains or losses	619,689	2,052,664
Effect of assumptions changes or inputs	(1,839,964)	(4,525,856)
Benefit payments	(6,739,916)	(8,699,457)
Net change in total OPEB liability	1,771,899	(1,618,617)
Total OPEB liability - beginning	97,907,074	99,525,691
Total OPEB liability - ending (a)	<u>\$ 99,678,973</u>	<u>\$ 97,907,074</u>
Plan fiduciary net position		
Contributions - employer	\$ 10,928,534	\$ 12,316,038
Net investment income	286,003	104,661
Benefit payments	(6,739,916)	(8,699,457)
Administrative income (expenses)		372,857
Member contributions	437,193	386,295
Net change in plan fiduciary net position	4,911,814	4,480,394
Plan fiduciary net position - beginning	21,826,948	17,346,554
Plan fiduciary net position - ending (b)	<u>\$ 26,738,762</u>	<u>\$ 21,826,948</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 72,940,211</u>	<u>\$ 76,080,126</u>
Plan fiduciary net position as a percentage of the total OPEB liability	27%	22%
Covered-employee payroll	\$ 131,554,820	\$ 133,952,782
District's net OPEB liability as a percentage of covered-employee payroll	55%	57%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF EMPLOYER CONTRIBUTIONS SINGLE-EMPLOYER DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT PLAN LAST 10 FISCAL YEARS *

	2018	2017
Actuarially determined contribution (ADC)	\$ 10,528,984	\$ 10,952,469
Contributions in relation to the ADC	10,928,534	12,316,038
Contribution deficiency (excess)	<u>\$ (399,550)</u>	<u>\$ (1,363,569)</u>
Covered-employee payroll	\$ 131,554,820	\$ 133,952,782
Contributions as a percentage of covered-employee payroll	8.31%	9.19%

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value
Amortization method	30 year Level Dollar	30 year Level Dollar
Discount rate	3.85%	3.57%
Inflation	2.3%	3.0%

* The amounts presented for each fiscal year were determined as of the current fiscal year end.
Amounts for prior years were not available.

See notes to required supplementary information.

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS *

Plan Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	1.00717634%	\$ (24,739,006)	\$ 141,510,815	17.48%	102.74%
12/31/15	1.00194701%	16,281,444	143,092,222	11.38%	98.20%
12/31/16	1.00757730%	8,304,843	144,464,731	5.75%	99.12%
12/31/17	0.98029680%	(29,106,175)	138,468,955	21.02%	102.93%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/15	\$ 9,783,986	\$ 9,783,986	\$ -	\$ 142,255,255	6.88%
6/30/16	9,544,430	9,544,430	-	142,911,017	6.68%
6/30/17	9,775,956	9,775,956	-	145,641,274	6.71%
6/30/18	9,474,391	9,474,391	-	140,651,906	6.74%

* The District reports as many years as available

See notes to required supplementary information.

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS *

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	5.89314100%	\$ 17,729,987	\$ 247,823,437	7.15%	44.81%

* The District reports as many years as available

See notes to required supplementary information.

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

A. OTHER POSTEMPLOYMENT BENEFITS

There were no changes of benefit terms.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

B. WISCONSIN RETIREMENT SYSTEM

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

C. BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- ▶ Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- ▶ The Board of Education 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 Board of Education may make alterations to the proposed budget.
- ▶ Once the Board of Education (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 Board of Education.
- ▶ Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- ▶ Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- ▶ The DPI requires the District to separate special education revenues and expenditures from other General Fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2018.

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP General Fund basis is summarized below:

	<u>General</u>	<u>Special Education</u>
Revenues		
Actual amounts (budgetary basis)	\$ 251,759,813	\$ 16,378,558
Reclassification of special education	16,378,558	(16,378,558)
Total revenues	<u>268,138,371</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	215,108,757	46,301,450
Reclassification of special education	46,301,450	(46,301,450)
Total expenditures	<u>261,410,207</u>	<u>-</u>
Excess of revenues over (under) expenditures		
Actual amounts (budgetary basis)	36,651,056	(29,922,892)
Reclassification of special education	(29,922,892)	29,922,892
Excess of revenues over (under) expenditures	<u>6,728,164</u>	<u>-</u>
Other financing sources (uses)		
Actual amounts (budgetary basis)	(30,380,588)	29,922,892
Reclassification of special education	29,922,892	(29,922,892)
Total other financing sources (uses)	<u>(457,696)</u>	<u>-</u>
Net change in fund balance		
Actual amounts (budgetary basis)	6,270,468	-
Fund balance - July 1		
Actual amounts (budgetary basis)	<u>49,045,392</u>	<u>-</u>
Fund balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 55,315,860</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

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Kenosha Unified School District

Kenosha, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2018

	Special Revenue			
	Head Start	Trust	Food Service	Community Service
ASSETS				
Cash and investments	\$ -	\$ -	\$ 2,904,306	\$ 3,168,564
Receivables				
Accounts	19,371	132,000	53,816	29,168
Due from other governments	366,115	-	300,750	-
Inventories and prepaid items	-	-	466,062	-
Total assets	<u>\$ 385,486</u>	<u>\$ 132,000</u>	<u>\$ 3,724,934</u>	<u>\$ 3,197,732</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 102,440	\$ 21,394	\$ 232,954	\$ 72,812
Due to other funds	283,046	40,218	-	-
Deposits payable	-	-	138,077	-
Total liabilities	<u>385,486</u>	<u>61,612</u>	<u>371,031</u>	<u>72,812</u>
Fund balances				
Nonspendable	-	-	466,062	-
Restricted	-	-	2,887,841	3,124,920
Committed	-	70,388	-	-
Total fund balances	<u>-</u>	<u>70,388</u>	<u>3,353,903</u>	<u>3,124,920</u>
Total liabilities and fund balances	<u>\$ 385,486</u>	<u>\$ 132,000</u>	<u>\$ 3,724,934</u>	<u>\$ 3,197,732</u>

<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 4,158,035	\$ 10,230,905
-	234,355
-	666,865
-	466,062
<u>\$ 4,158,035</u>	<u>\$ 11,598,187</u>
\$ -	\$ 429,600
-	323,264
-	138,077
<u>-</u>	<u>890,941</u>
-	466,062
4,158,035	10,170,796
-	70,388
<u>4,158,035</u>	<u>10,707,246</u>
<u>\$ 4,158,035</u>	<u>\$ 11,598,187</u>

Kenosha Unified School District

Kenosha, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue			
	Head Start	Trust	Food Service	Community Service
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 1,500,000
Other local sources	-	295,407	1,865,044	257,257
State sources	-	-	145,737	-
Federal sources	2,075,551	-	6,449,049	-
Other sources	-	-	-	-
Total revenues	2,075,551	295,407	8,459,830	1,757,257
EXPENDITURES				
Instruction				
Regular instruction	301,065	-	-	-
Special education instruction	-	-	-	-
Other instruction	798,115	188,579	-	-
Total instruction	1,099,180	188,579	-	-
Support services				
Pupil services	416,596	-	-	-
Instructional staff services	26,533	188,564	-	-
General administration services	-	-	-	423,803
School administration services	238,898	-	-	-
Operations and maintenance of plant	132,991	-	234,314	43,794
Pupil transportation services	119,049	5,555	-	23,255
Food services	-	-	8,041,424	-
Total support services	934,067	194,119	8,275,738	490,852
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total debt service	-	-	-	-
Community service	-	-	-	1,153,074
Non-program				
Adjustments and refunds	-	-	-	-
Total expenditures	2,033,247	382,698	8,275,738	1,643,926
Excess of revenues over (under) expenditures	42,304	(87,291)	184,092	113,331
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(42,304)	-	-	-
Total other financing sources (uses)	(42,304)	-	-	-
Net change in fund balances	-	(87,291)	184,092	113,331
Fund balances - July 1	-	157,679	3,169,811	3,011,589
Fund balances - June 30	\$ -	\$ 70,388	\$ 3,353,903	\$ 3,124,920

<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 15,700,879	\$ 17,200,879
92,098	2,509,806
-	145,737
-	8,524,600
810,646	810,646
<u>16,603,623</u>	<u>29,191,668</u>
-	301,065
-	-
-	986,694
<u>-</u>	<u>1,287,759</u>
-	416,596
-	215,097
-	423,803
-	238,898
-	411,099
-	147,859
-	8,041,424
<u>-</u>	<u>9,894,776</u>
10,728,000	10,728,000
6,861,833	6,861,833
<u>17,589,833</u>	<u>17,589,833</u>
-	1,153,074
<u>-</u>	<u>-</u>
17,589,833	29,925,442
<u>(986,210)</u>	<u>(733,774)</u>
500,000	500,000
-	(42,304)
<u>500,000</u>	<u>457,696</u>
(486,210)	(276,078)
4,644,245	10,983,324
<u>\$ 4,158,035</u>	<u>\$ 10,707,246</u>

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
ASSETS				
Cash	\$ 1,797,402	\$ 4,104,379	\$ 3,965,975	\$ 1,935,806
LIABILITIES				
Accounts payable	\$ 8,058	\$ 35,364	\$ 8,058	\$ 35,364
Due to student organizations	1,789,344	4,069,015	3,957,917	1,900,442
Total liabilities	\$ 1,797,402	\$ 4,104,379	\$ 3,965,975	\$ 1,935,806

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS FOR THE YEAR ENDED JUNE 30, 2018

				Kenosha School of Technology Enhance Curriculum	Kenosha E- School	Harborside Academy
	Object	The Brompton School	Dimensions of Learning			
OPERATING ACTIVITY						
Employee salaries	100	\$ 23,565	\$ 28,118	\$ 141,520	\$ 26,152	\$ 73,129
Employee benefits	200	12,527	13,472	71,644	12,382	33,984
Purchased services	300	910	1,557	11,271	754	5,964
Non-capital objects	400	1,815	1,302	14,812	3,591	7,383
Other	900	-	6	41	-	13
		<u>\$ 38,817</u>	<u>\$ 44,455</u>	<u>\$ 239,288</u>	<u>\$ 42,879</u>	<u>\$ 120,473</u>

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF CHARTER SCHOOL OPERATING COSTS FOR THE YEAR ENDED JUNE 30, 2018

Function	WUFAR	The Brompton School	Dimensions of Learning	Kenosha School of Technology	Kenosha E-School	Harborside Academy
				Enhance Curriculum		
Undifferentiated curriculum	110000	\$ 881,359	\$ 1,193,072	\$ 7,491,149	\$ 1,274,767	\$ 3,957,143
Regular curriculum	120000	388,538	160,065	2,449	-	48,456
Vocational curriculum	132000	-	-	-	-	1,619
Physical curriculum	140000	32,903	61,252	133,855	6,276	20,869
Special education	150000	43,837	225	537,945	275	328,819
Co-curriculum activities	160000	-	-	-	-	12,772
Pupil services	212000	51,738	22	90,674	121,965	193,089
Instructional staff training	221300	26,919	143,295	337,877	168,924	92,266
General administration	230000	-	6,000	-	-	-
Building administration	240000	247,463	288,825	912,121	257,740	365,377
General operations	253000	19,572	63,417	852,785	21,271	210,076
		<u>\$ 1,692,329</u>	<u>\$ 1,916,173</u>	<u>\$ 10,358,855</u>	<u>\$ 1,851,218</u>	<u>\$ 5,230,486</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

To the Board of Education
Kenosha Unified School District
Kenosha, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenosha Unified School District, Kenosha, 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 November 30, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



Certified Public Accountants

Green Bay, Wisconsin

November 30, 2018

FEDERAL AND STATE AWARDS

Independent auditors' report on compliance for each major federal and state program and on internal control over compliance required by the Uniform Guidance and the *State Single Audit Guidelines*

To the Board of Education
Kenosha Unified School District
Kenosha, Wisconsin

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM

We have audited Kenosha Unified School District, Kenosha, Wisconsin's (the "District's") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2018. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

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

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 over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



Certified Public Accountants

Green Bay, Wisconsin
November 30, 2018

Kenosha Unified School District Kenosha, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/17	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2018-302793-SB-546	\$ (43,660)	\$ 1,226,908	\$ 61,010	\$ 1,244,258	\$ -
National School Lunch Program	10.555	WI DPI	2018-302793-NSL-547	(127,779)	4,338,873	178,741	4,389,835	-
National School Lunch Program	10.555	WI DPI	2017-302793-NSL-Snacks-566	(1,253)	1,253	-	-	-
Donated Commodities 17-18	10.555	WI DPI	Unknown	-	533,400	-	533,400	-
Total National School Lunch Program				<u>(129,032)</u>	<u>4,873,526</u>	<u>178,741</u>	<u>4,923,235</u>	<u>-</u>
Summer Food Service Program for Children	10.559	WI DPI	2018-302793-SFSP-586	(37,818)	74,452	28,645	65,279	-
Total Child Nutrition Cluster				<u>(210,510)</u>	<u>6,174,886</u>	<u>268,396</u>	<u>6,232,772</u>	<u>-</u>
Fresh Fruit and Vegetable Program	10.582	WI DPI	2018-302793-FF&V-376	(19,478)	181,245	32,354	194,121	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2018-302793-FF&V-594	-	22,155	-	22,155	-
Total Fresh Fruit and Vegetable Program				<u>(19,478)</u>	<u>203,400</u>	<u>32,354</u>	<u>216,276</u>	<u>-</u>
Total U.S. Department of Agriculture				<u>(229,988)</u>	<u>6,378,286</u>	<u>300,750</u>	<u>6,449,048</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-302793-Title I-141	(5,193,871)	8,678,213	2,431,454	5,915,796	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-302793-Focus-145	(11,783)	57,527	3,551	49,295	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-302793-TI-Delinquent-140	(10,586)	36,683	4,195	30,292	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-302793-Cohort I-154	(7,763)	9,576	5,187	7,000	-
Total Title I Grants to Local Educational Agencies				<u>(5,224,003)</u>	<u>8,781,999</u>	<u>2,444,387</u>	<u>6,002,383</u>	<u>-</u>
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2018-302793-IDEA-341	(206,013)	3,534,016	1,080,636	4,408,639	-
Special Education Grants to States	84.027	WI DPI	2018-302793-IDEA-342	-	33,407	-	33,407	-
Special Education Grants to States	84.027	WI DPI	A517-00000-302793	10,375	-	-	10,375	-
Total Special Education Grants to States				<u>(195,638)</u>	<u>3,567,423</u>	<u>1,080,636</u>	<u>4,452,421</u>	<u>-</u>
Special Education Preschool Grants	84.173	WI DPI	2018-302793-Pre-S-347	(22,435)	161,678	48,619	187,862	-
Total Special Education Cluster (IDEA)				<u>(218,073)</u>	<u>3,729,101</u>	<u>1,129,255</u>	<u>4,640,283</u>	<u>-</u>
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2018-302793-CP-CTE-400	(42,714)	130,688	140,754	228,728	-
Education for Homeless Children and Youth	84.196	WI DPI	2018-302793-Homeless-335	(7,870)	42,253	12,642	47,025	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2018-302793-CLC-367	(8,316)	40,192	12,430	44,306	-
Student Support and Academic Enrichment Grant	84.424	WI DPI	2018-302793-Title IV A -381	-	2,000	43,498	45,498	-
English Language Acquisition State Grants	84.365	WI DPI	2018-302793-Title III A -391	(151,631)	259,354	164,785	272,508	-
Improving Teacher Quality State Grants	84.367	WI DPI	2018-302793-Title II-365	(285,992)	711,333	360,845	786,186	-
Total U.S. Department of Education				<u>(5,938,599)</u>	<u>13,696,920</u>	<u>4,308,596</u>	<u>12,066,917</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Head Start	93.600	Direct Program	N/A	(225,666)	1,935,102	366,116	2,075,552	-
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	44202800.000	(67,186)	3,118,149	94,018	3,144,981	-
Total U.S. Department of Health and Human Services				<u>(292,852)</u>	<u>5,053,251</u>	<u>460,134</u>	<u>5,220,533</u>	<u>-</u>
TOTAL FEDERAL AWARDS				<u>\$ (6,461,439)</u>	<u>\$ 25,128,457</u>	<u>\$ 5,069,480</u>	<u>\$ 23,736,498</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
Federal sources							\$ 23,803,927	
Less JROTC not subject to single audit							77,804	
Plus Soaring Grant claimed as revenue in prior year							10,375	
Total federal awards							<u>\$ 23,736,498</u>	

The notes to the schedules of expenditures of federal and state awards are an integral part of this schedule.

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/17	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	302793-100	\$ -	\$ 10,473,192	\$ -	\$ 10,473,192	\$ -
State School Lunch Aid	255.102	Direct Program	302793-107	-	84,482	-	84,482	-
Common School Fund Library Aid	255.103	Direct Program	302793-104	-	920,315	-	920,315	-
Bilingual Bicultural Aid Lea	255.106	Direct Program	302793-111	-	83,967	-	83,967	-
General Transportation Aid	255.107	Direct Program	302793-102	-	229,807	-	229,807	-
WI School Day Milk Program	255.115	Direct Program	302793-109	-	11,926	-	11,926	-
Equalization Aids	255.201	Direct Program	302793-116	(2,644,384)	150,716,886	2,561,027	150,633,529	-
High Cost Special Education Aid	255.210	Direct Program	302793-119	-	128,861	-	128,861	-
Alcohol and Other Drug Abuse	255.306	Direct Program	302793-143	(4,253)	19,871	5,430	21,048	-
Head Start Supplement	255.327	Direct Program	302793-145	(36,745)	292,986	73,283	329,524	-
State School Breakfast Aid	255.344	Direct Program	302793-108	-	49,329	-	49,329	-
Tuition Payments by State	255.401	Direct Program	302793-157	-	181,570	-	181,570	-
High-Poverty Aid	255.926	Direct Program	302793-121	-	1,771,760	-	1,771,760	-
Educator Effective Evaluation System	255.940	Direct Program	302793-154	(12,479)	126,079	19,962	133,562	-
Per Pupil Aid	255.945	Direct Program	302793-113	-	9,780,300	-	9,780,300	-
Career and Technical Education Incentive Grants	255.950	Direct Program	302793-152	-	13,937	-	13,937	-
Assessments of Reading Readiness	255.956	Direct Program	302793-166	-	41,000	-	41,000	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	302793-168	-	50,000	-	50,000	-
Total Wisconsin Department of Public Instruction				(2,697,861)	174,976,268	2,659,702	174,938,109	-
WISCONSIN DEPARTMENT OF JUSTICE								
State Security Grant	Unknown	Direct Program	2018-SSI-01-13141	-	-	1,120	1,120	-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Youth Apprenticeship Program	445.107	Direct Program	3659	-	-	6,630	6,630	-
TOTAL STATE AWARDS				<u>\$ (2,697,861)</u>	<u>\$ 174,976,268</u>	<u>\$ 2,667,452</u>	<u>\$ 174,945,859</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
State sources							\$ 175,367,796	
Less: State sources not considered state financial assistance								
State tax computer aid							380,221	
PILOT not included on summary							41,716	
Total state awards							<u>\$ 174,945,859</u>	

The notes to the schedules of expenditures of federal and state awards are an integral part of this schedule.

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the Kenosha Unified School District are presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2018 fund financial statements. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The District has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2017 - 2018 eligible costs under the State Special Education Program as reported by the District are \$39,862,058. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

NOTE 5: OVERSIGHT AGENCIES

The federal and state oversight agencies for the District are as follows:

Federal - U.S. Department of Health and Human Services
State - Wisconsin Department of Public Instruction

NOTE 6: PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services
WI DPI - Wisconsin Department of Public Instruction

Kenosha Unified School District

Kenosha, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7: DONATED SERVICES

The District receives an undeterminable amount of donated services from a variety of unpaid volunteers assisting the Head Start program. Therefore, no amounts have been recorded in the Schedule of Expenditures of Federal Awards.

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

SECTION I: SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None Reported
Noncompliance material to basic financial statements noted?	No

FEDERAL AND STATE AWARDS

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No
Identification of major federal programs:	

CFDA Number	Name of Federal Program
84.010	Title I Grants to Local Educational Agencies <i>Special Education Cluster (IDEA)</i>
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Identification of major state programs:

State ID Number	Name of State Program
255.101	Special Education and School Age Parents
255.201	Equalization Aids
255.926	Aid for High Poverty District

Audit threshold used to determine between Type A and Type B programs:

Federal Awards	\$750,000
State Awards	\$250,000

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

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018


SECTION II: FINANCIAL STATEMENT FINDINGS

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2018.

SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2018.

SECTION IV: OTHER ISSUES

- | | | |
|----|---|---|
| 1. | Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. | Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : | |
| | Department of Health Services | No |
| | Department of Public Instruction | No |
| 3. | Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. | Name and signature of partner |  |
| 5. | Date of report | David L. Maccoux, CPA
November 30, 2018 |

Kenosha Unified School District

Kenosha, Wisconsin

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR AUDIT FINDINGS

No findings reported for the year ended June 30, 2017.

CORRECTIVE ACTION PLAN

No corrective action plan is required.

Elementary schools

Bose Elementary School

1900 15th St., Kenosha, WI 53140
Phone: 359-4044 Fax: 359-4005
kUSD.edu/bose

Brass Community School

6400 15th Ave., Kenosha, WI 53143
Phone: 359-8000 Fax: 359-8050
kUSD.edu/brass

Curtis Strange Elementary School

5414 49th Ave., Kenosha, WI 53144
Phone: 359-6024 Fax: 359-6247
kUSD.edu/strange

EBSOLA Creative Arts

2600 50th St., Kenosha, WI 53140
Phone: 359-2300 Fax: 359-2400
kUSD.edu/ebsolaca

Forest Park Elementary School

6810 45th Ave., Kenosha, WI 53142
Phone: 359-6319 Fax: 359-6170
kUSD.edu/forestpark

Frank Elementary School

1816 57th St., Kenosha, WI 53140
Phone: 359-6324 Fax: 359-6393
kUSD.edu/frank

Grant Elementary School

1716 35th St., Kenosha, WI 53140
Phone: 359-6346 Fax: 359-6672
kUSD.edu/grant

Grewenow Elementary School

7714 20th Ave., Kenosha, WI 53143
Phone: 359-6362 Fax: 359-7706
kUSD.edu/grewenow

Harvey Elementary School

2012 19th Ave., Kenosha, WI 53140
Phone: 359-4040 Fax: 359-4020
kUSD.edu/harvey

Jefferson Elementary School

1832 43rd St., Kenosha, WI 53140
Phone: 359-6390 Fax: 359-7578
kUSD.edu/jefferson

Jeffery Elementary School

4011 87th St., Kenosha, WI 53142
Phone: 359-2100 Fax: 359-2033
kUSD.edu/jeffery

McKinley Elementary School

5520 32nd Ave., Kenosha, WI 53144
Phone: 359-6002 Fax: 359-7641
kUSD.edu/mckinley

Nash Elementary School

6801 99th Ave., Kenosha, WI 53142
Phone: 359-3500 Fax: 359-3550
kUSD.edu/nash

Pleasant Prairie Elementary School

9208 Wilmot Road, Pleasant Prairie, WI 53158
Phone: 359-2104 Fax: 359-2157
kUSD.edu/pleasantprairie

Prairie Lane Elementary School

10717 47th Ave., Pleasant Prairie, WI 53158
Phone: 359-3600 Fax: 359-3650
kUSD.edu/prairielane

Roosevelt Elementary School

3322 Roosevelt Road, Kenosha, WI 53142
Phone: 359-6097 Fax: 359-6107
kUSD.edu/roosevelt

Somers Elementary School

1245 72nd Ave., Kenosha, WI 53144
Phone: 359-3200 Fax: 359-3212
kUSD.edu/somers

Southport Elementary School

723 76th St., Kenosha, WI 53143
Phone: 359-6309 Fax: 359-5952
kUSD.edu/southport

Stocker Elementary School

6315 67th St., Kenosha, WI 53142
Phone: 359-2143 Fax: 359-2012
kUSD.edu/stocker

Vernon Elementary School

8518 22nd Ave., Kenosha, WI 53143
Phone: 359-2113 Fax: 359-2169
kUSD.edu/vernon

Whittier Elementary School

8542 Cooper Road, Pleasant Prairie, WI 53158
Phone: 359-2110 Fax: 359-2270
kUSD.edu/whittier

Wilson Elementary School

4520 33rd Ave., Kenosha, WI 53144
Phone: 359-6094 Fax: 359-5993
kUSD.edu/wilson

Charter schools

Harborside Academy

(Grades 6-12)
913 57th St., Kenosha, WI 53140
Phone: 359-8400 Fax: 359-8450
kUSD.edu/harborside

Kenosha School of Technology Enhanced Curriculum (KTEC)

KTEC East (Grades K-8):
6811 18th Ave., Kenosha, WI 53143
Phone: 359-3800 Fax: 359-3850
KTEC West (Grades 4K-8):
5710 32nd Ave., Kenosha, WI 53144
Phone: 359-7100 Fax: 359-7070
kUSD.edu/ktc

Kenosha eSchool

(Online school, grades K-12)
1808 41st Place, Kenosha, WI 53140
Phone: 359-7715 Fax: 359-5933
kUSD.edu/eschool

The Brompton School

(Grades K-8)
8518 22nd Ave., Kenosha, WI 53143
Phone: 359-2191 Fax: 359-2194
kUSD.edu/brompton

Dimensions of Learning Academy

(Grades K-8)
6218 25th Ave., Kenosha, WI 53143
Phone: 359-6849 Fax: 359-3134
kUSD.edu/dimensions

Head Start Center

Cesar E. Chavez Learning Station

6300 27th Ave., Kenosha, WI 53143
Phone: 359-6078 Fax: 359-6286
kUSD.edu/chavez

Specialty schools

Hillcrest School

(Bridges Center/T.I.M.E. Program, grades 6-12)
4616 24th St., Kenosha, WI 53144
Phone: 359-6118 Fax: 359-7870
kUSD.edu/hillcrest

Middle schools

Bullen Middle School

2804 39th Ave., Kenosha, WI 53144
Phone: 359-4460 Fax: 359-4487
kUSD.edu/bullen

Lance Middle School

4515 80th St., Kenosha, WI 53142
Phone: 359-2240 Fax: 359-2184
kUSD.edu/lance

Lincoln Middle School

6729 18th Ave., Kenosha, WI 53143
Phone: 359-6296 Fax: 359-5966
kUSD.edu/lincoln

Mahone Middle School

6900 60th St., Kenosha, WI 53144
Phone: 359-8100 Fax: 359-6851
kUSD.edu/mahone

Washington Middle School

811 Washington Road, Kenosha, WI 53140
Phone: 359-6291 Fax: 359-6056
kUSD.edu/washington

High schools

Bradford High School

3700 Washington Road, Kenosha, WI 53144
Phone: 359-6200 Fax: 359-5948
kUSD.edu/bradford

ITHSA High School

6800 60th St., Kenosha, WI 53144
Phone: 359-8700 Fax: 359-8756
kUSD.edu/indiantrail

Tremper High School

8560 26th Ave., Kenosha, WI 53143
Phone: 359-2200 Fax: 359-2353
kUSD.edu/tremper

Choice schools

LakeView Technology Academy (Grades 9-12)

9449 88th Ave., Pleasant Prairie, WI 53158
Phone: 359-8155 Fax: 359-8159
kUSD.edu/lakeview

Reuther Central High School (Grades 9-12)

913 57th St., Kenosha, WI 53140
Phone: 359-6160 Fax: 359-6281
kUSD.edu/reuther

ITHSA Academy

6800 60th St., Kenosha, WI 53144
Phone: 359-8700 Fax: 359-8756
kUSD.edu/indiantrail

EBSOLA Dual Language

2600 50th St., Kenosha, WI 53140
Phone: 359-2300 Fax: 359-2400
kUSD.edu/ebsoladl