

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Audited Financial Statements
Year Ended June 30, 2018

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MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Audited Financial Statements

Year Ended June 30, 2018

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Independent Auditors' Report

To the School Board
Merton Community School District
Merton, 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 Merton Community School District ("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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

Other Information

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

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 6, 2018
Milwaukee, Wisconsin

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Current assets:	
Cash	\$ 4,002,746
Investments	276,835
Taxes receivable	980,979
Accounts receivable	2,775
Due from employee benefits trust	9,991
Due from other governments	231,809
Prepaid expense	43,191
Total current assets	5,548,326
 Noncurrent assets:	
Net pension asset - WRS	934,908
Capital assets:	
Nondepreciable	708,822
Depreciable, net of accumulated depreciation	7,243,185
Total capital assets	7,952,007
Total noncurrent assets	8,886,915
Total assets	14,435,241
 Deferred Outflow of Resources:	
Deferred outflows related to pensions	2,599,189
Deferred outflows related to supplemental pensions	67,669
Deferred outflows related to post-employment benefit	13,685
	2,680,543
 Liabilities:	
Current liabilities:	
Accounts payable	88,466
Withholdings and related fringes payable	237,191
Accrued payroll	585,115
Deposits payable	6,655
Unearned revenues	25,701
Total current liabilities	943,128
 Noncurrent liabilities:	
Accrued compensated absences	16,779
Total supplemental pension liability	265,967
Net other post-employment benefit liability	54,101
Total noncurrent liabilities	336,847
Total liabilities	1,279,975
 Deferred Inflow of Resources:	
Deferred inflows related to pensions	2,841,194
Deferred inflows related to post-employment benefit	13,021
	2,854,215
 Net Position:	
Net investment in capital assets	7,952,007
Restricted for:	
Capital projects	1,624,362
Food service	40,772
Special revenue trust	13,015
Unrestricted	3,351,438
Total net position	\$ 12,981,594

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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Statement of Activities
Year Ended June 30, 2018

	Program Revenues			Net
Expenses	Charges for	Operating	(Expenses)	
	Services	Grants and	Revenues and	
		Contributions	Changes in	
			Net Position	
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,555,303	\$ 989,871	\$ 156,763	\$ (3,408,669)
Special education instruction	1,028,178	11,501	404,955	(611,722)
Other instruction	279,990	420	---	(279,570)
Total instruction	5,863,471	1,001,792	561,718	(4,299,961)
Support services:				
Pupil services	252,480	---	---	(252,480)
Instructional staff services	605,069	---	27,648	(577,421)
Administration services	945,011	---	---	(945,011)
Operation and maintenance of plant	876,407	20,160	---	(856,247)
Pupil transportation	283,576	9,263	12,328	(261,985)
Central services	289,262	---	---	(289,262)
Other support services	28,675	---	---	(28,675)
Food service	233,135	239,245	33,226	39,336
Interest on long-term debt	14,875	---	---	(14,875)
Unallocated depreciation	459,233	---	---	(459,233)
Total support services	3,987,723	268,668	73,202	(3,645,853)
Total school district	\$ 9,851,194	\$ 1,270,460	\$ 634,920	(7,945,814)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				4,191,985
Property taxes, levied for debt service				338,540
Property taxes, levied for specific purposes				200,000
Federal and state aid not restricted to specific purposes:				
General				3,471,577
Other				369,938
Interest and investment earnings				39,565
Loss on disposal of assets				(4,957)
Miscellaneous				50,757
Changes in net position				711,591
Net position - beginning of year				12,270,003
Net position - end of year				\$ 12,981,594

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

**Balance Sheet
Governmental Funds**

June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash	\$ 2,932,798	\$ 1,000,203	\$ 69,745	\$ 4,002,746
Investments	2,676	274,159	---	276,835
Taxes receivable	980,979	---	---	980,979
Accounts receivable	2,775	---	---	2,775
Due from employee benefits trust	9,991	---	---	9,991
Due from other funds	---	350,000	---	350,000
Due from other governments	226,831	---	4,978	231,809
Prepaid expense	43,191	---	---	43,191
Total assets	\$ 4,199,241	\$ 1,624,362	\$ 74,723	\$ 5,898,326
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 85,442	\$ ---	\$ 3,024	\$ 88,466
Withholdings and related fringes payable	237,191	---	---	237,191
Accrued payroll	585,115	---	---	585,115
Due to other funds	350,000	---	---	350,000
Deposits payable	6,655	---	---	6,655
Unearned revenues	7,789	---	17,912	25,701
Total liabilities	1,272,192	---	20,936	1,293,128
Fund Balances:				
Nonspendable	43,191	---	---	43,191
Restricted	4,224	1,624,362	53,787	1,682,373
Unassigned	2,836,443	---	---	2,836,443
Total fund balances	2,927,049	1,624,362	53,787	4,605,198
Total liabilities and fund balances	\$ 4,199,241	\$ 1,624,362	\$ 74,723	\$ 5,898,326

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

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

June 30, 2018

Total fund balances - governmental funds \$ 4,605,198

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of the assets	\$ 17,879,535	
Accumulated depreciation	<u>(9,927,528)</u>	
		7,952,007

The District's net OPEB liability is recorded as a liability on the statement of net position, but is not reported in the governmental funds (54,101)

The District's proportionate share of the WRS net pension asset is reported as a noncurrent asset. This is reported as an asset on the statement of net position, but is not reported in the governmental funds. 934,908

The District's total supplemental pension liability is recorded as a liability on the statement of net position, but is not reported in the governmental funds (265,967)

Deferred outflows and inflows of resources related to pensions, supplemental pensions and post-employment benefits are applicable to future periods, and therefore, are not reported in the governmental funds. (173,672)

Accrued compensated absences are not due and payable in the current period, and therefore, are not reported in the governmental funds. (16,779)

Total net position - governmental activities \$ 12,981,594

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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Local	\$ 4,508,310	\$ 201,309	\$ 631,202	\$ 5,340,821
Interdistrict payments within Wisconsin	766,810	---	---	766,810
Intermediate sources	139	---	---	139
State	4,149,248	---	---	4,149,248
Federal	226,737	---	33,226	259,963
Other	50,760	---	---	50,760
Total revenues	9,702,004	201,309	664,428	10,567,741
Expenditures:				
Instruction:				
Current	5,277,280	---	26,155	5,303,435
Interdistrict	454,392	---	---	454,392
Support Services:				
Current	3,330,106	---	245,169	3,575,275
Capital outlay	295,199	---	15,808	311,007
Debt service	---	---	484,656	484,656
Total expenditures	9,356,977	---	771,788	10,128,765
Excess (deficiency) of revenues over (under) expenditures	345,027	201,309	(107,360)	438,976
Other Financing Sources (Uses):				
Operating transfers in	---	350,000	1,223	351,223
Operating transfers out	(351,223)	---	---	(351,223)
Proceeds on sale of capital assets	935	---	---	935
Total other financing sources (uses)	(350,288)	350,000	1,223	935
Net change in fund balances	(5,261)	551,309	(106,137)	439,911
Fund Balances - Beginning of year	2,932,310	1,073,053	159,924	4,165,287
Fund Balances - End of year	\$ 2,927,049	\$ 1,624,362	\$ 53,787	\$ 4,605,198

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

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

Year Ended June 30, 2018

Total net change in fund balances - governmental funds \$ 439,911

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

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

Depreciation expense	\$ (459,233)	
Capital outlays	<u>311,007</u>	(148,226)

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown.

Proceeds on asset sale	(935)	
Loss on disposal	<u>(4,957)</u>	(5,892)

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

Notes payable		465,000
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In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used.

District pension contributions	317,144	
Cost of benefits earned net of employee contributions	<u>(465,234)</u>	(148,090)

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

Post-employment benefits	(4,534)	
Supplemental pension benefits	125,420	
Compensated absences	<u>(16,779)</u>	104,107

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

	<u>4,781</u>	
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Change in net position of governmental activities \$ 711,591

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Statement of Fiduciary Net Position

June 30, 2018

	<u>Employee Benefit Trusts</u>	<u>Agency Fund</u>
Assets:		
Cash	\$ 15,278	\$ 9,727
Total assets	<u>15,278</u>	<u>9,727</u>
Liabilities:		
Due to student groups	---	9,727
Due to other funds	9,991	---
Total liabilities	<u>9,991</u>	<u>9,727</u>
Net Position:		
Restricted	5,287	---
Total net position	<u>\$ 5,287</u>	<u>\$ ---</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	<u>Employee Benefit Trusts</u>
Additions:	
Net investment income	<u>\$ 26</u>
Deductions:	
Trust fund disbursements	<u>9,990</u>
Change in net position	(9,964)
Net position - June 30, 2017	<u>15,251</u>
Net position - June 30, 2018	<u>\$ 5,287</u>

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies

A. Introduction

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

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

B. Component Units

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

C. Basis of Presentation

District-Wide Statements

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

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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

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

The District reports the following major governmental funds:

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

Capital Projects Fund – This fund accounts for the financial resources of the District to be used for capital expenditures related to buildings and sites.

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

D. Measurement Focus and Basis of Accounting

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

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

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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Cash

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

F. Investments

The District's investments are stated at fair value, except for highly liquid market investments with maturities of one year or less at the time of purchase, which are stated at amortized cost. Market value is used for those securities for which market quotations are readily available. For securities that lack readily available market quotations, reasonable estimates of fair value are used based on the market value of similar investments. The District generally holds all investments until maturity or until market values equal or exceed cost.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Adjustments necessary to record investments at fair value are recorded in the statement of activities, statements of revenues, expenditures and changes in fund balances and statement of changes in fiduciary net position as increases or decreases in investment income.

Investment balances for individual funds are pooled unless maintained in segregated accounts.

G. Receivables

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

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

H. Interfund Transactions

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The noncurrent portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

1. Summary of Significant Accounting Policies (Continued)

H. Interfund Transactions (Continued)

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2018 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
General operations	Food Service	General	\$ 1,223
Long-term capital improvements	Capital Projects	General	350,000
Due to/from:			
Retiree benefits	General	Employee Benefit Trust	9,991
Long-term capital improvements	Capital Projects	General	350,000

I. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	50 years
Land improvements	5,000	Straight-line	20 years
Equipment and furniture	5,000	Straight-line	5 - 20 years

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

J. Net Position

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

- *Net Investment in Capital Assets* – includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement for those assets.
- *Restricted Net Position* – includes balances that have limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

1. Summary of Significant Accounting Policies (Continued)

J. Net Position (Continued)

- *Unrestricted Net Position* – the residual for balances that do not fall into the other two categories.

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

K. Fund Balances

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

- *Nonspendable* - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board prior to year-end. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a resolution to delegate authority to assign amounts to any individual or body.
- *Unassigned* - all other spendable amounts.

Order of Fund Balance Spending Policy: The District has not established an order of fund balance spending policy. Therefore, the default to spending order. When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second and unassigned funds last.

L. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period and thus, will not be recognized as an inflow of resources (revenue) until then.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

1. Summary of Significant Accounting Policies (Continued)

M. Accumulated Unpaid Vacation and Sick Pay

Unused accumulated vacation is paid out upon retirement or termination of employment. Generally, sick leave can be accumulated up to a maximum of 60 days (or 90 days for employees hired prior to July 1, 2011), but accumulated hours are not paid out upon termination of employment. The District has accrued that vacation leave which it deems probable of payout. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources, and therefore, the liability is not reported.

N. Estimates

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

O. Other Assets

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extend beyond June 30th and have not yet been earned by the recipient. Prepaid supplies are valued at cost using the first-in, first-out (FIFO) method.

P. 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 to WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 6, 2018). There were no subsequent events that required recognition or disclosure.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

2. Cash and Investments

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

	<u>Custodial Balance</u>	<u>Carrying Amount</u>	<u>Risks</u>
Cash:			
Demand deposits	\$ 100,374	\$ 28,845	Custodial
Money market deposit account	3,998,831	3,998,831	Custodial
Petty cash	---	75	
Investment:			
Wisconsin Local Government Investment Pool	2,676	2,676	Custodial
Wisconsin Investment Series Cooperative:			
Certificates of deposit	171,936	171,936	Custodial and Interest Rate
Investment series fund	102,223	102,223	Custodial, Credit, and Interest Rate
Total cash and investments	<u>\$ 4,376,040</u>	<u>\$ 4,304,586</u>	

Reconciliation to Financial Statements:

Per statement of net position:

Cash	\$ 4,002,746
Investments	276,835

Per statement of fiduciary net position:

Cash	<u>25,005</u>
Total cash and investments	<u>\$ 4,304,586</u>

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

Custodial Risk – Deposits: Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and investment deposits was \$4,304,511 at June 30, 2018 and the bank's carrying value was \$4,376,040 all of which was fully insured. The District does not have a policy regarding custodial risk for deposits.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District does not have a policy regarding interest rate risk. Information regarding the exposure of the District's investments to this risk, using the segmented time distribution model is as follows:

<u>Type of Investment</u>	<u>Investment Maturities (in Years)</u>				<u>Total</u>
	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>	
WISC	\$ <u>102,223</u>	\$ <u>171,936</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>274,159</u>

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

2. Cash and Investments (Continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. This is measured by assignment of a rating by a nationally recognized rating organization. The District does not have a policy regarding credit risk. The WISC Investment Management Series has an AAAM rating as of June 30, 2018.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the SIF and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. LGIP is exempt from fair value disclosure due to investments being valued at amortized cost.

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total on one day's notice. The LGIP does not include any involuntary participants. A separate financial report for SIF is prepared in accordance with GASB. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>.

The District has investments in WISC of \$274,159 at year end, of which \$171,936 was invested in certificates of deposit and \$102,223 in the Investment Series Fund ("IS"). The CMS has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The IS are pooled funds investing in U.S. government obligations, agencies, and commercial paper. The IS requires a 14-day minimum investment period and one business day withdrawal notice. The average weighted maturity of the investments in WISC is 394 days.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin Intergovernmental Cooperation Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin Law.

WISC and LGIP are exempt from fair value disclosure due to investments being valued at amortized cost.

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

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

The District has not adopted an investment policy.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

3. Capital Assets

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated					
Land	\$ 708,822	\$ ---	\$ ---	\$ ---	\$ 708,822
Capital assets being depreciated					
Buildings	13,878,475	282,938	---	---	14,161,413
Site improvements	1,096,625	---	---	(52,282)	1,044,343
Equipment	1,893,647	28,069	(9,041)	52,282	1,964,957
Total capital assets being depreciated	16,868,747	311,007	(9,041)	---	17,170,713
Less accumulated depreciation	9,471,444	459,233	(3,149)	---	9,927,528
Total capital assets being depreciated, net of accumulated depreciation	7,397,303	(148,226)	(5,892)	---	7,243,185
Governmental activities capital assets, net of accumulated depreciation	\$ 8,106,125	\$ (148,226)	\$ (5,892)	---	\$ 7,952,007

Depreciation of \$459,233 was expensed to unallocated depreciation on the statement of activities.

4. Long-Term Obligations

Long-term obligations of the District are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Notes payable	\$ 465,000	\$ ---	\$ 465,000	\$ ---	\$ ---

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2018 on long-term liabilities was \$19,182 and \$14,401, respectively.

General Obligation Debt

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$872,288,338. The legal debt limit and margin of indebtedness as of June 30, 2018, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Debt limit (5% of \$872,288,338)	\$ 43,614,417
Deduct long-term debt applicable to debt margin	---
Margin of indebtedness	<u>\$ 43,614,417</u>

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

5. Fund Balances

As of June 30, 2018, fund balance components other than unassigned fund balances consist of the following:

	Nonspendable	Restricted
General fund:		
Prepaid expenses	\$ 43,191	\$ ---
Unspent common school fund		4,224
Special revenue trust	---	13,015
Food Service	---	40,772
Capital projects	---	1,624,362
Total	\$ 43,191	\$ 1,682,373

6. Defined Benefit Pension Plan

Plan Description

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

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

Vesting

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/16) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

6. Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

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

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	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 for general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period (calendar year 2017), the WRS recognized \$317,144 in contributions from the employer.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

6. Defined Benefit Pension Plan (Continued)

Contributions (Continued)

Contribution rates as of June 30, 2018 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

Pension Asset, Pension Expense and Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported an asset of \$934,908 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset 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 liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.0315%, which was a decrease of 0.0005% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$465,234.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,187,825	\$ 555,625
Net difference between projected and actual earnings on pension plan investments	1,000,624	2,285,569
Changes in assumptions	184,719	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	66,765	---
Employer contributions subsequent to the measurement date	159,256	---
Total	<u>\$ 2,599,189</u>	<u>\$ 2,841,194</u>

The above amount of \$159,256 is reported as deferred outflows related to pension, resulting from the WRS Employer's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. The table presented on the following page illustrates how the other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future years

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

6. Defined Benefit Pension Plan (Continued)

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflow of Resources
2019	\$ 980,144	\$ 847,973
2020	863,931	847,973
2021	311,016	621,835
2022	282,588	523,413
2023	2,254	---

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

6. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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.

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension asset. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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 as of December 31, 2017 are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Global Equities	50.0%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8.0	6.5	3.6
Private Equity/Debt	8.0	9.4	6.5
Multi-Asset	4.0	6.5	3.6
Total Core Fund	110.0	7.3	4.4
Variable Fund Asset Class			
U.S. Equities	70.0%	7.5%	4.6%
International Equities	30.0	7.8	4.9
Total Variable Fund	100.0	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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

6. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
District's proportionate share of the net pension (asset) liability	\$ 2,418,928	\$ (934,908)	\$ (3,483,929)

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

Payables to the pension plan at June 30, 2018 were \$52,986. This represents contributions earned as of June 30, 2018, but for which payment was not remitted to the pension plan until subsequent to year-end.

7. Supplemental Pension Plan

Description of Plan and Plan Benefits

The District administers a single-employer defined benefit supplemental pension plan to eligible administrators and teachers. Eligible retirees will receive monthly contributions equal to 1% of their highest teaching salary into a TSA for a period of 60 months. Additionally those teachers retiring in fiscal years 2013 to 2015 will receive an additional one-time contribution determined by retirement year ranging from \$2,000 to \$6,000. There is also one administrator, who upon resignation or retirement, will receive a monthly payout equal to 1.5% of their annual base wage (less any applicable FICA taxes and other payroll withholdings) for a period of 48 months.

Contribution requirements are established through personnel policy guidelines and may be amended by action of the governing board.

Employees participating in the supplemental pension plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees currently receiving benefit payments	9
Active employees fully eligible but not yet receiving benefit payments	1
Active employees not fully eligible	---
Number of participating employees	10

Benefit Payments

For fiscal year 2018, the District paid \$67,669 for supplemental pensions as benefits came due.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

7. Supplemental Pension Plan (Continued)

Total Supplemental Pension Liability

The District recognizes its *total supplemental pension liability*, rather than a *net supplemental pension liability*. In order for the District to recognize a *net supplemental pension liability*, assets must be accumulated in a trust that meets all of the following criteria:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

No assets are accumulated in a trust that meets all of the above criteria because the District's contributions are not irrevocable. Accordingly, the District's total supplemental pension liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total supplemental pension liability.

The District's total supplemental pension liability was determined by an actuarial valuation as of June 30, 2017 (measurement date). Changes in the District's total supplemental pension liability were as follows:

Balance 6/30/17 - measurement date 6/30/16	\$	391,960
Changes for the year:		
Service cost		11,313
Interest on the total pension liability		10,905
Benefit payments		(68,242)
Differences between expected and actual experience		(55,575)
Changes in assumptions or other input		(24,394)
Net decrease in total pension liability		<u>(125,993)</u>
Balance 6/30/18 - measurement date 6/30/17	\$	<u>265,967</u>

Actuarial Assumptions

Actuarial assumptions used to determine the total supplemental pension liability in the June 30, 2017 valuation were based on the results of an experience conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. Key assumptions, applied to all periods included in the measurement, are as follows:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Reporting date	June 30, 2018
Actuarial cost method	Entry age normal – level % of salary
	3.50% (based upon all years of projected payments discounted at a municipal bond rate of 3.50%)
Discount rate*	
Municipal bond rate source	Bond Buyer 20-Bond Go Index
Mortality assumptions	Wisconsin 2012 Mortality Table

*Implicit in this rate is an assumed rate of inflation on 2.5%

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

7. Supplemental Pension Plan (Continued)

Actuarial Assumptions (Continued)

Discount rate. A discount rate of 3.5% was applied in the measurement of the total supplemental pension liability. The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve as of the week of the measurement date.

Sensitivity of the District's Total Supplemental Pension Liability to Changes in the Discount Rate. The following presents the total supplemental pension liability calculated using the discount rate of 3.5%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1% lower (2.5%) or 1% higher (4.5%) than the current rate:

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase To Discount Rate (4.5%)
Total supplemental pension liability	\$ 271,295	\$ 265,967	\$ 260,811

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

For the year ended June 30, 2018, the District recognized pension expense of \$57,751. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the supplemental pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 67,669	\$ ---

The amount of \$67,669 reported as deferred outflows related to the stipend resulting from employer benefit payments subsequent to the measurement date will be recognized as a reduction of the stipend liability in the year ended June 30, 2019.

8. Other Post-Employment Benefits Plan

Description of Plan and Plan Benefits

The District's Other Post-Employment Benefit Plan ("Plan") provides other post-employment benefits (OPEB) for teachers. The Plan is a single-employer defined benefit OPEB plan administered by the District.

For teachers who retired prior to July 1, 2012, the Plan provides medical, dental and/or life insurance benefits or contributions to an HSA/HRA for eligible retirees and their spouses. For teachers who retire after July 1, 2012, the Plan allows the retirees to continue coverage in the group medical plan provided that the retiree self-pays the full premium amount required to continue coverage in the plan under COBRA up to a maximum of 18 months. The District is under contractual obligation to provide these post-retirement healthcare benefits.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

8. Other Post-Employment Benefits Plan (Continued)

Covered Employees

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

Retirees currently receiving benefit payments	3
Active employees fully eligible but not yet receiving benefit payments	3
Active employees not fully eligible	<u>35</u>
Number of plan participants	<u><u>41</u></u>

Contributions

Premiums under the Plan for post-employment healthcare benefits are funded by retirees desiring such coverage via co-pays paid to the District in accordance with rates established by the District and by the District itself from assets accumulated in the trust and appropriate governmental funds. For the year ended June 30, 2018, Plan members receiving benefits contributed \$-0- and the District contributed \$-0- to the Plan.

Net OPEB Liability

The District's net OPEB liability was determined by an actuarial valuation as of June 30, 2017 (the measurement date); the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an experience conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. Key assumptions, applied to all periods included in the measurement, are as follows:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Reporting date	June 30, 2018
Actuarial cost method	Entry age normal (level percent of salary)
Medical care trend	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount rate*	3.50% (based on all years of projected payments discounted at 3.50% long-term expected rate of return)
Municipal bond rate source	Bond Buyer 20-Year AA Bond Index published by the Federal Reserve as of the week of the measurement date.
Mortality assumptions	Wisconsin 2012 Mortality Table

* Implicit in this rate is an assumed rate of inflation of 2.50%

Single Discount rate. Since the District's assets are held entirely as cash, a single discount rate of 3.50 percent was used to measure the total OPEB liability. The discount rate was based upon the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve as of the week of the measurement date.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

8. Other Post-Employment Benefits Plan (Continued)

Changes in the Net OPEB Liability

Changes in the District's net OPEB liability were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balance 6/30/17 - measurement date 6/30/16	\$ 98,778	\$ 49,875	\$ 48,903
Changes for the year:			
Service cost	2,992	---	2,992
Interest	2,487	---	2,487
Differences between expected and actual experience	(14,106)	---	(14,106)
Changes of assumptions or other input	13,926	---	13,926
Employer contributions	---	---	---
Net investment income	---	101	(101)
Benefit payments	(34,725)	(34,725)	---
Net changes	(29,426)	(34,624)	5,198
Balance 6/30/18 - measurement date 6/30/17	\$ 69,352	\$ 15,251	\$ 54,101

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate. The following presents the District's net OPEB liability, 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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase To Discount Rate (4.50%)
Net OPEB liability	\$ 57,649	\$ 54,101	\$ 50,671

Sensitivity of the District's Net OPEB Liability to Changes in Healthcare Cost Trend Rates. The following presents the District's net OPEB liability, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease To Healthcare Cost Trend (6.5% Decreasing To 4.0%)	Current Healthcare Cost Trend (7.5% Decreasing To 5.0%)	1% Increase To Healthcare Cost Trend (8.5% Decreasing to 6.0%)
Net OPEB liability	\$ 48,377	\$ 54,101	\$ 60,753

OPEB Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the statement of fiduciary net position and changes in fiduciary net position.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

8. Other Post-Employment Benefits Plan (Continued)

Rate of Return. The annual money-weighted rate of return on plan investments (demand deposits), net of plan investment expense was 0.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the change amounts actually invested.

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$4,534. At June 30, 2018, the District has \$13,021 in deferred inflows of resources to OPEB and \$13,685 in deferred outflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	---	\$ 13,021
Changes of assumptions or other input	12,855	---
Net differences between projected and actual earnings on OPEB plan investments	830	---
Total	\$ 13,685	\$ 13,021

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

Year Ended June 30,	
2019	\$ 193
2020	193
2021	193
2022	195
2023	(14)
Thereafter	(96)

Payable to the OPEB Plan

At June 30, 2018, there was no payable due to the OPEB Trust.

9. Limitation on School District Revenues

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

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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Financial Statements
June 30, 2018
(Continued)

10. Risk Management

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

11. Operating Leases

The District has a lease on a number of its copiers. Payments on this lease for the year ended June 30, 2018 totaled \$4,919. Future payments on these leases are as follows:

<u>Year ended June 30,</u>		
2019	\$	4,919
2020		<u>4,919</u>
Total	\$	<u>9,838</u>

12. Commitments and Contingencies

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2018 are not likely to have a material adverse impact on the District's financial position.

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

13. Effect of New Accounting Standards on Financial Statements

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

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

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

REQUIRED SUPPLEMENTARY INFORMATION

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Local	\$ 4,642,661	\$ 4,362,985	\$ 4,508,310	\$ 145,325
Interdistrict payments within Wisconsin	790,000	785,000	766,810	(18,190)
Intermediate sources	---	---	139	139
State	3,880,859	3,880,859	3,889,984	9,125
Federal	55,000	55,000	70,351	15,351
Other	30,000	30,000	50,760	20,760
Total revenues	9,398,520	9,113,844	9,286,354	172,510
Expenditures:				
Instruction:				
Current	4,497,743	4,439,108	4,305,423	133,685
Interdistrict	460,000	460,914	450,813	10,101
Support Services:				
Current	3,336,496	3,453,389	3,077,252	376,137
Capital outlay	360,138	360,138	295,199	64,939
Total expenditures	8,654,377	8,713,549	8,128,687	584,862
Excess of revenues over expenditures	744,143	400,295	1,157,667	757,372
Other Financing Sources (uses):				
Operating transfers in (out)	(820,000)	(820,000)	(1,163,863)	(343,863)
Proceeds on sale of capital assets	---	---	935	935
Total other financing sources (uses)	(820,000)	(820,000)	(1,162,928)	(342,928)
Net change in fund balances	(75,857)	(419,705)	(5,261)	414,444
Fund Balances - Beginning of year	2,932,310	2,932,310	2,932,310	---
Fund Balances - End of year	\$ 2,856,453	\$ 2,512,605	\$ 2,927,049	\$ 414,444

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2018

	<u>Budget Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
				Positive
				(Negative)
Revenues:				
Interdistrict payments within Wisconsin	\$ 7,000	\$ 7,000	\$ ---	\$ (7,000)
State	279,850	279,850	259,264	(20,586)
Federal	152,200	152,200	156,386	4,186
Total revenues	<u>439,050</u>	<u>439,050</u>	<u>415,650</u>	<u>(23,400)</u>
Expenditures:				
Instruction:				
Current	1,003,587	1,003,587	971,857	31,730
Interdistrict	7,500	7,500	3,579	3,921
Support Services:				
Current	247,963	247,963	252,854	(4,891)
Total expenditures	<u>1,259,050</u>	<u>1,259,050</u>	<u>1,228,290</u>	<u>30,760</u>
Excess (deficiency) of revenues over (under) expenditures	(820,000)	(820,000)	(812,640)	7,360
Other Financing Sources (uses):				
Operating transfers in (out)	820,000	820,000	812,640	(7,360)
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Schedule of Proportionate Share of the Net Pension Asset (Liability)

Year Ended June 30, 2018

Wisconsin Retirement System
Last 10 Fiscal Years*

WRS Fiscal Year End Date	Proportion of the Net Pension Asset (Liability)	Proportionate Share of the Net Pension Asset (Liability)	Covered Payroll	Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Asset (Liability)
12/31/2014	0.0352%	\$ 865,566	\$ 4,606,946	18.79%	102.74%
12/31/2015	0.0333%	(541,631)	4,496,622	12.05%	98.20%
12/31/2016	0.0320%	(263,745)	4,539,435	5.81%	99.12%
12/31/2017	0.0315%	934,908	4,653,219	20.09%	102.93%

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

*GASB Pronouncement 68 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

Schedule of Contributions

Year Ended June 30, 2018

Wisconsin Retirement System
Last 10 Fiscal Years*

WRS Fiscal Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered-Payroll
12/31/2014	\$ 322,485	\$ 323,485	\$ ---	\$ 4,606,946	7.00%
12/31/2015	305,841	305,841	---	4,496,622	6.80%
12/31/2016	299,603	299,603	---	4,539,435	6.60%
12/31/2017	317,144	317,144	---	4,653,219	6.82%

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

*GASB Pronouncement 68 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Schedule of Changes in Net OPEB Liability and Related Ratios

Year Ended June 30, 2018

Last 10 Fiscal Years*

	2018	2017
<u>Total OPEB Liability</u>		
Service Cost	\$ 2,992	\$ 2,992
Interest	2,487	3,769
Change of benefit terms	---	---
Differences between expected and actual experiences	(14,106)	---
Changes of assumptions or other input	13,926	---
Benefit payments	(34,725)	(64,270)
Net change in total OPEB liability	(29,426)	(57,509)
Total OPEB liability - beginning	98,778	156,287
Total OPEB liability - ending (a)	\$ 69,352	\$ 98,778
<u>Fiduciary Net Position</u>		
Contributions - employer	\$ ---	\$ ---
Net investment income	101	147
Benefit payments	(34,725)	(64,270)
Administrative expenses	---	---
Net change in fiduciary net position	(34,624)	(64,123)
Fiduciary net position - beginning	49,875	113,998
Fiduciary net position - ending (b)	\$ 15,251	\$ 49,875
Net OPEB liability - ending (a) - (b)	\$ 54,101	\$ 48,903
Fiduciary net position as a percentage of the total OPEB liability	21.99%	50.49%
Covered-employee payroll	\$ 2,177,714	\$ 1,956,533
Net OPEB liability as a percentage of covered-employee payroll	2.48%	2.50%
Measurement Date	June 30, 2017	June 30, 2016

*The amounts presented for each fiscal year were determined as of the measurement date.

*GASB Pronouncement 75 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Schedule of Employer Contributions - OPEB

Year Ended June 30, 2018

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>
Actuarially determined contributions (ADC)	\$ 10,331	\$ 10,331
Contributions in relation to the ADC	---	---
Contribution deficiency (excess)	<u>\$ 10,331</u>	<u>\$ 10,331</u>
Covered payroll	\$ 2,177,714	\$ 1,956,533
Contributions as a percentage of covered-employee payroll	0.00%	0.00%
Measurement Date	June 30, 2017	June 30, 2016

*The amounts presented for each fiscal year were determined as of the measurement date.

*GASB Pronouncement 75 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

Schedule of Investment Returns - OPEB

Year Ended June 30, 2018

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	0.12%	0.10%

*GASB Pronouncement 74 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

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

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Schedule of Changes in Total Supplemental Pension Liability

Year Ended June 30, 2018

Last 10 Fiscal Years*

	<u>2018</u>		<u>2017</u>
Total Supplemental Pension Liability			
Service Cost	\$ 11,313	\$	11,313
Interest	10,905		14,370
Change of benefit terms	---		---
Differences between expected and actual experiences	(55,575)		---
Changes of assumptions or other input	(24,394)		---
Benefit payments	(68,242)		(214,158)
Net change in total supplemental pension liability	<u>(125,993)</u>		<u>(188,475)</u>
Total supplemental pension liability - beginning	<u>391,960</u>		<u>580,435</u>
Total supplemental pension liability - ending	<u>\$ 265,967</u>	\$	<u>391,960</u>

Measurement Date June 30, 2017 June 30, 2016

*GASB Pronouncement 73 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

*The amounts presented for each fiscal year were determined as of the measurement date.

Schedule of Total Supplemental Pension Liability and Related Ratios

Year Ended June 30, 2018

Last 10 Fiscal Years*

	Total Supplemental Pension Liability	Covered Payroll	Total Pension Liability as a % of Covered Payroll	Measurement Date
2018	\$ 265,967	\$ 103,352	257.34%	June 30, 2017
2017	391,960	310,789	126.12%	June 30, 2016

*GASB Pronouncement 73 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

*The amounts presented for each fiscal year were determined as of the measurement date.

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

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Required Supplementary Information
June 30, 2018

Note A – Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with GAAP. An explanation of the differences between revenues, expenditures, and other financing sources (uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund		Special Education Fund
Revenues			
Actual amounts (budgetary basis)	\$ 9,286,354	\$	415,650
Reclassification of special education	415,650		(415,650)
Total revenues (GAAP)	9,702,004		---
Expenditures			
Actual amounts (budgetary basis)	8,128,687		1,228,290
Reclassification of special education	1,228,290		(1,228,290)
Total expenditures (GAAP)	9,356,977		---
Excess of Revenues Over (Under) Expenditures			
Actual amounts (budgetary basis)	1,157,667		(812,640)
Reclassification of special education	(812,640)		812,640
Excess of revenues over (under) expenditures (GAAP)	345,027		---
Other Financing Sources (Uses)			
Actual amounts (budgetary basis)	(1,162,928)		812,640
Reclassification of special education	812,640		(812,640)
Total other financing sources (uses) (GAAP)	(350,288)		---
Net Change in Fund Balance			
Actual amounts (budgetary basis and GAAP)	(5,261)		---
Fund Balance – Beginning of year			
Actual amounts (budgetary basis and GAAP)	2,932,310		---
Fund Balance – End of year			
Actual amounts (budgetary basis and GAAP)	\$ 2,927,049	\$	---

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Required Supplementary Information
June 30, 2018
(Continued)

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

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2018:

<u>General Fund:</u>	
Physical curriculum	\$ 4,011
Pupil services	4,346
General administration	23,860
Transfers to another fund	343,863
Other non-program transactions	9,454
<u>Special Education Fund:</u>	
Instructional staff services	\$ 5,938
Central services	852
Other support services	15,259

The excess expenditures were covered by available current year revenues and under expenditures in other areas.

Note C – Wisconsin Retirement System

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

Note D – Supplemental Pension Plan Information

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 73, paragraph 4:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing pensions to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

There were no changes to the supplemental pension plan that significantly affect trends in amounts reported.

Methods and assumptions used in calculating the total supplemental pension liability include:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Reporting date	June 30, 2018
Actuarial cost method	Entry age normal – level % of salary 3.50% (based upon all years of projected payments discounted at a municipal bond rate of 3.50%)
Discount rate*	
Municipal bond rate source	Bond Buyer 20-Bond Go Index
Mortality assumptions	Wisconsin 2012 Mortality Table

* Implicit in this rate is an assumed rate of inflation of 2.50%

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Notes to Required Supplementary Information
June 30, 2018
(Continued)

Note E – Other Post-Employment Benefit Plan Information

There were no changes to the OPEB plan that significantly affect trends in amounts reported.

Methods and assumptions used in calculating net OPEB liability include:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Reporting date	June 30, 2018
Actuarial cost method	Entry age normal (level percent of salary)
Medical care trend	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount rate*	3.50% (based on all years of projected payments discounted at a 3.50% long-term expected rate of return)
Municipal bond rate source	Bond Buyer 20-Year AA Bond Index published by the Federal Reserve as of the week of the measurement date.
Mortality assumptions	Wisconsin 2012 Mortality Table

* Implicit in this rate is an assumed rate of inflation of 2.50%

Method and assumptions used in calculating the actuarially determined contribution (ADC) include:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Amortization method	5 year level %
Discount rate	4.00%
Amortization growth rate	3.00%
Inflation	3.00%

OTHER SUPPLEMENTARY INFORMATION

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

	Special Revenue <u>Trust</u>	Food <u>Service</u>	Debt <u>Service</u>	<u>Total</u>
Assets:				
Cash	\$ 14,679	\$ 55,066	\$ ---	\$ 69,745
Due from other governments	---	4,978	---	4,978
Total assets	\$ 14,679	\$ 60,044	\$ ---	\$ 74,723
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,664	\$ 1,360	\$ ---	\$ 3,024
Unearned revenues	---	17,912	---	17,912
Total liabilities	1,664	19,272	---	20,936
Fund Balances:				
Restricted	13,015	40,772	---	53,787
Total fund balances	13,015	40,772	---	53,787
Total liabilities and fund balances	\$ 14,679	\$ 60,044	\$ ---	\$ 74,723

See Independent Auditors' Report.

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2018

	Special Revenue <u>Trust</u>	Food <u>Service</u>	Debt <u>Service</u>	<u>Total</u>
Revenues:				
Local	\$ 52,914	\$ 239,245	\$ 339,043	\$ 631,202
Federal	---	33,226	---	33,226
Total revenues	<hr/> 52,914	<hr/> 272,471	<hr/> 339,043	<hr/> 664,428
Expenditures:				
Instruction:				
Current	26,155	---	---	26,155
Support Services:				
Current	12,247	232,922	---	245,169
Capital outlay	15,808	---	---	15,808
Debt service	---	---	484,656	484,656
Total expenditures	<hr/> 54,210	<hr/> 232,922	<hr/> 484,656	<hr/> 771,788
Excess (deficiency) of revenues over (under) expenditures	<hr/> (1,296)	<hr/> 39,549	<hr/> (145,613)	<hr/> (107,360)
Other Financing Sources:				
Operating transfers in	---	1,223	---	1,223
Net change in fund balances	<hr/> (1,296)	<hr/> 40,772	<hr/> (145,613)	<hr/> (106,137)
Fund Balances - Beginning of year	<hr/> 14,311	<hr/> ---	<hr/> 145,613	<hr/> 159,924
Fund Balances - End of year	<hr/> <hr/> \$ 13,015	<hr/> <hr/> \$ 40,772	<hr/> <hr/> \$ ---	<hr/> <hr/> \$ 53,787

See Independent Auditors' Report.

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Agency Fund - Schedule of Changes in Assets and Liabilities

June 30, 2018

	<u>Balance</u>		<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>7/1/17</u>				<u>6/30/18</u>
Assets:					
Cash	\$ 28,036	\$	16,632	\$ 34,941	\$ 9,727
Liabilities:					
Accounts payable	\$ 10,008	\$	---	\$ 10,008	\$ ---
Due to student groups:					
Merton Intermediate School	18,028		16,632	24,933	9,727
Total liabilities	<u>\$ 28,036</u>	<u>\$</u>	<u>16,632</u>	<u>\$ 34,941</u>	<u>\$ 9,727</u>

See Independent Auditors' Report.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Schedule of Expenditures of State Awards
Year Ended June 30, 2018

Awarding Agency	State	Pass-Through	Accrued or		State	Accrued or	
Pass-Through Agency	I.D.	Entity Identifying	(Unearned)		Disbursements/	(Unearned)	Subrecipient
Award Description	Number	Number	Revenue at	Receipts	Expenditures	Revenue at	Awards
			7/1/17			6/30/18	
WI Dept. of Public Instruction							
Special education and school-age parents**	255.101	673528-100	\$ ---	\$ 253,876	\$ 253,876	\$ ---	\$ ---
Common school fund library aid	255.103	673528-104	---	27,648	23,424	(4,224)	---
Pupil transportation	255.107	673528-102	---	12,328	12,328	---	---
Equalization aids	255.201	673528-116	68,498	3,742,583	3,733,179	59,094	---
High cost special education aid	255.210	673528-119	---	5,388	5,388	---	---
Educator effective evaluation system	255.940	673528-154	---	5,920	5,920	---	---
Per pupil adjustment aid	255.945	673528-113	---	363,600	363,600	---	---
Assessments of reading readiness	255.956	673528-166	---	2,713	2,713	---	---
Total WI Dept. of Public Instruction			68,498	4,414,056	4,400,428	54,870	---
Total state assistance			\$ 68,498	\$ 4,414,056	\$ 4,400,428	\$ 54,870	\$ ---

** Total DPI aidable expenditures for the year ended June 30, 2018 were \$1,046,428.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Awarding Agency	Federal	Pass-Through	Accrued or			Federal	Accrued or		
Pass-Through Agency	Catalog	Entity Identifying	(Unearned)	Revenue at	Receipts	Disbursements/	(Unearned)	Revenue at	Subrecipient
<u>Award Description</u>	<u>Number</u>	<u>Number</u>	<u>7/1/17</u>			<u>Expenditures</u>	<u>6/30/18</u>	<u>Awards</u>	
U.S. Department of Agriculture									
Passed through Wisconsin Department of Public Instruction:									
Child Nutrition Cluster:									
Food Service Aid - Lunch	10.555	2018-673528-NSL-547	\$ ---	\$ 23,023		\$ 27,919	\$ 4,896	\$ ---	\$ ---
Food Service Aid - Milk	10.556	2018-673528-SMP-548	299	5,524		5,307	82	---	---
Total Child Nutrition Cluster			299	28,547		33,226	4,978	---	---
Total U.S. Department of Agriculture			299	28,547		33,226	4,978	---	---
U.S. Department of Education									
Passed through Wisconsin Department of Public Instruction:									
Title IA Basic	84.010	2018-673528-Title I-141	---	48,429		48,429	---	---	---
Special Education Cluster:									
Special Education - Grants to State:									
High Cost Special Education	84.027	2018-673528-IDEA-342	---	1,397		1,397	---	---	---
IDEA Flow Through	84.027	2018-673528-IDEA-341	121,121	121,121		143,488	143,488	---	---
Total Special Education - Grants to State			121,121	122,518		144,885	143,488	---	---
Total Special Education Cluster			121,121	122,518		144,885	143,488	---	---
Title II-A Teacher Principal Training	84.367	2018-673528-Title II-365	---	---		15,173	15,173	---	---
Title IV-A Student Support and Academic Enrichment	84.424	2018-673528-Title-IV A-381	---	---		5,944	5,944	---	---
Passed through CESA #1:									
Title III Consortium	84.365	2018-749901-Title III A-391	---	139		139	---	---	---
Total U.S. Department of Education			121,121	171,086		214,570	164,605	---	---
U.S. Department of Health and Human Services									
Passed Through Wisconsin Department of Health Services:									
Medicaid Cluster:									
Medical Assistance Program	93.778	44209300	3,220	15,526		12,306	---	---	---
Total			\$ 124,640	\$ 215,159		\$ 260,102	\$ 169,583	\$ ---	\$ ---

See Independent Auditors' Report and accompanying notes to schedules of expenditures of state and federal awards.

MERTON COMMUNITY SCHOOL DISTRICT

Merton, Wisconsin

Notes to Schedules of Expenditures of State and Federal Awards

June 30, 2018

1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the Schedules) includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Instruction. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the *Wisconsin Public School District Audit Manual*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The District did not use the 10% de minimis indirect cost rate.



**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 School Board
Merton Community School District
Merton, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Merton Community School District (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 6, 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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. The finding is noted as 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

District's Response to Findings

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

Purpose of this Report

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

November 6, 2018
Milwaukee, Wisconsin



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

To the School Board
Merton Community School District
Merton, Wisconsin

Report on Compliance for Each Major State Program

We have audited Merton Community School District's (the "District") compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct material effect on each of the District's major state programs for the year ended June 30, 2018. The District's major state programs that have required procedures are identified in the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major state aid programs for the year ended June 30, 2018.

Reilly, Penner & Benton LLP

1233 N. Mayfair Road Suite #302 • Milwaukee, WI 53226-3255 • 414-271-7800

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

November 6, 2018
Milwaukee, Wisconsin

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Schedule of Prior Audit Findings
Year Ended June 30, 2018

Reference Number: 2017-001
Description: Financial Statement Preparation

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have inadequate controls over the preparation of the financial statements being audited.

Condition: The financial statements of the District should be prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). Preparation of the District's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise.

Cause: The District's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. The District has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP.

Effect: The District's financial statements could be misstated and required footnote disclosures would be missing.

Auditors' Recommendation: We recommend the District assign a staff member to review the financial statements prepared by its auditors.

Update: See Finding 2018-001.

Reference Number: 2017-002
Description: Adjusting Journal Entries

Criteria and Condition: Audit adjustments were required to prevent the District's financial statements from being misstated.

Cause: Inadequate controls in place to ensure the proper recording of all of the District's financial transactions in accordance with accounting principles generally accepted in the United States of America.

Effect: If the condition were uncorrected, the District's financial statements could be misstated.

Auditor's Recommendation: We recommend management review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process. This would reduce the likelihood of this comment in the future and also increase the accuracy of interim financial statements.

Update: Finding has been corrected.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Schedule of Findings and Responses
Year Ended June 30, 2018

A. Summary of Auditor's Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) identified? | Yes |
| 3. Noncompliance material to financial statements? | No |

State Awards

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

<u>State ID Number</u>	<u>Name of State Program</u>
255.201	Equalization Aid
255.945	Per Pupil Aid

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$250,000 |
|--|-----------|

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Schedule of Findings and Responses
Year Ended June 30, 2018
(Continued)

B. Financial Statement Findings

Reference Number: 2018-001
Description: Financial Statement Preparation

Criteria: Statements on Auditing Standards AU §325.29 states it is a deficiency in the design of controls to have inadequate controls over the preparation of the financial statements being audited.

Condition: The financial statements of the District should be prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). Preparation of the District's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise.

Cause: The District's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. The District has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP.

Effect: The District's financial statements could be misstated and required footnote disclosures would be missing.

Identification of a Repeat Finding: This is a repeat finding from previous audits, see 2017-001.

Auditors' Recommendation: We recommend the District assign a staff member to review the financial statements prepared by its auditors.

Views of Responsible Officials and Corrective Action Plan: See attachment for District's corrective action plan.

MERTON COMMUNITY SCHOOL DISTRICT
Merton, Wisconsin

Schedule of Findings and Responses
Year Ended June 30, 2018
(Continued)

C. State Award Findings and Questioned Costs

None

D. Other Issues

- | | |
|--|-----|
| 1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>Wisconsin Public School District Audit Manual</i> ? | 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

Brian J. Mechenich

5. Date of Report

November 6, 2018



Corrective Action Plan

Reference Number: 2018-001

Description: Financial Statement Preparation

Corrective Action Plan: The District will continue to rely on the expertise of an accounting firm to prepare the financial statements, as the cost of training is not feasible to the District. The District will continue to review a draft of the financial statements and ask questions prior to giving approval to finalize the financial statements.

Anticipated Corrective Action Plan Completion Date: Ongoing.

Contact Information: For additional information regarding this finding please contact Ron Russ, District Administrator, at 262-538-2828.