

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
Oak Creek, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2018

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Wegner CPAs INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Oak Creek-Franklin Joint School District
Oak Creek, 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 Oak Creek-Franklin Joint School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Oak Creek-Franklin Joint School 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Creek-Franklin Joint School 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.

Emphasis-of-Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the Oak Creek-Franklin Joint School District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for*

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Postemployment Benefits Other Than Pensions. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As described in Note 14 to the financial statements, the Oak Creek-Franklin Joint School District incurred capital outlay expenditures in the prior year that were not capitalized. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net OPEB liability-local retiree life insurance fund, schedule of changes in net OPEB liability and related ratios, schedule of proportionate share of net pension liability (asset), schedule of contributions, and notes to 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oak Creek-Franklin Joint School District's basic financial statements. The combining general fund financial statements, the combining nonmajor fund financial statements, and the agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018 on our consideration of the Oak Creek-Franklin Joint School 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 Oak Creek-Franklin Joint School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oak Creek-Franklin Joint School District's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 30, 2018

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

The discussion and analysis of the financial performance of the Oak Creek-Franklin Joint School District (District) provides an overview of financial activities for the fiscal year ended June 30, 2018. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The General Fund (Fund 10) fund balance decreased by \$341,803 to a total of \$24,294,058, which is approximately 10.37% of Fund 10 expenditures. Approximately \$231,703 of this is committed for carryover and encumbrances from operations in fiscal 2018. The School Board has a fiscal management policy that maintains a fund balance at an amount capable of funding short-term operations without the need to do short-term borrowing due to the scheduled receipt of its state aid and tax levy revenue sources. It is also intended to be available to maintain fiscal stability in times of political uncertainty or meet unanticipated capital expenditures.

The School Board has a Fund 46 Long-Term Capital Improvement Trust Fund that is based on an approved long-term ten year capital improvement fund. The contribution is a "trust" that is funded with a transfer from the general fund. The contribution from Fund 10 to Fund 46 is recorded as the expenditure for shared cost and equalization aid purposes. Future expenditures from Fund 46 are not part of shared costs.

The District continues to reduce its OPEB liability, moving from a pay-as-you go plan to a completely funded retirement plan for the next 9 to 10 years. Approximately \$2 million has been budgeted in each of the last five fiscal years to be applied to Health Reimbursement Accounts (HRA's) to support this plan. An OPEB actuarial study was completed during FY18 in order to update the OPEB valuation and liability. The summary of the District's Other Postemployment Benefits is included in Note 7.

As a result of a successful referendum in November 2014 to construct and furnish a new elementary school and a new secondary school, the district issued G.O. Bonds in the amount of \$59,095,000 in April 2015. The new elementary school, Forest Ridge Elementary opened in August 2016 and the new secondary school, the Ninth Center Grade, opened in August 2017. A summary of these long-term obligations are provided in Note 5.

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information supplementary to the basic financial statements.

District-Wide Financial Statements

District-wide financial statements report information about the District as a whole, using accounting methods similar to those used by private sector companies.

The *statement of net position* includes all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered. The District does not have any proprietary funds and the fiduciary funds are not included in the statement of net position.

The *statement of activities* includes all revenues and expenses of the District, irrespective of when cash is actually received or paid out. The intent of the district-wide statements is to provide a snapshot of the District's Net Position and to provide an explanation of material changes that occurred since the prior year.

Fund Financial Statements

The *fund financial statements* provide detailed information about the District's significant funds rather than the District as a whole. A fund is an accounting entity with a self-balancing set of accounts for recording assets, liabilities, revenues, and expenditures. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental and fiduciary. Table 1 summarizes the various features of each of these funds.

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances remaining at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information is provided that explains the relationship between them.
- *Fiduciary funds*—The District serves as a fiduciary for student organizations. The District is also responsible for other assets that can only be used for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Table 1
Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire district (except fiduciary funds).	The activities of the District that is not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service and community services.	The district acts as trustee or agent for another; e.g. other post-employment trusts
Required Financial statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
Type of asset, liability and deferred inflows/outflows of resources information	All assets, liabilities and deferred inflows/outflows of resources; both financial and capital, short-term and long-term.	Generally assets and deferred inflows expected to be used up and liabilities and deferred outflows that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets, liabilities, deferred outflows/inflows of resources, financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues when cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-48 of this report.

Other Information

Required supplementary information (RSI) includes a budget to actual comparison that provides readers with information about the accuracy with which management was able to project the District's revenues and expenditures. In addition, the RSI includes information concerning the District's other post-employment benefits (OPEB) liability and certain details of the District's net pension asset.

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position

The District ended its fiscal year with net position of \$19,021,536 of which \$1,834,020 was the net investment in capital assets, \$17,271,715 was restricted for capital projects, \$5,300,159 was restricted for net pension, \$1,135,164 was restricted for debt service, \$402,594 was restricted for capital improvements, \$156,395 was restricted for food service, \$231,506 was restricted for special purposes, \$19,991 was restricted for community service, and (\$7,360,008) was unrestricted net position. Unrestricted net position represents the discretionary resources that can be used to fund general District operations.

For governmental activities, the increase in capital assets is due acquisitions exceeding depreciation within the fiscal year. The other item to note is the large change in restricted net position. This is due to energy efficiency bonds being issued at the end of the fiscal year that were restricted internally for capital projects.

Table 2
Condensed Statements of Net Position
(in thousands of dollars)

	Governmental Activities		
	2018	2017	% Change
Assets			
Current and other assets	\$ 58,963	\$ 39,584	48.96%
Capital assets	108,496	107,275	1.14%
Total assets	167,459	146,859	14.03%
Deferred Outflows of Resources	22,867	16,055	42.43%
Liabilities			
Long-term liabilities	135,589	122,656	10.54%
Other liabilities	12,562	11,874	5.79%
Total liabilities	148,151	134,530	10.12%
Deferred Inflows of Resources	23,153	6,782	241.39%
Net Position as restated			
Net investment in capital assets	1,834	21,935	-91.64%
Restricted	24,548	1,463	1577.92%
Unrestricted	(7,360)	(1,796)	309.80%
Total Net Position	<u>\$ 19,022</u>	<u>\$ 21,602</u>	-11.94%

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Changes in Net Position

Table 3 demonstrates that on a district-wide basis the District ended fiscal year 2018 with a decrease in net position of \$2,580,681, compared to a decrease of \$27,355,358 in fiscal year 2017. The decrease in net position was primarily attributed to the spending of restricted resources for capital projects that occurred during the year.

The District received \$83,500,584 in revenue for the fiscal year 2018. The District relies primarily on property taxes (39.4% of total governmental revenues), and state equalization aid (38.8%) to fund governmental activities. The District received approximately 15.8% in the form of specific use state grants, federal aid and direct fees for services. Individuals who directly participated or benefited from a program paid 4.4% of the cost. Book and activity fees, admission to athletic events, open enrollment tuition and other fees are included as charges for services. Federal and state governments subsidized certain programs with grants and awards of \$13,567,087. Operating grants include IDEA, Pupil Transportation, and National School Lunch Programs.

Table 3
Changes in Net Position from Operating Results
(in thousands of dollars)

REVENUES	Governmental Activities		
	2018	2017	% Change
Program revenues			
Charges for services	\$ 3,684	\$ 6,930	-46.84%
Operating grants & contributions	9,541	5,553	71.82%
Capital grants & contributions	-	53	100.0%
General revenues			
Property taxes	32,919	32,658	0.80%
General aid	32,427	33,164	-2.22%
Other	4,930	2,689	83.34%
Total revenues	83,501	81,047	3.03%
EXPENSES			
Instruction	45,420	45,584	-0.36%
Pupil and instructional services	5,479	5,523	-0.80%
Administrative services	21,896	13,905	57.47%
Interest on debt	3,087	2,927	5.47%
Other	10,199	40,464	-74.79%
Total expenses	86,081	108,403	-20.59%
Change in Net Position	\$ (2,580)	\$ (27,356)	-90.57%

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

DISTRICT-WIDE FINANCIAL STATEMENTS (continued)

Table 4 presents the cost of district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all governmental activities this year was \$86,081,263. Individuals who directly participated or benefited from a program offering paid for \$3,684,382 of costs. Federal and state governments funding, along with other general contributions, subsidized certain programs with grants and contributions of \$9,541,071. The net cost of governmental activities \$72,855,810 was financed primarily by \$32,918,625 of property taxes and \$36,452,669 of federal and state unrestricted aid.

Table 4
Net Cost of Governmental Activities
(in thousands of dollars)

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
EXPENSES		
Instruction	\$ 45,420	\$ (35,692)
Pupil and instructional services	5,479	(5,179)
Administrative services	21,896	(18,736)
Interest on debt	3,087	(3,087)
Other	10,199	(10,161)
Total expenses	<u>\$ 86,081</u>	<u>\$ (72,855)</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the District's financing requirements. Unassigned fund balances or lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The District completed the year with a total governmental fund balance of \$44,239,193 up from last year's ending fund balance of \$32,596,001. The District's unassigned fund balance, available for spending at the district's discretion was \$22,887,052.

The General Fund is the chief operating fund of the District. During the current fiscal year, the general fund saw a fund balance decrease of \$341,803, compared to an increase of \$1,453,948 in the prior year. The change is part of the District's commitment to maintaining a general fund that allows the district to meet its short-term cash flow needs due to timing of state aid and property tax receipt, without needing to borrow. The district has been able to meet its short term cash flow needs without borrowing since fiscal year 2011.

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

Consistent with current state statutes and regulations, an *original* budget is adopted in October following determination of the official student enrollment and certification of state aids. Generally, the original budget is not significantly modified, but minor adjustments are made for the reallocation of resources to respond to changing needs and for carryover revenue from state and federal grants.

The General Fund's *original* budget, based on actual student enrollments (and the resulting state-imposed revenue limit), contained revenues and other financing sources of \$74,627,116 and expenditures and other financing uses of \$63,831,300.

Actual results for the year show revenues and other financing sources exceeding expenditures and other financing uses by \$341,803, which is \$341,803 greater than the *original* budget. The District finished the year better than originally budgeted due a refund of prior year expenses from a HRA adjustment for forfeitures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$144,715,522 in capital assets, including land, buildings, furniture and equipment. Total accumulated depreciation on these assets was \$36,219,948. Asset acquisitions for governmental activities totaled \$4,149,449. The District recognized depreciation expense of \$2,928,528. Detailed information about capital assets can be found in Note 4 to the financial statements.

Table 5
Capital Assets
(in thousands of dollars)

	<u>2018</u>	<u>2017</u>
Land and construction in progress	\$ 2,951	\$ 34,695
Land improvements	2,242	3,874
Buildings and improvements	134,368	98,523
Furniture and equipment	4,638	3,525
Vehicles	517	-
Accumulated depreciation	<u>(36,220)</u>	<u>(33,342)</u>
Net capital assets	<u><u>\$ 108,496</u></u>	<u><u>\$ 107,275</u></u>

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

Long-Term Debt

At June 30, 2018, the District had \$107,485,227 in general obligation debt outstanding—an increase of \$13,381,489 from fiscal year 2017. Debt of the District is secured by a tax levy adopted by the school board at the time of issuance. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. Detailed information about the District's long-term obligations is presented in Note 5 to the financial statements.

Table 6
Outstanding Long-term Obligations
(in thousands of dollars)

	<u>2018</u>	<u>2017</u>
General obligation debt	\$ 107,485	\$ 94,104
Compensated absences	134	249
Other postemployment benefits	<u>32,672</u>	<u>31,612</u>
Net long-term obligations	<u>\$ 140,291</u>	<u>\$ 125,965</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

The following items may have a bearing on the future of the District:

- The State of Wisconsin, like most state and federal entities, continues to experience stagnant revenues for its operations, the largest being the funding of K-12 education. The District remains involved and informed about available state funding and potential changes in public education funding is committed to maintaining a strong financial position to address anticipated reduced state and federal funding.
- In order to meet the needs for facilities to meet continued projected student population growth, a new elementary school and a new secondary school building have been constructed. Increased operational costs for these new facilities are projected to be met by annual projected revenue growth currently provided within the state's school funding statutes. An updated population study was completed population study was completed in fiscal year 2016 in order to update the district's enrollment and facility needs projections for the 5-10 years. The study confirmed that the District's enrollment needs should be able to be met with the opening of the new elementary school and completion of the new secondary school campus.
- Managing its resources as efficiently as possible to maintain comprehensive, education program, and a strong financial position while appropriately maintaining current facilities and for anticipated growth continue to be the main goals of the Board of Education.

OAK CREEK-FRANKLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and For the Year Ended June 30, 2018

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Tim Culver, District Superintendent at (414) 768-5880 or t.culver@ocfsd.org

Andrew Chromy, Chief Business and Finance Officer at (414) 768-6140 or a.chromy@ocfsd.org

Additional information about the District and its services can also be found on the District's website at <https://www.ocfsd.org/>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	\$ 42,966,346
Accounts receivable	3,307,405
Interest receivable	34,960
Due from other governments	1,636,213
Inventories	28,828
Asset held for sale	266,170
Prepaid expenses	614,012
Restricted cash	2,534,823
Net pension asset	7,575,026
Capital assets not being depreciated	2,950,666
Capital assets being depreciated, net	105,544,908
	<hr/>
Total assets	167,459,357
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	20,867,428
Related to other postemployment benefits	1,175,937
Unamortized loss on refunding	823,673
	<hr/>
Total deferred outflows of resources	22,867,038
	<hr/>
LIABILITIES	
Accounts payable and other current liabilities	6,934,995
Accrued interest	711,492
Unearned revenues	214,569
Noncurrent liabilities:	
Due within one year	4,702,035
Due in more than one year	135,588,775
	<hr/>
Total liabilities	148,151,866
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DEFERRED INFLOWS OF RESOURCES	
Related to pension	23,112,295
Related to other postemployment benefits	40,698
	<hr/>
Total deferred inflows of resources	23,152,993
	<hr/>
NET POSITION	
Net investment in capital assets	1,834,020
Restricted	24,547,524
Unrestricted	(7,360,008)
	<hr/>
Total net position	\$ 19,021,536
	<hr/>

See accompanying notes.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

		Program Revenues		Net
		Charges for	Operating	(Expenses)
	Expenses	Services	Grants and	Revenues and
			Contributions	Changes in
				Net Position
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular instruction	\$ 34,336,953	\$ 1,510,040	\$ 5,114,169	\$ (27,712,744)
Vocational instruction	1,709,980	-	36,342	(1,673,638)
Physical instruction	2,121,721	-	-	(2,121,721)
Special education instruction	5,811,851	-	2,945,552	(2,866,299)
Other instruction	1,439,308	70,815	50,502	(1,317,991)
Total instruction	45,419,813	1,580,855	8,146,565	(35,692,393)
Support services				
Pupil services	3,482,184	61,874	23,737	(3,396,573)
Instructional staff services	1,997,289	-	214,835	(1,782,454)
General administrative services	1,306,519	-	-	(1,306,519)
Building administrative services	3,655,682	-	-	(3,655,682)
Business administrative services	16,933,501	2,041,653	1,118,151	(13,773,697)
Central services	2,058,937	-	-	(2,058,937)
Insurance and judgments	464,842	-	-	(464,842)
Other support services	7,672,119	-	37,783	(7,634,336)
Other non-program services	3,076	-	-	(3,076)
Interest on debt	3,087,301	-	-	(3,087,301)
Total support services	40,661,450	2,103,527	1,394,506	(37,163,417)
Total school district	\$ 86,081,263	\$ 3,684,382	\$ 9,541,071	(72,855,810)
GENERAL REVENUES				
TAXES				
Property taxes, levied for general purposes				25,865,380
Property taxes, levied for debt service				7,053,245
Other taxes				11,283
FEDERAL AND STATE AID NOT RESTRICTED				
General (equalization aid)				32,426,653
Other				4,026,016
Interest and investment earnings				400,345
Miscellaneous				492,207
Change in net position				(2,580,681)
Net Position—beginning of year				47,462,113
Prior period adjustments				(25,859,896)
Net Position—beginning of year, as restated				21,602,217
Net Position—end of year				\$ 19,021,536

See accompanying notes.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
BALANCE SHEET—GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 25,050,682	\$ 1,525,129	\$ 17,933,300	\$ 992,058	\$ 45,501,169
Accounts receivable	3,200,082	-	-	107,323	3,307,405
Interest receivable	34,960	-	-	-	34,960
Due from other governments	1,611,828	-	-	24,385	1,636,213
Due from other funds	5,400	321,527	-	-	326,927
Inventory	12,550	-	-	16,278	28,828
Asset held for sale	266,170	-	-	-	266,170
Prepaid expenditures	614,012	-	-	-	614,012
Total assets	\$ 30,795,684	\$ 1,846,656	\$ 17,933,300	\$ 1,140,044	\$ 51,715,684
LIABILITIES					
Accounts payable	\$ 1,046,771	\$ -	\$ 656,185	\$ 75,036	\$ 1,777,992
Accrued salaries and wages	236,836	-	-	23,675	260,511
Payroll taxes and withholdings	2,550,030	-	-	-	2,550,030
Due to other funds	321,527	-	5,400	-	326,927
Medical claims payable	2,341,455	-	-	-	2,341,455
Unearned revenues	-	-	-	214,569	214,569
Other liabilities	5,007	-	-	-	5,007
Total liabilities	6,501,626	-	661,585	313,280	7,476,491
FUND BALANCES					
Nonspendable	892,732	-	-	16,278	909,010
Restricted	-	1,846,656	17,271,715	810,486	19,928,857
Assigned	514,274	-	-	-	514,274
Unassigned	22,887,052	-	-	-	22,887,052
Total fund balances	24,294,058	1,846,656	17,271,715	826,764	44,239,193
Total liabilities and fund balances	\$ 30,795,684	\$ 1,846,656	\$ 17,933,300	\$ 1,140,044	\$ 51,715,684

See accompanying notes.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances—governmental funds	\$ 44,239,193
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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 the governmental funds:

Cost of capital assets	\$ 144,715,522
Accumulated depreciation	<u>(36,219,948)</u>

Net capital assets	108,495,574
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The net pension asset is not an available resource and therefore is not reported in the funds.	7,575,026
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Certain items, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	\$ (104,800,000)
Accrued interest payable	(711,492)
Unamortized premium on issuance of debt	(2,685,227)
Unamortized loss on refunding	823,673
Compensated absences	(133,524)
Other postemployment benefit liability	(32,672,059)
Deferred outflows related to pension	20,867,428
Deferred inflows related to pension	(23,112,295)
Deferred outflows related to other postemployment benefits	1,175,937
Deferred inflows related to other postemployment benefits	<u>(40,698)</u>

Total long-term obligations	<u>(141,288,257)</u>
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Total net position—governmental activities	<u>\$ 19,021,536</u>
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See accompanying notes.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 25,876,663	\$ 7,053,245	\$ -	\$ -	\$ 32,929,908
Local	924,797	21,648	124,354	2,634,037	3,704,836
Interdistrict payments	4,488,091	-	-	-	4,488,091
State	38,680,246	-	-	30,807	38,711,053
Federal	2,218,842	-	-	955,645	3,174,487
Other sources	467,915	-	24,292	-	492,207
Total revenues	72,656,554	7,074,893	148,646	3,620,489	83,500,582
EXPENDITURES					
Instruction					
Regular instruction	33,346,897	-	1,038,237	39,549	34,424,683
Vocational instruction	1,682,040	-	3,090	20,742	1,705,872
Physical instruction	2,121,721	-	-	-	2,121,721
Special education instruction	5,810,170	-	-	-	5,810,170
Other instruction	1,415,751	-	-	21,547	1,437,298
Total instruction	44,376,579	-	1,041,327	81,838	45,499,744
Support services					
Pupil services	3,479,039	-	-	3,145	3,482,184
Instructional staff services	1,892,430	-	68,720	36,139	1,997,289
General administrative services	1,304,507	-	-	-	1,304,507
Building administrative services	3,655,147	-	-	535	3,655,682
Business administrative services	10,779,377	-	759,988	2,523,365	14,062,730
Central services	1,739,494	-	302,497	-	2,041,991
Insurance and judgments	464,062	-	-	780	464,842
Other support services	4,537,935	-	-	1,045,123	5,583,058
Total support services	27,851,991	-	1,131,205	3,609,087	32,592,283
Capital outlay	448,260	-	3,630,622	70,567	4,149,449
Debt service					
Principal	-	21,600,000	-	-	21,600,000
Interest and fees	-	3,225,914	-	-	3,225,914
Total expenditures	72,676,830	24,825,914	5,803,154	3,761,492	107,067,390
Excess (deficiency) of revenues over (under) expenditures	(20,276)	(17,751,021)	(5,654,508)	(141,003)	(23,566,808)
Other financing sources (uses)					
Proceeds from long term debt	-	17,725,000	17,485,000	-	35,210,000
Transfers in (out)	(321,527)	321,527	-	-	-
Total other financing sources (uses)	(321,527)	18,046,527	17,485,000	-	35,210,000
Net change in fund balances	(341,803)	295,506	11,830,492	(141,003)	11,643,192
Fund balances—beginning of year	24,635,861	1,551,150	5,441,223	967,767	32,596,001
Fund balances—end of year	<u>\$ 24,294,058</u>	<u>\$ 1,846,656</u>	<u>\$ 17,271,715</u>	<u>\$ 826,764</u>	<u>\$ 44,239,193</u>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Net change in fund balances—total governmental funds		\$ 11,643,192
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay reported in governmental fund statements	\$ 4,149,449	
Depreciation expense reported in the statement of activities	(2,928,528)	
		1,220,921

Bond, note and capital lease proceeds are reported as financing sources in governmental funds and contribute to the change in fund balance. In the statement of net position issuing debt increases long-term liabilities and does not affect the statement of activities.

(35,210,000)

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

Bonds and notes		21,600,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Decrease in accrued interest payable	\$ 34,279	
Amortization of premium on issuance of debt	228,511	
Amortization of loss on refunding	(124,177)	
Net increase in other postemployment benefit liability	(1,211,998)	
Net decrease in compensated absences	115,654	
Net increase in pension expense	(877,063)	
		(1,834,794)

Change in net position of governmental activities		\$ (2,580,681)
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OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Cash and investments	<u>\$ 203,074</u>	<u>\$ 415,960</u>
LIABILITIES		
Due to student organizations	\$ -	\$ 352,051
Due to parent organizations	<u>-</u>	<u>63,909</u>
Total liabilities	<u>-</u>	<u>\$ 415,960</u>
NET POSITION		
Restricted	<u>\$ 203,074</u>	

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2018

	<u>Private Purpose Trust</u>
ADDITIONS	
Investment earnings	\$ 38,594
DEDUCTIONS	
Scholarships	<u>34,850</u>
Change in net position	3,744
Net Position—beginning of year	<u>199,330</u>
Net Position—end of year	<u><u>\$ 203,074</u></u>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Oak Creek-Franklin Joint School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Effective July 1, 2017, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 defines the net OPEB liability as the difference between the total OPEB liability and the value of assets set aside to pay benefits. A description of the postemployment benefit plan and the impact on the financial statements of the District is provided on page 37.

Reporting Entity

The District operates as a common school district under Chapter 120 of the Wisconsin Statutes. The District is governed by a seven member elected school board and is fiscally independent with taxing and borrowing powers. The District provides elementary, secondary, vocational, and special education services for kindergarten through grade 12.

As discussed in the detail below, the financial reporting entity consists of the primary government and organizations for which the primary government is financially accountable. All of the accounts of the District comprise the primary government.

This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

Basis of Presentation

District-Wide Financial Statements

The statement of net position and statement of activities present financial information about the District's governmental activities. They include all funds of the District except for fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. The District does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on the major governmental funds; each is displayed in a separate column. All remaining funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

General Fund

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

Debt Service Fund

Debt service fund is used to account for financial resources to be used for the payment of general long-term debt principal, interest, and related costs.

Capital Project Fund

Capital projects fund is used to account for financial resources of the District to be used for capital expenditures related to buildings and sites.

The District reports the following nonmajor governmental funds:

Special Revenue Funds

Special revenue funds are used to account and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specific purposes. The District reports the School Nutrition Services Fund, the Special Revenue Gift Fund, and the Community Service Fund as special revenue funds.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Improvements Fund

Capital improvements fund is used to account for financial resources of the District to be used for long-term capital expenditures related to buildings and sites.

Additionally, the District reports the following fund types:

Private-Purpose Trust Fund

Private-purpose trust fund is used to account for resources legally held in trust for student scholarships.

Agency Fund

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

Measurement Focus and Basis of Accounting

The district-wide and fiduciary fund statements (excluding the agency funds) are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. 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 funds, and general revenues. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement resources to such programs, followed by general revenues.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

The District may invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local governmental investment pool.

Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. 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, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds 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.

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, each County in the District's taxing jurisdiction purchases the outstanding property taxes of the District in August of each year. The 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. Property taxes are levied in November on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

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

Inventories and Prepaid Items

Governmental fund inventories are recorded at cost based on the first-in, first-out method using the purchases method of accounting. Inventories in the governmental fund types are recorded as expenditures when purchased rather than consumed. Donated United States Department of Agriculture (USDA) commodities are recorded as revenues and assets in the School Nutrition Services at fair value when originally donated by the USDA. When used by the schools, the commodities are expensed and related assets are reduced.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the district-wide and the fund financial statements.

Restricted Cash

Restrictions on cash are based on bond agreements and other external parties. Restricted cash and investments relate to unspent bond proceeds from the referendum in November 2014, for the purpose of construction and furnishing a new elementary school and a new secondary school.

Capital Assets

Capital assets are reported at historical cost or estimated historical cost. The District capitalizes all assets over \$5,000. Donated assets are recorded at the estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Land improvements	10 – 20
Buildings and improvements	50
Furniture and equipment	5 – 20
Vehicles	8

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows as of June 30, 2018 related to pension, other postemployment benefits activity, and unamortized loss on refunding.

In addition to liabilities, the balance sheet will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows as of June 30, 2018 related to pension and other postemployment benefits activity.

Compensated Absences and Other Employee Benefit Amounts

All vacation and sick pay is accrued when incurred in the district-wide financial statements. For governmental fund financial statements, the unpaid vested employee benefits are not expected to be paid using expendable available resources; therefore, the liability is not reported.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Postemployment Benefits Other Than Pensions (OPEB)

Local Retiree Life Insurance Fund

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

Health Insurance

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

Pensions

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

Long-Term Obligations

In the district-wide financial statements, bond premiums and discounts, as well as issuance costs and losses on refunding, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

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

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditures for claims and judgments

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are only reported in the governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year end.

Net Position

In the district-wide financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus unspent proceeds.

Restricted Net Position—Consists of Net Position with constraints placed on use by 1) external groups such as creditors, grantors, or contributors, or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position—All other Net Position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

Governmental fund equity is classified as fund balance. In the fund financial statements, fund balance is presented in five possible categories:

Nonspendable—Amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid items, assets held for resale, and long term receivables.

Restricted—Constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed—Resources that can only be used for specific purposes as the result of a formal action of the District’s highest level of decision-making authority. Any changes in the constraints imposed require the same formal action of the District that originally created the commitment. The Board of Education is the highest level of decision-making authority.

Assigned—Resources that are neither restricted nor committed for which the District has stated intended use as established by the Board of Education. Under the District’s adopted policy, the Board of Education may assign amounts for specific purposes at the recommendation of the Business Manager.

Unassigned—Resources that are available for any purpose. Unassigned amounts are only reported in the general fund.

Use of Restricted Resources

The District considers restricted amounts to be spent first when both restricted and unrestricted net position are available unless there are legal constraints that prohibit doing this. Additionally, the

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District considers amounts to be spent first out of committed amounts, then assigned and lastly unassigned amounts of restricted fund balance when expenditures are made.

The District has a formal minimum fund balance policy. That policy is to maintain a fund balance at an amount capable for funding short-term operations without the need to do short-term borrowing. The amount is included in unassigned general fund balance.

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.

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. The budgeted amounts presented include amendments adopted during the year. Transfers between functions and changes to the overall budget must be approved and amended by a resolution from the Board of Education. Appropriations lapse at year end unless specifically carried over.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures.

NOTE 2—CASH AND INVESTMENTS

As of June 30, 2018, cash and investments consist of the following:

	Fair Value	Carrying Value	Risk
Deposits with financial institutions	\$ 9,416,967	\$ 9,775,418	Custodial
Certificates of deposit	130,780	130,780	Custodial
Wisconsin Local Government Investment Pool	1,634,179	1,634,179	Credit and interest rate
WISC	35,514,144	34,579,626	Credit and interest rate
Petty Cash	-	200	
	<u>\$ 46,696,070</u>	<u>\$ 46,120,203</u>	

The District's cash and investments are reported in the financial statements as follows:

Statement of net position	
Governmental activities	\$ 45,501,169
Statement of fiduciary net position	
Trust Funds	203,074
Agency Fund	<u>415,960</u>
	<u>\$ 46,120,203</u>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2—CASH AND INVESTMENTS (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation. To limit credit risk, the District is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
 - a. Bonds or securities issued under the authority of the municipality;
 - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
 - c. Agreements in which a public depository agrees to repay funds advanced to it by the District, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
 - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
 - e. Repurchase agreements with public depositories, with certain conditions.

The District has adopted an investment policy which permits all investments authorized under state statutes as described above.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the District's investments will decrease as a result of an increase in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. As of June 30, 2018, fixed income, equity fund, and mutual fund investments have a maturity of 2 years or less.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2—CASH AND INVESTMENTS (continued)

Custodial Credit Risk

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2018, \$9,166,967 of the District's deposits with financial institutions were uninsured and uncollateralized. The District does not have a custodial risk policy for deposits.

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

The District had the following recurring fair value measurements as of June 30, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
WISC	<u>\$ 20,324,892</u>	<u>\$ 20,324,892</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires collection from to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts the general fund as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 3—INTERFUND ADVANCES AND TRANSFERS

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Capital projects	\$ 5,400
Debt service	General fund	321,527
Total		<u>\$ 326,927</u>

For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

The following balances as of June 30, 2018 represent transfers in/out between all funds:

<u>Transferred to</u>	<u>Transferred from</u>	<u>Amount</u>
Special education Fund	General fund	\$ 5,355,830
Debt service	General fund	321,527
Total		<u>\$ 5,677,357</u>

The transfer from the General Fund to the Special Education Fund was made to cover the current year operating deficit for the Special Education Fund. The transfer from the General Fund to the Debt Service Fund was made to cover current year debt service payments.

NOTE 4—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 2,950,666	\$ -	\$ -	\$ -	\$ 2,950,666
Construction in progress	33,004,089	(33,004,089)	-	-	-
Total capital assets not being depreciated	35,954,755	(33,004,089)	-	-	2,950,666
Capital assets being depreciated					
Land improvements	3,873,555	(1,631,058)	-	-	2,242,497
Building and improvements	97,263,356	33,385,099	3,720,020	-	134,368,475
Furniture and equipment	3,525,120	795,760	368,132	(50,713)	4,638,299
Vehicles	-	454,288	61,297	-	515,585
Total capital assets being depreciated	104,662,031	33,004,089	4,149,449	(50,713)	141,764,856
Less accumulated depreciation	33,342,133	-	2,928,528	(50,713)	36,219,948
Total capital assets being depreciated—net	71,319,898	33,004,089	1,220,921	-	105,544,908
Governmental activity capital assets-net	<u>\$ 107,274,653</u>	<u>\$ -</u>	<u>\$ 1,220,921</u>	<u>\$ -</u>	<u>\$ 108,495,574</u>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 4—CAPITAL ASSETS (continued)

Depreciation expense for governmental activities for the year ended June 30, 2018 was charged to functions as follows:

Instruction	
Regular	\$ 27,924
Vocational	4,108
Special education	1,681
Other	2,010
Support Services	
General administration services	2,012
Business administration services	2,870,771
Central services	16,946
Non-program Services	3,076
Total depreciation	<u>\$ 2,928,528</u>

NOTE 5—LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/18	Due Within One Year
General obligation bonds	\$ 91,190,000	\$ 35,210,000	\$ 21,600,000	\$ 104,800,000	\$ 4,340,000
Unamortized bond premiums	2,913,738	-	228,511	2,685,227	228,511
Total bonds	94,103,738	35,210,000	21,828,511	107,485,227	4,568,511
Other Liabilities:					
Other postemployment benefits	31,612,142	1,059,917	-	32,672,059	-
Compensated absences	249,178	-	115,654	133,524	133,524
Total other liabilities	31,861,320	1,059,917	115,654	32,805,583	133,524
Total long-term liabilities	<u>\$ 125,965,058</u>	<u>\$ 36,269,917</u>	<u>\$ 21,944,165</u>	<u>\$ 140,290,810</u>	<u>\$ 4,702,035</u>

Total long-term debt interest paid and expensed (including accrual) for the year ended June 30, 2018 was \$3,013,538 and \$2,979,259, respectively.

All general obligation debt is secured by the full faith and credit and taxing powers of the District. Long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$3,802,114,900. Wisconsin State Statute 67.03 limits total general obligation indebtedness of the District to ten percent of the equalized value of taxable property within the District's jurisdiction.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 5—LONG-TERM OBLIGATIONS (continued)

The legal debt limit, as of June 30, 2018 was as follows:

Debt limit (10% of \$3,802,114,900)	\$ 380,211,490
Less: long-term debt applicable to debt margin:	<u>104,800,000</u>
Margin of indebtedness:	<u><u>\$ 275,411,490</u></u>

General obligation debt at June 30, 2018 is comprised of the following individual issues:

Description	Issue Date	Interest Rate (%)	Date of Maturity	Original Amounts	Balance 6/30/2018
G.O. refunding bonds	8/2/2010	1.0-5.25%	4/1/2026	\$ 3,865,000	\$ 2,130,000
G.O. refunding bonds	8/2/2010	1.0-5.25%	4/1/2028	1,055,000	700,000
G.O. refunding bonds	11/1/2010	2.0-4.0%	4/1/2024	5,590,000	2,570,000
G.O. refunding bonds	3/3/2014	2.00-2.375%	4/1/2024	6,175,000	3,585,000
G.O. refunding bonds 2014B	12/30/2014	2.00-3.00%	4/1/2027	3,825,000	3,645,000
G.O. school building bonds 2015A	4/1/2015	3.00-4.00%	4/1/2035	59,095,000	57,195,000
G.O. refunding bonds 2015B	4/1/2015	2.00-2.375%	4/1/2027	15,210,000	13,415,000
G.O. refunding bonds	2/1/2016	1.00-2.00%	4/1/2021	4,830,000	3,835,000
G.O. refunding bonds - EE	1/29/2018	1.86-2.06%	4/1/2032	17,725,000	<u>17,725,000</u>
					<u><u>\$ 104,800,000</u></u>

Debt service requirements to maturity on general obligation debt are as follows:

Year Ended June 30	G.O. Bonds Principal	G.O. Bonds Interest	Total
2019	\$ 4,340,000	\$ 3,448,981	\$ 7,788,981
2020	4,930,000	3,271,629	8,201,629
2021	5,300,000	3,140,681	8,440,681
2022	5,655,000	2,990,483	8,645,483
2023	6,010,000	2,820,643	8,830,643
2024-2028	32,780,000	11,176,199	43,956,199
2029-2033	33,570,000	5,727,037	39,297,037
2034-2035	<u>12,215,000</u>	<u>691,313</u>	<u>12,906,313</u>
	<u><u>\$ 104,800,000</u></u>	<u><u>\$ 33,266,966</u></u>	<u><u>\$ 138,066,966</u></u>

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, \$355,000 of debt outstanding is considered defeased.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

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.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

The Core and Variable annuity adjustments granted during recent years are as follows:

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the reporting period, the WRS recognized \$2,538,066 in contributions from the employer which equaled required contributions.

Contribution rates as of June 30, 2018 are as follows:

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

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

At June 30, 2018, the District reported an asset of \$7,575,026 for its proportionate share of the net pension asset. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No Material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At December 31, 2017, the District’s proportion was 0.251271%, which was a decrease of 0.005662% from its proportion measured as of December 31, 2016. For the year ended June 30, 2018, the District recognized pension expense of \$877,063.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,624,259	\$ (4,501,909)
Changes in assumptions	1,496,677	-
Net differences between projected and actual earnings on pension plan investments	8,107,478	(18,518,647)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(91,739)
Employer contributions subsequent to the measurement date	1,639,014	-
Total	<u>\$ 20,867,428</u>	<u>\$ (23,112,295)</u>

\$1,639,014 reported as deferred outflows related to pension resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 7,690,122	\$ (6,918,048)
2019	6,803,998	(6,904,920)
2020	2,440,623	(5,044,896)
2021	2,275,497	(4,244,404)
2022	18,174	(27)
	<u>\$ 19,228,414</u>	<u>\$ (23,112,295)</u>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

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

Actuarial assumptions are based upon an experience study conducted in 2016 using experience from 2012 – 2014. The total pension asset for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	50%	8.2%	5.3%
Fixed income	24.5	4.2	1.4
Inflation sensitive assets	15.5	3.8	1.0
Real estate	8	6.5	3.6
Private equity/debt	8	9.4	6.5
Multi-asset	4	6.5	3.6
Total core fund	110%	7.3%	4.4%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.5%	4.6%
International equities	30	7.8	4.9
Total variable fund	100%	7.9%	5.0%

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

Single discount rate. A single discount rate of 7.3% 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 7.3% and a long term bond rate of 4.4%. Because of the unique structure of WRS, the 7.3% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
The District’s proportionate share of net pension asset	\$ 19,599,179	\$ (7,575,026)	\$ (28,228,263)

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://legis.wisconsin.gov/lab/>.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

Local Retiree Life Insurance Fund

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

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

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

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)

Contributions

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

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

Contribution rates as of June 30, 2018 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

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

Life Insurance
Employee Contribution Rates
For the year ended December 31, 2017

<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$9,004 in contributions from the District.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)

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

At June 30, 2018, the District reported a liability of \$1,426,636 or its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.47418900%, which was an increase of 0.01458800% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$141,384.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ (20,101)
Net differences between projected and investment earnings on plan investments	16,427	-
Changes in actuarial assumptions	137,859	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,714	-
Employer contributions subsequent to the measurement date	<u>4,502</u>	<u>-</u>
Total	<u>\$ 189,502</u>	<u>\$ (20,101)</u>

\$4,502 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 29,922	\$ (3,078)
2019	29,922	(3,078)
2020	29,922	(3,078)
2021	29,922	(3,078)
2022	25,815	(3,078)
2023	25,815	(3,078)
2024	13,682	(1,633)
	<u>\$ 185,000</u>	<u>\$ (20,101)</u>

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

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Net OPEB Liability	December 31, 2017
Actuarial Cost Method:	Entry age normal
20 Year Tax-Exempt Municipal Bond Yield	3.44%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	3.63%
Salary Increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

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

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)

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

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

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

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

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
The District's proportionate share of net OPEB liability	\$ 2,016,378	\$ 1,426,636	\$ 974,070

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

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)

Health Insurance

Plan Description

Plan administration. The District provides other post-employment benefits (OPEB) for its benefits to eligible employees and their spouses. Benefits and eligibility are established and amended by the Board of Education.

Plan membership. At June 30, 2017, the date of the latest actuarial valuation, there were approximately 581 active plan members and 77 inactive plan members currently receiving benefits. Employees hired after July 1, 2009 were not eligible to participate in the OPEB plan.

Contributions. Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. The required contribution is based on a pay-as-you-go basis, with additional amounts to prefund benefits as determined annually by the District. For the year ended June 30, 2017, the measurement date, the District contributed \$1,287,320.

Net OPEB Liability

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

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.20%
Investment rate of return	3.20% based upon all years of projected payments discounted at a 3.20% long-term expected rate of return
Healthcare cost trend rates	5.70% decreasing by 0.10% per year down to 5.50%, then by 0.20% per year down to 5.30%, then by .70% per year down to 4.60%, and level thereafter.

The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2009-2011. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The long-term expected rate of return on OPEB plan investments. Since the District currently holds assets in fixed income funds or as cash equivalents, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount rate. The discount rate of 3.20% was used in calculating the District's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.20%). This rate is equivalent to the Bond Buyer GO 20-year AA Bond Index published by the Federal Reserve as of the week of the measurement date. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)

plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the OPEB Liability

Balances at 6/30/2016	\$ 30,496,291
Changes for the year:	
Service Cost	1,067,602
Interest	989,447
Differences between expected and actual experience	(20,597)
Benefit payments	(1,287,320)
Net changes	749,132
Balances at 6/30/2017	\$ 31,245,423

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.2 percent) or 1-percentage-point higher (4.2 percent) than the current discount rate:

	1% Decrease to Discount Rate (2.2%)	Current Discount Rate (3.2%)	1% Increase to Discount Rate (4.2%)
Net OPEB liability	\$ 32,265,733	\$ 31,245,423	\$ 29,509,510

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.7 percent decreasing to 3.6 percent) or 1-percentage-point higher (6.7 percent decreasing to 5.6 percent) than the current healthcare cost trend rates:

	1% Decrease (4.7% decreasing to 3.6%)	Healthcare Cost Trend Rates (5.7% decreasing to 4.6%)	1% Increase (6.7% decreasing to 5.6%)
Net OPEB liability	\$ 28,921,911	\$ 31,245,423	\$ 33,073,081

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$1,070,614.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,597
Employer contributions subsequent to the measurement date	986,435	-
Total	<u>\$ 986,435</u>	<u>\$ 20,597</u>

\$986,435 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

NOTE 8—GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at June 30, 2018 consist of the following:

Net investment in capital assets	\$ 1,834,020
Restricted	
Capital projects	17,271,715
Net pension	5,330,159
Debt service	1,135,164
Capital improvements	402,594
Donor restrictions	231,506
Nutrition services	156,395
Community services	19,991
Total restricted	24,547,524
Unrestricted	(7,360,008)
Total governmental activities net position	<u>\$ 19,021,536</u>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the financial statements at June 30, 2018 include the following:

Nonspendable		
General fund		
Prepaid expenditures	\$	614,012
Asset held for sale		266,170
Inventories		12,550
Nutrition services		
Inventories		16,278
Total nonspendable fund balance		909,010
Restricted		
Capital projects		17,271,715
Debt service		1,846,656
Capital improvements		402,594
Special purpose		231,506
Nutrition services		156,395
Community services		19,991
Total restricted		19,928,857
Assigned		
Capital carryovers		282,571
Encumbered reserve		231,703
Total assigned		514,274
Unassigned		22,887,052
Total governmental fund balance	\$	44,239,193

NOTE 10—RISK MANAGEMENT

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

Self-Insurance

Effective January 1, 2017, the District became self-insured for medical and dental claims. For medical claims, the uninsured risk of loss is \$150,000 per incident and \$1,000,000 in the aggregate for a policy year. The district has purchased commercial insurance claims in excess of those amounts.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The District does not allocate overhead costs or other non-incremental costs to the claims liability.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 10—RISK MANAGEMENT (continued)

The claims liability at June 30, 2018 consisted of the following:

Beginning balance	\$ 670,136
Current year claims and changes in estimates	19,847,548
Claim payments	<u>(19,896,036)</u>
Ending balance	<u>\$ 621,648</u>

NOTE 11—LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin Statutes limit the amount of revenues that school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature. 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 a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

NOTE 12—COMMITMENTS AND CONTINGENCIES

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

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such 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. The District has \$231,703 of encumbrances assigned in the general fund at year end related to unperformed contracts for goods or services.

NOTE 13—SUBSEQUENT EVENT

On August 6, 2018, the District sold the asset held for sale for \$300,000, which resulted in a gain of \$33,830.

NOTE 14—PRIOR PERIOD ADJUSTMENT

The Government Accounting Standards Board (GASB) issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Under GASB 75, the District is required to disclose the net OPEB liability and related deferred inflows and outflows on the statement of net position. As a result, an adjustment of \$27,119,613, was made to decrease the June 30, 2017 net position of the Government Activities on the statement of activities based on the net OPEB liability and related deferred outflows of resources balances as of June 30, 2017.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 14—PRIOR PERIOD ADJUSTMENT (continued)

The District incurred capital outlay expenditures in the prior year that were not capitalized. As a result, an adjustment of \$1,259,717 was made to increase the June 30, 2017 net position of the Government Activities on the statement of activities based on the capital assets balance as of June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL—GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 25,865,380	\$ 25,865,380	\$ 25,876,663	\$ 11,283
Local	728,000	728,000	924,797	196,797
Interdistrict payments	4,525,281	4,525,281	4,488,091	(37,190)
State	36,836,685	36,836,685	36,910,942	74,257
Federal	1,093,412	1,093,412	1,042,594	(50,818)
Other sources	180,450	180,450	467,384	286,934
Total revenues	69,229,208	69,229,208	69,710,471	481,263
EXPENDITURES				
Instruction				
Regular instruction	33,202,624	33,202,624	33,477,417	(274,793)
Vocational instruction	1,967,338	1,967,338	1,692,240	275,098
Physical instruction	2,124,297	2,124,297	2,121,721	2,576
Other instruction	1,246,178	1,246,178	1,415,751	(169,573)
Total instruction	38,540,437	38,540,437	38,707,129	(166,692)
Support services				
Pupil services	2,141,280	2,141,280	2,035,384	105,896
Instructional staff services	1,709,135	1,709,135	1,622,310	86,825
General administrative services	1,167,236	1,167,236	1,304,507	(137,271)
Building administrative services	3,674,396	3,674,396	3,655,147	19,249
Business administrative services	10,747,656	10,747,656	10,785,665	(38,009)
Central services	1,724,472	1,724,472	1,773,205	(48,733)
Insurance and judgments	540,000	540,000	464,062	75,938
Other support services	3,586,688	3,586,688	4,027,508	(440,820)
Total support services	25,290,863	25,290,863	25,667,788	(376,925)
Total expenditures	63,831,300	63,831,300	64,374,917	(543,617)
Excess (deficiency) of revenues over (under) expenditures	5,397,908	5,397,908	5,335,554	(62,354)
Other financing sources (uses)				
Transfers in (out)	(5,397,908)	(5,397,908)	(5,677,357)	(279,449)
Net change in fund balances	-	-	(341,803)	(341,803)
Fund balances—beginning of year	24,635,861	24,635,861	24,635,861	-
Fund balances—end of year	<u>\$ 24,635,861</u>	<u>\$ 24,635,861</u>	<u>\$ 24,294,058</u>	<u>\$ (341,803)</u>

See accompanying notes to required supplementary information.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
Year Ended June 30, 2018

SOURCES/INFLOWS OF RESOURCES:

Actual General Fund operating revenues from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 69,710,471
Reclassification: Special Education Fund revenues are included in the General Fund, required for GAAP reporting	<u>2,946,083</u>
General Fund revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 72,656,554</u>

USES/OUTFLOWS OF RESOURCES:

Actual General Fund expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 64,374,917
Reclassification: Special Education Fund expenditures are included in the General Fund, required for GAAP reporting	<u>8,301,913</u>
General Fund expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 72,676,830</u>

See accompanying notes to required supplementary information.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
LOCAL RETIREE LIFE INSURANCE FUND
LAST 10 FISCAL YEARS*

	2017
The District's proportion of the net OPEB liability	0.474189%
The District's proportionate share of the net OPEB liability	\$ 1,426,636
The District's covered-employee payroll	\$ 19,941,004
Plan fiduciary net position as a percentage of the total OPEB liability	44.81%

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

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	<u>2017</u>
Service cost	\$ 1,067,602
Interest	989,447
Differences between expected and actual experience	(20,597)
Benefit payments	<u>(1,287,320)</u>
Net Change in OPEB Liability	749,132
Total OPEB liability - beginning	<u>30,496,291</u>
Total OPEB liability - ending	<u><u>\$ 31,245,423</u></u>

See accompanying notes to required supplementary information.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	12/31/17	12/31/16	12/31/15	12/31/14
The District's proportion of the net pension liability (asset)	0.255127%	0.256934%	0.259410%	0.255273%
The District's proportionate share of the net pension liability (asset)	\$ (7,575,026)	\$ 2,117,747	\$ 4,215,354	\$ (6,270,193)
The District's covered-employee payroll	\$ 37,324,502	\$ 36,007,614	\$ 37,656,340	\$ 35,262,069
The District's proportionate share as a percentage of covered payroll	20.30%	5.88%	11.19%	17.78%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.93%	102.74%	98.20%	99.12%

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

SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	6/30/18	6/30/17	6/30/16	6/30/15
Contractually required contributions	\$ 2,538,066	\$ 2,532,781	\$ 2,470,049	\$ 2,457,757
Contributions in relation to the contractually required contributions	\$ 2,538,066	\$ 2,532,781	\$ 2,470,049	\$ 2,457,757
The District's covered-employee payroll	\$ 39,329,481	\$ 37,788,734	\$ 36,883,678	\$ 35,713,656
Contributions as a percentage of covered-employee payroll	6.45%	6.70%	6.70%	6.88%

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

See accompanying notes to required supplementary information.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting as described in Note 1 to the financial statements. Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the function level in the general fund and at the fund level for all other funds. Appropriations lapse at year end unless specifically carried over.

Excess Expenditures Over Appropriations

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

Regular instruction	\$ 274,793
Other instruction	169,573
General administrative services	137,271
Business administrative services	38,009
Central services	48,733

NOTE 2—WRS SCHEDULE OF CONTRIBUTIONS

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

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

NOTE 3— NET OPEB LIABILITY AND RELATED RATIOS ASSUMPTIONS

Methods and assumptions used to determine OPEB contribution rates are as follows:

Actuarial Valuation Date:	July 1, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry age normal
Asset Valuation Method:	Fair Market Value
Amortization Method:	12 year Level \$
Amortization Growth Rate:	3.2%
Discount Rate:	3.2%
Inflation:	3.2%

NOTE 4—OPEB SCHEDULE OF CONTRIBUTIONS

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

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

OTHER SUPPLEMENTARY INFORMATION

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
COMBINING BALANCE SHEET—GENERAL FUND
June 30, 2018

	General Operating Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$ 25,050,682	\$ -	\$ 25,050,682
Accounts receivable	3,200,082	-	3,200,082
Interest receivable	34,960	-	34,960
Due from other governments	1,299,565	312,263	1,611,828
Due from other funds	5,400	-	5,400
Inventory	12,550	-	12,550
Asset held for sale	266,170	-	266,170
Prepaid expenditures	553,356	60,656	614,012
	<u>553,356</u>	<u>60,656</u>	<u>614,012</u>
Total assets	<u><u>\$ 30,422,765</u></u>	<u><u>\$ 372,919</u></u>	<u><u>\$ 30,795,684</u></u>
LIABILITIES			
Accounts payable	\$ 674,304	\$ 372,467	\$ 1,046,771
Accrued salaries and wages	236,384	452	236,836
Payroll taxes and withholdings	2,550,030	-	2,550,030
Due to other funds	321,527	-	321,527
Medical claims payable	2,341,455	-	2,341,455
Other liabilities	5,007	-	5,007
	<u>5,007</u>	<u>-</u>	<u>5,007</u>
Total liabilities	6,128,707	372,919	6,501,626
FUND BALANCES			
Nonspendable	832,076	60,656	892,732
Assigned	514,274	-	514,274
Unassigned	22,947,708	(60,656)	22,887,052
	<u>22,947,708</u>	<u>(60,656)</u>	<u>22,887,052</u>
Total fund balances	<u>24,294,058</u>	<u>-</u>	<u>24,294,058</u>
Total liabilities and fund balances	<u><u>\$ 30,422,765</u></u>	<u><u>\$ 372,919</u></u>	<u><u>\$ 30,795,684</u></u>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—GENERAL FUND
Year Ended June 30, 2018

	General Operating Fund	Special Education Fund	Total General Fund
REVENUES			
Taxes	\$ 25,876,663	\$ -	\$ 25,876,663
Local	924,797	-	924,797
Interdistrict payments	4,488,091	-	4,488,091
State	36,910,942	1,769,304	38,680,246
Federal	1,042,594	1,176,248	2,218,842
Other sources	467,384	531	467,915
Total revenues	69,710,471	2,946,083	72,656,554
EXPENDITURES			
Instruction			
Regular instruction	33,346,897	-	33,346,897
Vocational instruction	1,682,040	-	1,682,040
Physical instruction	2,121,721	-	2,121,721
Special education instruction	-	5,810,170	5,810,170
Other instruction	1,415,751	-	1,415,751
Total instruction	38,566,409	5,810,170	44,376,579
Support services			
Pupil services	2,035,384	1,443,655	3,479,039
Instructional staff services	1,622,310	270,120	1,892,430
General administrative services	1,304,507	-	1,304,507
Building administrative services	3,655,147	-	3,655,147
Business administrative services	10,511,836	267,541	10,779,377
Central services	1,739,494	-	1,739,494
Insurance and judgments	464,062	-	464,062
Other support services	4,027,508	510,427	4,537,935
Total support services	25,360,248	2,491,743	27,851,991
Capital outlay	448,260	-	448,260
Total expenditures	64,374,917	8,301,913	72,676,830
Excess (deficiency) of revenues over (under) expenditures	5,335,554	(5,355,830)	(20,276)
Other financing sources (uses)			
Transfers in (out)	(5,677,357)	5,355,830	(321,527)
Net change in fund balances	(341,803)	-	(341,803)
Fund balances—beginning of year	24,635,861	-	24,635,861
Fund balances—end of year	\$ 24,294,058	\$ -	\$ 24,294,058

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Special Revenue Trust	School Nutrition Services	Community Services	Capital Improvements	
ASSETS					
Cash and investments	\$ 232,703	\$ 41,885	\$ 314,876	\$ 402,594	\$ 992,058
Accounts receivable	16,990	90,125	208	-	107,323
Due from other governments	-	24,385	-	-	24,385
Inventory	-	16,278	-	-	16,278
Total assets	\$ 249,693	\$ 172,673	\$ 315,084	\$ 402,594	\$ 1,140,044
LIABILITIES					
Accounts payable	\$ 18,187	\$ -	\$ 56,849	\$ -	\$ 75,036
Accrued salaries and wages	-	-	23,675	-	23,675
Unearned revenue	-	-	214,569	-	214,569
Total liabilities	18,187	-	295,093	-	313,280
FUND BALANCES					
Nonspendable	-	16,278	-	-	16,278
Restricted	231,506	156,395	19,991	402,594	810,486
Total fund balances	231,506	172,673	19,991	402,594	826,764
Total liabilities and fund balances	\$ 249,693	\$ 172,673	\$ 315,084	\$ 402,594	\$ 1,140,044

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES—NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Special Revenue Trust	School Nutrition Services	Community Services	Capital Improvements	
REVENUES					
Local	\$ 148,364	\$ 1,498,655	\$ 985,026	\$ 1,992	\$ 2,634,037
State	-	30,807	-	-	30,807
Federal	-	955,645	-	-	955,645
Total revenues	148,364	2,485,107	985,026	1,992	3,620,489
EXPENDITURES					
Instruction					
Regular instruction	39,549	-	-	-	39,549
Vocational instruction	20,742	-	-	-	20,742
Other instruction	21,547	-	-	-	21,547
Total instruction	81,838	-	-	-	81,838
Support services					
Pupil services	3,145	-	-	-	3,145
Instructional staff services	36,139	-	-	-	36,139
Building administrative services	535	-	-	-	535
Business administrative services	3,205	2,513,701	6,459	-	2,523,365
Insurance and judgments	-	780	-	-	780
Other support services	-	1,452	1,043,671	-	1,045,123
Total support services	43,024	2,515,933	1,050,130	-	3,609,087
Capital outlay	17,515	53,052	-	-	70,567
Total expenditures	142,377	2,568,985	1,050,130	-	3,761,492
Net change in fund balances	5,987	(83,878)	(65,104)	1,992	(141,003)
Fund balances—beginning of year	225,519	256,551	85,095	400,602	967,767
Fund balances—end of year	<u>\$ 231,506</u>	<u>\$ 172,673</u>	<u>\$ 19,991</u>	<u>\$ 402,594</u>	<u>\$ 826,764</u>

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES—AGENCY FUNDS
Year Ended June 30, 2018

	Balance 7/1/2017	Additions	Deductions	Balance 6/30/2018
ASSETS				
Cash and investments	\$ 446,823	\$ 1,522,921	\$ 1,553,784	\$ 415,960
LIABILITIES				
Due to student organizations				
Senior High School	\$ 301,480	\$ 1,092,613	\$ 1,160,471	\$ 233,622
Elementary/Middle Schools	94,392	417,350	393,313	118,429
Due to parent organizations	50,951	12,958	-	63,909
Total liabilities	\$ 446,823	\$ 1,522,921	\$ 1,553,784	\$ 415,960

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
AND OTHER AUDITORS' REPORTS**

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant ID	Passed through to Subrecipients	Accrued or (Unearned) Revenue at 7/1/17	Receipts	Expenditures	Accrued or (Unearned) Revenue at 6/30/18
Department of Agriculture							
Pass-through program from Wisconsin Department of Public Instruction							
Child Nutrition Cluster							
School Breakfast Program	10.553	2018-404018-SB-546	\$ -	\$ 10,275	\$ 66,915	\$ 59,080	\$ 2,440
National School Lunch Program - Food Commodities	10.555	2018-404018-SB-546	-	-	194,632	194,632	-
National School Lunch Program	10.555	2018-404018-SB-546	-	111,606	791,594	701,933	21,945
Total Department of Agriculture			-	121,881	1,053,141	955,645	24,385
Department of Education							
Pass-through program from Wisconsin Department of Public Instruction							
ESEA Title I-A Basic	84.010	18-404018-Title I-141	-	636,046	1,094,394	542,996	84,648
Special Education Cluster							
PL94-142 Flow Thru	84.027	2018-404018-IDEA-341	-	905,502	1,570,708	947,442	282,236
PL94-142 Flow Thru - CEIS	84.027	2018-404018-IDEA-341	-	152,163	274,893	122,730	-
High Cost Special Ed	84.027	2018-404018-IDEA-341	-	-	11,799	11,799	-
PL99-457 Preschool Entitlement	84.173	2018-404018-Pre-S-347	-	34,914	61,141	37,143	10,916
Total Special Education Cluster			-	1,092,579	1,918,541	1,119,114	293,152
Special Education State Improvement Grant	84.323	2018-404018-SPDG-349	-	16,000	22,649	14,920	8,271
Improving Teacher Quality Grants	84.367	2018-404018-Title II-365	-	62,231	105,248	128,023	85,006
English Language Acquisition State Grants	84.365	2018-404018-Title III A-391	-	30,011	46,472	30,202	13,741
Pass-through program from School District of South Milwaukee							
Career and Technical Education - Basic Grants to States	84.048	N/A	-	35,432	64,315	28,883	-
Total Department of Education			-	1,872,299	3,251,619	1,864,138	484,818
Department of Health and Human Services							
Pass-through program from Wisconsin Medicaid and Badgercare Programs							
Medical Assistance Program	93.778	44219700	-	34,682	404,988	383,587	13,281
Total federal programs			\$ -	\$ 2,028,862	\$ 4,709,748	\$ 3,203,370	\$ 522,484

See accompanying notes to schedules of expenditures of federal and state awards.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2018

State Grantor/ Program Title	State Identifying Number	Grant ID	Passed through to Subrecipients	Accrued or (Unearned) Revenue at 7/1/17	Receipts	Expenditures	Accrued or (Unearned) Revenue at 6/30/18
Wisconsin Department of Public Instruction							
Special Education and School Age Parents	255.101	404018-100	\$ -	\$ -	\$ 1,723,790	\$ 1,723,790	\$ -
State School Lunch Aid	255.102	404018-107	-	-	27,045	27,045	-
Common School Fund Library Aid	255.103	404018-104	-	-	214,835	214,835	-
General Transportation Aid for Public School Pupils	255.107	404018-102	-	-	131,699	131,699	-
Equalization Aids	255.201	404018-116	-	551,089	32,425,756	32,426,643	551,976
Integration Transfer Aid	255.204	404018-106	-	-	717,747	717,747	-
High Cost Special Education Aid	255.210	404018-119	-	-	45,514	45,514	-
State School Breakfast Aid	255.344	404018-108	-	-	3,762	3,762	-
Per Pupil Aid	255.945	404018-113	-	-	2,835,450	2,835,450	-
Educator Effective Eval Sys Grants Public	255.940	404018-154	-	-	36,720	36,720	-
Career and Technical Education Incentive Grants	255.950	404018-152	-	-	41,176	41,176	-
Assessments of Reading Readiness	255.956	404018-166	-	-	31,172	31,172	-
Robotics Lead Participation Grants Public	255.959	404018-167	-	-	2,671	2,671	-
Total Wisconsin Department of Public Instruction			-	551,089	38,237,337	38,238,224	551,976
Wisconsin Department of Revenue							
Exempt Computer Aid			-	765,969	765,969	472,819	472,819
Total State Programs			\$ -	\$ 1,317,058	\$ 39,003,306	\$ 38,711,043	\$ 1,024,795

See accompanying notes to schedules of expenditures of federal and state awards.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2018

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of the District under programs of the federal government and state agencies for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and *State Single Audit Guidelines*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3—INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, there were no commodities in inventory at the District.

NOTE 5—OVERSIGHT AGENCIES

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

NOTE 6—ELIGIBLE COSTS FOR SPECIAL EDUCATION

Eligible costs for special education under project 011 were \$7,066,039 for the year ended June 30, 2018.

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

There were no prior year audit findings.



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

To the Board of Education
Oak Creek-Franklin Joint School District
Oak Creek, 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 Oak Creek-Franklin Joint School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Oak Creek-Franklin Joint School District's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oak Creek-Franklin Joint School 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 Oak Creek-Franklin Joint School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oak Creek-Franklin Joint School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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Purpose of this Report

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 30, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

To the Board of Education
Oak Creek-Franklin Joint School District
Oak Creek, Wisconsin

Report on Compliance for Each Major Federal Program and Each Major State Program

We have audited the Oak Creek-Franklin Joint School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on the Oak Creek-Franklin Joint School District's major federal program and each major state program for the year ended June 30, 2018. Oak Creek-Franklin Joint School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Oak Creek-Franklin Joint School District's major federal program and its major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Guidelines*. Those standards, the Uniform Guidance, and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the Oak Creek-Franklin Joint School 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 the major federal program and the major state program. However, our audit does not provide a legal determination of the Oak Creek-Franklin Joint School District's compliance.

Opinion on Each Major Federal and Each Major State Program

In our opinion, the Oak Creek-Franklin Joint School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program and each of its major state program for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

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

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

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

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 30, 2018

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

State Awards

Internal control over major state programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported? No

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Identification of major state programs:

State Identifying Number	Name of State Program
255.201	Equalization Aids

Section II—Financial Statement Findings

Condition: A sample of 80 payroll and cash disbursement transactions were selected for testing. The testing found 2 payments that were not supported by proper approval.

Criteria: Payroll and cash disbursement expenditures should be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated to the correct accounts.

Cause of Condition: Procedures requiring supervisor review and approval of expenditures were not enforced District-wide.

Potential Effect of Condition: Expenditures could be incorrectly paid.

Recommendation: All expenditures should be approved by an appropriate person prior to payment.

Client Response. The lack of approvals occurred during turnover of employees as well as accounting data being transferred to a new accounting software. As of year-end, the internal control deficiency has been fixed.

Section III—Federal and State Award Findings and Questioned Costs

No matters were reported.

Section IV—Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, 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 *State Single Audit Guidelines*:

Department of Public Instruction No

OAK CREEK-FRANKLIN JOINT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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

No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

November 30, 2018