

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2018

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**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

Year Ended June 30, 2018

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David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt



Patrick G. Hoffert  
Jason J. Wrasse  
Joshua T. Bierbach

## INDEPENDENT AUDITORS' REPORT

To the School Board  
Franklin Public School District  
Franklin, 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 Franklin Public School District ("District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

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

## **Changes in Accounting Principle**

As discussed in Notes 1Q, 8, and 13 to the financial statements during the year ended June 30, 2018, the District adopted new accounting guidance GASB Statement 75, *Accounting and Financial Reporting for Pensions and Post-Employment Benefits*. 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 and 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 Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Wisconsin State Single Audit Guidelines are not a required part of the basic financial statements.

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the 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 26, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 26, 2018  
Milwaukee, Wisconsin

**Franklin Public Schools  
Managements' Discussion and Analysis  
For the Year Ended June 30, 2018**

**Services of the District**

The Franklin Public Schools (the "District") provides public education to residents of the District and to qualifying non-residents between the ages of three and twenty-one. Public education is funded by property taxes paid by residents of the District, several types of aid received from State and Federal Government, and revenues for services. Student fees are nominal.

***Primary and Secondary Education***

The District provides primary education beginning with its five-year-old kindergarten through its eighth grade programs. The District provides secondary education beginning with its ninth grade through twelfth grade programs. The District has seven facilities to deliver its primary and secondary education plus an Education and Community Center. In addition, the District provides educational programs during the summer months on a voluntary basis.

Co-curricular activities are part of primary and secondary education. Co-curricular activities are voluntary and include athletic, music, and other academic activities.

***Special Education***

The District provides special education, as defined by State and Federal regulations, to children with disabilities to meet their special needs. Children as young as three years old may qualify for special education services. Special education teachers are required to have additional training to teach children with disabilities. Special education is coordinated with primary and secondary education.

***Community Services***

The District provides recreational and educational programs to the community through the Franklin Community Education and Recreation Department.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2018

(Continued)

**Financial Highlights**

**Enrolled Students and Teachers**

The number of enrolled students of the District, both resident and non-resident students, the number of teachers and the ratio of enrolled students to teachers for fiscal 2018 and 2017 are shown in the following table.

<u>Description</u>	<u>Year Ended June 30,</u>		<u>Increase</u>
	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>
Students	4,567	4,482	85
Teachers	278	276	2
Students to Teachers	16.43	16.24	

**Results of Operations**

The District was able to meet State revenue controls and come in under budget, while continuing to provide an excellent education to students.

The District also continued the maintenance fund designed to protect the community's investment in its buildings. Each year, the District is able to complete maintenance projects totaling over \$840,000. The major projects completed this year included replacing the hard surface play area at Ben Franklin Elementary School, replacing two roof sections and HVAC controls at Southwood Glen Elementary School, replacing the east entry exterior doors and some carpeting at Pleasant View Elementary School, and at the High School, replacing HVAC controls, creating a fabrication lab and adding soundproofing to the construction classroom.

# **FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

## **Managements' Discussion and Analysis**

June 30, 2018

(Continued)

### **District-Wide and Governmental Fund Financial Statements**

Under accounting principles generally accepted in the United States of America, the District presents two sets of financial statements, one on the accrual basis of accounting and the other on the modified accrual basis of accounting. The accrual basis financial statements or the District-Wide financial statements consist of the statement of net position and the statement of activities and are presented on an aggregated basis.

The modified accrual basis financial statements or the Governmental Fund financial statements consist of the balance sheet and the statement of revenues, expenditures and fund balance and are presented on a fund accounting basis. The Governmental Fund financial statements do not include any long-term assets, such as fixed assets, and long-term liabilities, such as long-term debt.

### **State Regulation of Property Taxes and Long-Term Debt**

Under Wisconsin Statutes, the District is restricted as to the amount of property taxes the District is permitted to levy for operating purposes and the general aid received from the State, without public referendum to exceed the maximum property tax levy. The total amount of State aid and property tax levy is based on a fixed amount per resident student set by the State and a three-year average of resident students enrolled in the District and out of the District.

In addition, State Statutes require new long-term debt, excluding refinancing of current debt, to be approved by public referendum, for the related debt service to be excluded from the property tax levy limitation.

State aid is determined based on property valuation per student. Generally, as property valuation increases and enrollment remains constant, the District receives less State aid.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2018

(Continued)

**Comparison of Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position**

A comparison of assets, liabilities, deferred outflows and inflows of resources, and net position for fiscal 2018 as compared to fiscal 2017 is as follows:

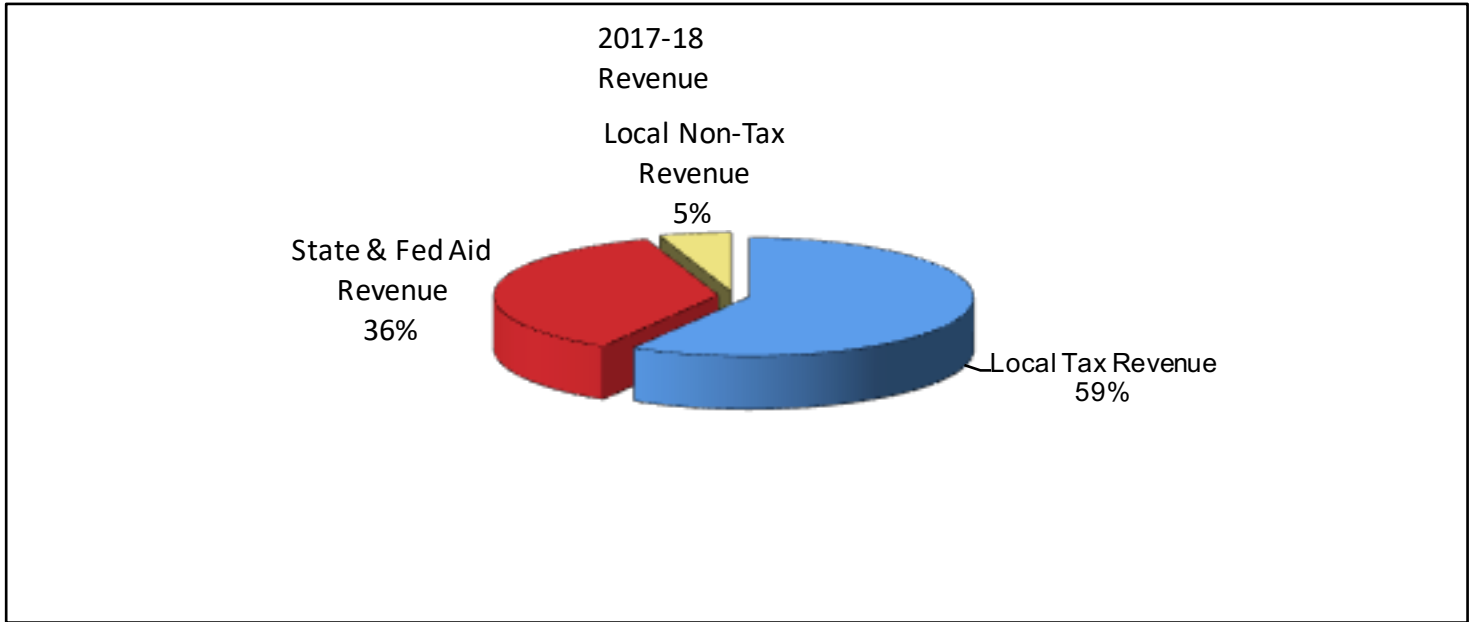
	<u>As of June 30,</u>		<u>Increase (Decrease)</u>
	<u>2018</u>	<u>2017</u>	
<b>Assets:</b>			
Cash and investments	\$ 59,700,576	\$ 74,734,802	\$ (15,034,226)
Taxes receivable	3,540,863	3,308,841	232,022
Accounts receivable	2,223	32,175	(29,952)
Due from other governments	720,953	968,181	(247,228)
Prepaid expense	422,624	93,778	328,846
<b>Total Current Assets</b>	<u>64,387,239</u>	<u>79,137,777</u>	<u>(14,750,538)</u>
<b>Non-Current Assets</b>			
Net Pension Asset	5,851,264	-	5,851,264
Property and Equipment, net	<u>97,522,312</u>	<u>76,205,675</u>	<u>21,316,637</u>
	103,373,576	76,205,675	27,167,901
<b>Total Assets</b>	167,760,815	155,343,452	12,417,363
<b>Deferred Outflows related to pensions, stipends, post-emp benefits</b>	17,810,427	13,356,317	4,454,110
<b>Liabilities:</b>			
Accounts Payable	6,682,400	783,645	5,898,755
Accrued Liabilities	5,573,461	5,972,506	(399,045)
Short-term Debt	-	-	-
Long-Term Debt Due Within One Year	<u>2,480,000</u>	<u>2,975,000</u>	<u>(495,000)</u>
<b>Total Current Liabilities</b>	14,735,861	9,731,151	5,004,710
Long-Term Liabilities & Debt	<u>82,730,942</u>	<u>86,920,706</u>	<u>(4,189,764)</u>
<b>Total Liabilities</b>	<u>97,466,803</u>	<u>96,651,857</u>	<u>814,946</u>
<b>Deferred inflows related to pensions &amp; stipends</b>	18,035,450	6,780,222	11,255,228
<b>Net Position</b>	<u>\$ 70,068,989</u>	<u>\$ 65,267,690</u>	<u>\$ 4,801,299</u>



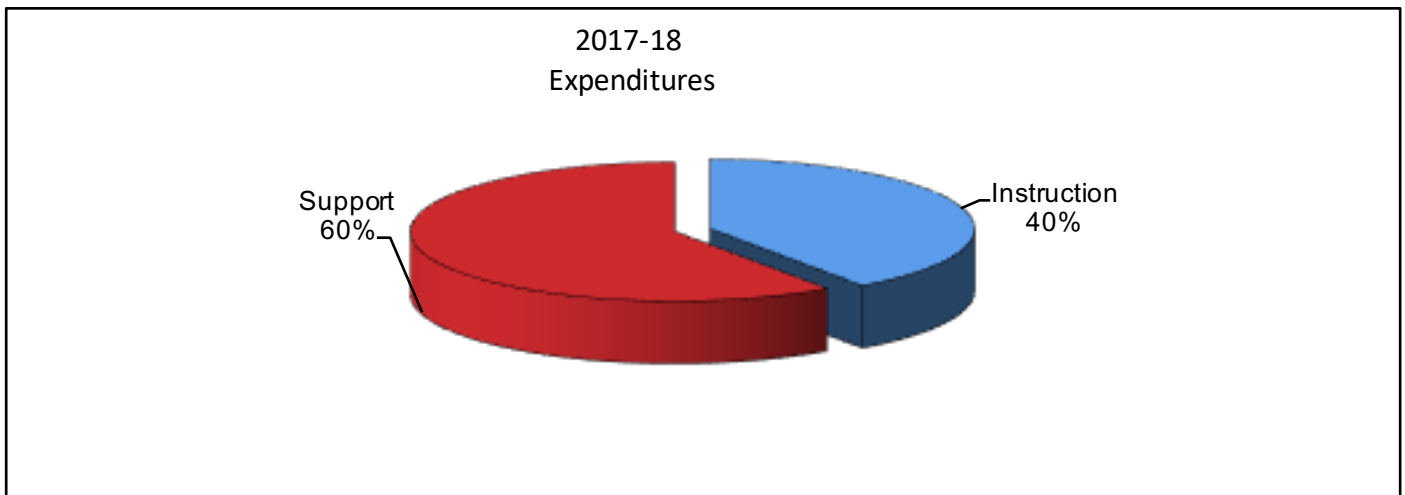
**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Managements' Discussion and Analysis**  
June 30, 2018  
(Continued)

The breakdown of revenue sources is illustrated below:



The breakdown of expenditures is illustrated below:



**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2018

(Continued)

**General Fund Budgetary Highlights**

The District was able to meet State revenue controls and come in under budget, while continuing to provide an excellent education to students. The District prepares an initial budget in June, which is updated in August for the annual meeting. An original budget is adopted in October following determination of official enrollment and certification of state aid. Generally, the intent of the original budget is not significantly modified. While the District's original budget for the general fund anticipated that expenditures would exceed revenue by \$455,000 to fund technology and technical education purchases, the actual result for the year was revenues exceeding expenditures by \$2,030,868 thus increasing the total fund balance in the general fund to \$22,668,360. The fund balance increase was due mainly to additional local revenue, lower expenditures on personnel, and conservative spending in all budget areas.

**Changes in Total Fund Balance**

<u>As of June 30</u>		<u>Increase</u>
<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>
\$ 52,682,669	\$ 72,974,960	\$ (20,292,291)

The decrease in fund balance is due mainly to the building of a new middle school. While under construction, the capital project funds received through borrowing are added to fund balance. As the funds are used for construction, the capital projects fund balance is reduced. The fund balance for the general fund increased by \$2,030,868.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2018

(Continued)

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of fiscal year 2018, the District had invested \$134,517,474 in capital assets, including buildings, sites and equipment (see below). Total accumulated depreciation on these assets was \$36,995,162. Asset acquisitions for governmental activities totaled \$24,298,543. The District recognized depreciation expense of \$2,899,152. (Detailed information about capital assets can be found in Note 3 to the financial statements.)

**Capital Assets  
(net of depreciation)**

	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2018</u>	<u>2017</u>	<u>2017-18</u>
Land	\$ 1,168,510	\$ 1,168,510	0.0%
Buildings	97,131,147	96,695,847	0.5%
Furniture and equipment	11,790,519	12,275,159	-3.9%
Construction in progress	24,427,298	1,087,390	2146.4%
Accumulated depreciation	<u>(36,995,162)</u>	<u>(35,021,231)</u>	<u>5.6%</u>
<b>TOTAL</b>	<u><u>\$ 97,522,312</u></u>	<u><u>\$ 76,205,675</u></u>	<u><u>28.0%</u></u>

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Managements' Discussion and Analysis**

June 30, 2018

(Continued)

**Capital Asset and Debt Administration (Continued)**

**Long-Term Debt**

At year-end the District had \$85,210,942 in bonds payable and other long-term debt outstanding – a decrease of \$4,684,764 (5%) from fiscal 2017. This decrease resulted mainly from the payment of outstanding debt and the reduction of net pension liability determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. (Detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.)

**Outstanding Long-term Obligations**

<u>Description</u>	<u>Total School District</u>		<u>Total % Change 2017-18</u>
	<u>2018</u>	<u>2017</u>	
General obligation bonds	\$ 66,180,000	69,155,000	-4%
Compensated absences	570,576	608,266	-6%
Other post employment benefits	9,217,021	9,410,187	-2%
Net Pension liability	0	1,633,382	-100%
Supplemental Pension Liability	7,872,288	7,622,386	3%
Unamortized premium on issuance	1,371,057	1,466,485	7%
<b>TOTAL</b>	<b>\$ 85,210,942</b>	<b>\$ 89,895,706</b>	<b>-5%</b>

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

**Expected Impact of Known Events**

The District is restricted by State Statute as to the amount of property tax levy for operating purposes, without a public referendum to approve an increase. Reference is made in the notes to the financial statements for further discussion on the property tax levy limitation.

The number of students served by the District is a major factor in the amount of State aid paid to the District and the maximum allowable property tax levy. The resident student census of the District is expected to increase over the next five years due to the improving economy. Student enrollment increased by 85 students or 1.9% for fiscal 2018.

The State has historically committed to funding K-12 education in the bi-annual budget.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Statement of Net Position**  
June 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
<b>Current assets</b>	
Cash	\$ 23,202,204
Investments	36,498,372
Taxes receivable	3,540,863
Accounts receivable	2,223
Due from other governments	720,953
Prepaid expense	422,624
<b>Total current assets</b>	<b>64,387,239</b>
<b>Noncurrent assets</b>	
Net pension asset	5,851,264
Nondepreciable assets	25,595,808
Depreciable assets, net of accumulated depreciation	71,926,504
<b>Total noncurrent assets</b>	<b>103,373,576</b>
<b>Total assets</b>	<b>167,760,815</b>
<b>Deferred Outflows of Resources:</b>	
Deferred outflows related to pensions	15,915,242
Deferred outflows related to other post-employment benefits	1,535,121
Deferred outflows related to stipend	360,064
<b>Total deferred outflows of resources</b>	<b>17,810,427</b>
<b>Liabilities:</b>	
<b>Current liabilities</b>	
Accounts payable	6,682,400
Withholdings and related fringes payable	1,381,737
Accrued interest	551,291
Accrued payroll	3,546,241
Due to other governments	40
Unearned revenues	94,152
Long-term debt obligations due within one year	2,480,000
<b>Total current liabilities</b>	<b>14,735,861</b>
<b>Noncurrent liabilities</b>	
Accrued compensated absences	570,576
Long-term debt obligations due in more than one year	63,700,000
Unamortized premium on issuance	1,371,057
Total post-employment benefit liability	9,217,021
Total supplemental pension liability	7,872,288
<b>Total noncurrent liabilities</b>	<b>82,730,942</b>
<b>Total liabilities</b>	<b>97,466,803</b>
<b>Deferred Inflows of Resources:</b>	
Deferred inflows related to pensions	17,801,146
Deferred inflows related to stipend	234,304
<b>Total deferred inflows of resources</b>	<b>18,035,450</b>
<b>Net Position</b>	
Net investment in capital assets	51,462,015
Restricted for:	
Debt service	3,308,748
Capital projects	2,349,275
Food service	451,395
Other activities	1,436,522
Unrestricted	11,061,034
<b>Total net position</b>	<b>\$ 70,068,989</b>

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Statement of Activities**  
Year Ended June 30, 2018

	<u>Program Revenues</u>			<b>Net</b>
			<b>Operating</b>	<b>(Expenses)</b>
	<u>Expenses</u>	<u>Charges for</u>	<u>Grants and</u>	<b>Revenues and</b>
		<u>Services</u>	<u>Contributions</u>	<b>Changes in</b>
				<b>Net Position</b>
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 24,043,617	\$ 4,908,210	\$ 473,991	\$ (18,661,416)
Special education instruction	5,870,286	---	2,698,352	(3,171,934)
Vocational instruction	1,691,607	---	---	(1,691,607)
Other instruction	2,572,805	275,160	---	(2,297,645)
Total instruction	<u>34,178,315</u>	<u>5,183,370</u>	<u>3,172,343</u>	<u>(25,822,602)</u>
Support services:				
Pupil services	2,220,218	---	---	(2,220,218)
Instructional staff services	1,199,315	---	169,723	(1,029,592)
Administration services	4,464,686	---	---	(4,464,686)
Operation and maintenance of plant	5,754,988	92,120	---	(5,662,868)
Pupil transportation	2,051,265	77	89,623	(1,961,565)
Central services	1,254,951	---	---	(1,254,951)
Other support services	2,304,333	---	---	(2,304,333)
Community services	1,482,483	1,064,040	---	(418,443)
Food service	1,482,035	1,103,463	442,321	63,749
Interest on long-term debt	2,183,532	---	---	(2,183,532)
Unallocated depreciation	2,899,152	---	---	(2,899,152)
<b>Total support services</b>	<u>27,296,958</u>	<u>2,259,700</u>	<u>701,667</u>	<u>(24,335,591)</u>
<b>Total school district</b>	<u>\$ 61,475,273</u>	<u>\$ 7,443,070</u>	<u>\$ 3,874,010</u>	<u>(50,158,193)</u>

**General revenues:**

Taxes:	
Property taxes, levied for general purposes	28,564,023
Property taxes, levied for debt service	4,646,004
Property taxes, levied for specific purposes	573,276
Federal and state aid not restricted to specific purposes	
General	18,925,979
Other	606,289
Interest and investment earnings	724,444
Gain on disposal of assets	104,051
Miscellaneous	<u>53,250</u>
Changes in net position	4,039,123
Net position - beginning of year	65,267,690
Change in accounting principle	<u>762,176</u>
Net position - beginning of year as adjusted	<u>66,029,866</u>
Net position - end of year	<u>\$ 70,068,989</u>

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Balance Sheet  
Governmental Funds  
June 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash	\$ 7,961,728	\$ 11,785,102	\$ 3,455,374	\$ 23,202,204
Investments	12,402,875	21,234,308	2,861,189	36,498,372
Taxes receivable	3,540,863	---	---	3,540,863
Accounts receivable	2,223	---	---	2,223
Due from other funds	3,000,000	---	---	3,000,000
Due from other governments	713,723	---	7,230	720,953
Prepaid expense	420,613	---	2,011	422,624
<b>Total assets</b>	<b>\$ 28,042,025</b>	<b>\$ 33,019,410</b>	<b>\$ 6,325,804</b>	<b>\$ 67,387,239</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 493,841	\$ 6,179,375	\$ 9,184	\$ 6,682,400
Withholdings and related fringes payable	1,361,461	---	20,276	1,381,737
Accrued payroll	3,516,848	---	29,393	3,546,241
Due to other funds	---	3,000,000	---	3,000,000
Due to other governments	40	---	---	40
Unearned revenues	1,475	---	92,677	94,152
<b>Total liabilities</b>	<b>5,373,665</b>	<b>9,179,375</b>	<b>151,530</b>	<b>14,704,570</b>
<b>Fund Balances:</b>				
Nonspendable	420,613	---	2,011	422,624
Restricted	---	23,840,035	5,196,665	29,036,700
Assigned	---	---	975,598	975,598
Unassigned	22,247,747	---	---	22,247,747
<b>Total fund balances</b>	<b>22,668,360</b>	<b>23,840,035</b>	<b>6,174,274</b>	<b>52,682,669</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 28,042,025</b>	 <b>\$ 33,019,410</b>	 <b>\$ 6,325,804</b>	 <b>\$ 67,387,239</b>

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

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

June 30, 2018

<b>Total fund balances - governmental funds</b>		<b>\$ 52,682,669</b>
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:		
Cost of the assets	\$ 134,517,474	
Accumulated depreciation	<u>(36,995,162)</u>	97,522,312
 The District's proportionate share of the WRS net pension asset is recorded as a noncurrent asset on the statement of net position, but is not reported in the governmental funds.		
		5,851,264
 The District annual stipend payment is reported as an expenditure on the governmental funds. This is reported as a liability on the statement of net position, but is not reported in the governmental funds.		
		(7,872,288)
 Long-term debt and related items are not due and payable in the current period and therefore are not reported in the funds. Long-term debt and related items at year-end consist of:		
Bonds payable	66,180,000	
Unamortized premium on issuance	1,371,057	
Compensated absences	<u>570,576</u>	(68,121,633)
 Deferred outflows and inflows of resources related to OPEB, WRS pension and supplemental pensions are applicable to future periods, and therefore, are not reported in the governmental funds.		
		(225,023)
 The post-employment benefit liability is not currently payable and thus not reported in the governmental funds.		
		(9,217,021)
 Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		
		<u>(551,291)</u>
<b>Total net position - governmental activities</b>		<b><u><u>\$ 70,068,989</u></u></b>

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



**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

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

**Governmental Funds**

Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 29,815,796	\$ 499,421	\$ 8,098,464	\$ 38,413,681
Interdistrict payments within Wisconsin	3,132,630	---	7,712	3,140,342
Intermediate sources	15,633	---	---	15,633
State	22,127,966	---	16,043	22,144,009
Federal	1,219,371	---	426,278	1,645,649
Other	237,837	---	---	237,837
<b>Total revenues</b>	<u>56,549,233</u>	<u>499,421</u>	<u>8,548,497</u>	<u>65,597,151</u>
<b>Expenditures:</b>				
Instruction:				
Current	32,712,780	---	615,371	33,328,151
Interdistrict	909,415	---	---	909,415
Capital outlay	322,919	---	21,863	344,782
Support Services:				
Current	19,080,215	---	2,977,115	22,057,330
Capital outlay	1,493,036	22,339,915	120,810	23,953,761
Debt service	---	---	5,296,003	5,296,003
<b>Total expenditures</b>	<u>54,518,365</u>	<u>22,339,915</u>	<u>9,031,162</u>	<u>85,889,442</u>
<b>Excess (deficiency) of revenues over expenditures</b>	2,030,868	(21,840,494)	(482,665)	(20,292,291)
<b>Fund Balances - Beginning of year</b>	<u>20,637,492</u>	<u>45,680,529</u>	<u>6,656,939</u>	<u>72,974,960</u>
<b>Fund Balances - End of year</b>	<u>\$ 22,668,360</u>	<u>\$ 23,840,035</u>	<u>\$ 6,174,274</u>	<u>\$ 52,682,669</u>

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**  
Year Ended June 30, 2018

**Total net change in fund balances - governmental funds** \$ (20,292,291)

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

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

Depreciation expense	\$ (2,899,152)	
Capital outlays	<u>24,298,543</u>	21,399,391

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

Loss on disposal	104,051	
Proceeds on asset sale	<u>(186,805)</u>	(82,754)

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

966,111

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

Bonds payable		2,975,000
---------------	--	-----------

Amortization reduces the balance of the respective item. The amortization is a revenue in the statement of net position, but is not shown in the governmental funds.

Unamortized premium on debt issuance		95,428
--------------------------------------	--	--------

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

37,690

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

District pension contributions	1,980,821	
Cost of benefits earned net of employee contributions	<u>(2,757,162)</u>	(776,341)

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

(325,155)

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

42,044

**Change in net position of governmental activities** \$ 4,039,123

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Statement of Fiduciary Net Position**

June 30, 2018

	<u>Private</u> <u>Purpose Trusts</u>	<u>Agency</u> <u>Fund</u>
<b>Assets:</b>		
Cash	\$ 42,869	\$ 129,763
Accounts receivable	6,554	---
Total assets	<u>49,423</u>	<u>129,763</u>
<b>Liabilities:</b>		
Accounts payable	\$ 7,000	\$ 1,469
Due to student groups	---	128,294
Total liabilities	<u>7,000</u>	<u>129,763</u>
<b>Net position:</b>		
Restricted	42,423	---
<b>Total net position</b>	<u>\$ 49,423</u>	<u>\$ 129,763</u>

**Statement of Changes in Fiduciary Net Position**

Year Ended June 30, 2018

	<u>Private</u> <u>Purpose Trusts</u>
<b>Additions:</b>	
Gifts	\$ 18,274
<b>Deductions:</b>	
Trust fund disbursements	<u>21,200</u>
<b>Change in net position</b>	(2,926)
<b>Net position - June 30, 2017</b>	<u>45,349</u>
<b>Net position - June 30, 2018</b>	<u>\$ 42,423</u>

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements**  
June 30, 2018

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Franklin Public School District (“District”) is organized as a common school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

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

**B. Component Units**

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

**C. Basis of Presentation**

**District–Wide Statements**

The statement of net position and the statement of activities present financial information about the District’s governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District has no business-type activities.

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

**Fund Financial Statements**

The fund statements provide information about the District’s funds, including fiduciary funds. Separate statements for each fund category (governmental, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The District reports the following major governmental funds:

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Fund Financial Statements (Continued)**

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

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

The District accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund.

**D. Measurement Focus and Basis of Accounting**

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

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

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

**E. Cash**

The District's cash is considered to be cash on hand, money markets, 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.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**1. Summary of Significant Accounting Policies (Continued)**

**F. Investments**

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

As discussed in Footnote 2, the District categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses of the Districts assets are reported in the statement of activities, statement of revenues, expenditures and changes in fund balances and in the statement of changes in fiduciary net position. Adjustments necessary to record investments at fair value are recorded in the statement of changes in fiduciary net position as unrealized gains or losses and in the statement of revenues, expenditures and changes in fund balance as local revenue.

**G. Receivables**

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

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**1. Summary of Significant Accounting Policies (Continued)**

**H. Interfund Transactions**

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

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

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Transfers:</b>			
None			
<b>Due to/from:</b>			
Correct transfer originally done in error	General Fund	Capital Projects	\$3,000,000

**I. Capital Assets**

Capital assets are reported at historical cost or estimated historical cost, based on appraisals conducted by an independent third-party professional appraisal firm. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	20 - 60 years
Equipment and furniture	5,000	Straight-line	6 - 20 years

**Impairment of Long-Lived Assets**

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**1. Summary of Significant Accounting Policies (Continued)**

**J. Deferred Outflows and Inflows of Resources**

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

**K. Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**L. Fund Balance – Governmental Funds**

Governmental fund equity is classified as fund balance. GASB establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made is identifying amounts that are considered nonspendable. Fund balance is further classified as restricted, committed, assigned and unassigned. The District's fund balance classification policies and procedures are as follows:

- *Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* – amounts that can be used only for specific purposes determined by a formal action of the School Board.
- *Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The School Board has delegated authority to assign fund balance for a specific purpose to the Director of Business Services.
- *Unassigned* – amounts are available for any purpose, and if the general fund has available resources that are not of the other previously mentioned categories, it shall be deemed unassigned.



**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**1. Summary of Significant Accounting Policies (Continued)**

**L. Fund Balance – Governmental Funds (Continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

**M. Accumulated Unpaid Vacation and Sick Pay**

Unused accumulated employee sick and vacation days are paid out upon retirement or termination of employment not to exceed a maximum number of days. The District accrued the vacation and sick leave which it deems probable of payout. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources, and therefore, the liability is not reported.

**N. Estimates**

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

**O. Pensions**

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

**P. Other Assets**

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient.

**Q. Adoption of New Accounting Guidance**

The District implemented GASB Statement 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. See footnote 8 and 13 for additional information.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**1. Summary of Significant Accounting Policies (Continued)**

**R. Subsequent Events**

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, November 26, 2018. There are no subsequent events which require recognition or disclosure.

**2. Cash and Investments**

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

	Cash	Investments	Total
<b>Custodial Risk:</b>			
Demand deposits	\$ 14,651,047	\$ ---	\$ 14,651,047
Money market	8,723,789	---	8,723,789
Local Government Investment Pool (LGIP)	---	22,008,372	22,008,372
<b>Custodial, Interest Rate and Credit Risk:</b>			
Certificate of Deposits ("CD")	---	14,490,000	14,490,000
<b>Total</b>	<b>\$ 23,374,836</b>	<b>\$ 36,498,372</b>	<b>\$ 59,873,208</b>

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

<b>Statement of net position:</b>	
Cash	\$ 23,202,204
Investments	36,498,372
<b>Statement of fiduciary net position:</b>	
Cash	172,632
<b>Total cash and investments</b>	<b>\$ 59,873,208</b>

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

Money market investments may be withdrawn upon request.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund ("SIF") and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**2. Cash and Investments (Continued)**

In accordance with certain contractual provisions, investment income associated with LGIP is assigned to the corresponding fund in which the assets are held. Participants in LGIP have the right to withdraw their funds in total on one day's notice. The LGIP does not include any involuntary participants.

A separate financial report for SIF is prepared in accordance with GASB. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>.

**Custodial Risk:** Is the risk that, in the event of a financial institution failure, the District's deposits and value of investments may not be returned to the District. The District's carrying value for cash and investments was \$59,873,208 at June 30, 2018 and the bank's carrying value was \$61,076,586, of which \$24,263,789 was fully insured, \$15,604,425 was collateralized by pledged securities, and \$21,208,372 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk. All investments have a maturity date of less than one year.

**Credit Risk:** Generally, credit risk is the risk that an issuer of a type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk. The District's certificate of deposit is not rated.

The District categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

LGIP is exempt from fair value disclosure due to investments being valued at amortized cost. Certificates of deposit are exempt from fair value disclosure due to investments being valued at cost plus accrued interest earned.

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

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**3. Capital Assets**

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>
<b>Capital assets not being depreciated:</b>				
Sites	\$ 1,168,510	\$ ---	\$ ---	\$ 1,168,510
Construction in progress	1,087,390	23,339,908	---	24,427,298
Total capital assets not being depreciated	2,255,900	23,339,908	---	25,595,808
<b>Capital assets being depreciated:</b>				
Buildings and improvements	96,695,847	435,300	---	97,131,147
Equipment	12,275,159	523,335	1,007,975	11,790,519
Total capital assets being depreciated	108,971,006	958,635	1,007,975	108,921,666
<b>Less accumulated depreciation</b>				
Total capital assets being depreciated, net of accumulated depreciation	35,021,231	2,899,152	925,221	36,995,162
	73,949,775	(1,940,517)	82,754	71,926,504
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 76,205,675</b>	<b>\$ 21,399,391</b>	<b>\$ 82,754</b>	<b>\$ 97,522,312</b>

Depreciation of \$2,899,152 was expensed to unallocated depreciation for the governmental activities on the statement of activities.

**4. Long-Term Liabilities**

Long-term liabilities of the District are as follows:

<u>Type</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts due within one year</u>
General obligation debt:					
G.O. Bonds	\$ 69,155,000	\$ ---	\$ (2,975,000)	\$ 66,180,000	\$ 2,480,000
Compensated absences	608,266	19,738	(57,428)	570,576	---
<b>Total long-term liabilities</b>	<b>\$ 69,763,266</b>	<b>\$ 19,738</b>	<b>\$ (3,032,428)</b>	<b>\$ 66,750,576</b>	<b>\$ 2,480,000</b>

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2018 on long-term liabilities was \$2,321,003 and \$2,278,959, respectively.

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**4. Long-Term Liabilities (Continued)**

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

Description	Issue Dates	Interest Rates	Dates of Maturity	Issued Amount	Balance June 30, 2018
G.O. Refunding Bonds	03/06/13	2.00% to 3.00%	10/01/29	\$ 23,005,000	\$ 17,675,000
G.O. Refunding Bonds	05/15/13	3.00% to 3.25%	04/01/33	9,995,000	8,630,000
G.O. Bonds	03/15/17	2.00% to 5.00%	04/01/36	33,310,000	32,005,000
G.O. Refunding Bonds	04/12/17	1.00% to 3.50%	04/01/37	8,080,000	7,870,000
					<u>\$ 66,180,000</u>

The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,918,917,079. The legal debt limit and margin of indebtedness as of June 30, 2018, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,918,917,079)	\$ 291,891,708
Deduct long-term debt applicable to debt margin	66,180,000
<b>Margin of indebtedness</b>	<u><u>\$ 225,711,708</u></u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2018 follow:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,480,000	\$ 2,205,157	\$ 4,685,157
2020	2,665,000	2,140,657	4,805,657
2021	2,710,000	2,071,957	4,781,957
2022	2,785,000	1,990,657	4,775,657
2023	2,870,000	1,915,257	4,785,257
2024-2028	16,020,000	7,966,235	23,986,235
2029-2033	18,925,000	5,088,441	24,013,441
2034-2037	17,725,000	1,579,025	19,304,025
	<u>\$ 66,180,000</u>	<u>\$ 24,957,386</u>	<u>\$ 91,137,386</u>

In prior years, the District defeased bonds by placing the funds in escrow sufficient to meet the future debt service requirements as they become due. Accordingly, the trust account assets and liability for the defeased debt is not included in the District's financial statements. The amount of \$1,365,000 of the defeased bonds remained outstanding as of June 30, 2018.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
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**Notes to Financial Statements (Continued)**  
June 30, 2018

**5. Fund Balances**

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

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
General fund:			
Prepaid expenses	\$ 420,613	\$ ---	\$ ---
Special revenue trust	---	1,436,522	---
Debt service	---	3,308,748	---
Capital projects	---	23,840,035	---
Food service	---	451,395	---
Community service	2,011	---	975,598
<b>Total</b>	<b>\$ 422,624</b>	<b>\$ 29,036,700</b>	<b>\$ 975,598</b>

**6. Defined Benefit Pension Plan**

**Plan Description**

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

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

**Vesting**

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

**Benefits Provided**

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

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

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**6. Defined Benefit Pension Plan (Continued)**

**Post-Retirement Adjustments**

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4

**Contributions**

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

During the reporting period the WRS recognized \$1,980,821 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

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



**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**6. Defined Benefit Pension Plan (Continued)**

**Pension Assets, Pension Expense and Deferred Outflows and Inflows of Resources**

At June 30, 2018, the District reported an asset of \$5,851,264 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.197%, which was a decrease of 0.0011% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,757,162.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,434,177	\$ 3,477,461
Changes in assumptions	1,156,095	---
Net difference between projected and actual earnings on pension plan investments	6,262,552	14,304,571
Changes in proportion and differences between employer contributions and proportionate share of contributions	64,393	19,114
Employer contributions subsequent to the measurement date	998,025	---
<b>Total</b>	<b>\$ 15,915,242</b>	<b>\$ 17,801,146</b>

The amount of \$998,025 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019.

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

<b>Year Ended June 30,</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflow of Resources</b>
2019	\$ 5,963,902	\$ 5,320,955
2020	5,279,423	5,312,491
2021	1,901,216	3,891,848
2022	1,758,637	3,275,852
2023	14,039	---



**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**6. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions**

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

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

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**6. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2017 are summarized in the following table:

<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	50.0%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8.0	6.5	3.6
Private Equity/Debt	8.0	9.4	6.5
Multi-Asset	4.0	6.5	3.6
Total Core Fund	110.0	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S. Equities	70.0%	7.5%	4.6%
International Equities	30.0	7.8	4.9
Total Variable Fund	100.0	7.9	5.0

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.75% ; Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

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

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

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase to Discount Rate (8.20%)</u>
District's proportionate share of the net pension liability (asset)	\$ 15,139,219	\$ (5,851,264)	\$ (21,804,682)

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**6. Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions (continued)**

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

Payables to the pension plan at June 30, 2018 were \$338,502. This represents contributions earned as of June 30, 2018, but for which payment was not remitted to the pension plan until subsequent to year-end.

**7. Supplemental Pension Plan**

**Description of Plan**

The District administers a single-employer defined benefit supplemental pension plan to eligible administrators and teachers. The Plan's payouts to retirees vary based on position, years of service and age as of July 1, 2013. For employees that met the age and years of service eligibility guidelines at July 1, 2013, the District will pay the value of health insurance benefit the retiree was enrolled in as of July 1, 2013 for a varying number of years based on position. This payout will be paid into the retiree's TSA and paid out over 5 years. For employees that did not meet the age and years of service eligibility requirements at July 1, 2013, but retire at least at age 57 with 20 FYE years of service with the District will receive \$1,000 - \$4,000 for each year of service paid out over 5 years at retirement. This amount is based on position and will go into the retirees TSA.

Employees participating in the supplemental pension plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Retirees currently receiving benefit payments	2
Active employees fully eligible but not yet receiving benefit payments	11
Active employees not fully eligible	<u>349</u>
<b>Number of participating employees</b>	<u><u>362</u></u>

**Benefit Payments**

For fiscal year 2018, the District paid \$360,064 for supplemental pensions as benefits came due.

**Total Supplemental Pension Liability**

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

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**7. Supplemental Pension Plan (Continued)**

**Total Supplemental Pension Liability (Continued)**

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

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

<b>Balance 6/30/17 - measurement date 6/30/16</b>	\$	7,622,386
Benefit payments made in the prior fiscal year		(201,013)
Changes in assumptions or other input		(251,040)
Service cost		469,260
Interest		232,695
Net changes		<u>249,902</u>
<b>Balance 6/30/18 - measurement date 6/30/17</b>	<b>\$</b>	<b><u>7,872,288</u></b>

**Actuarial Assumptions**

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Reporting Date	June 30, 2018
Actuarial cost method	Entry age normal – level % of salary
Discount Rate	3.50% (implicit in this rate is a 2.5% assumed rate of inflation)
Municipal Bond Rate Source	Bond Buyer 20-Bond Go Index
Mortality Assumptions	Wisconsin 2012 Mortality Table

*Discount Rate.* A discount rate of 3.50% was applied in the measurement of the total supplemental pension liability. The discount rate is based on the 20-Year AA municipal bond rate as of the measurement date. The discount rate increased from 3.00% at the prior measurement date.

The following presents the total supplemental pension liability calculated using the discount rate of 3.50%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current rate:

	<b>1% Decrease to Discount Rate (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase To Discount Rate (4.50%)</b>
Total supplemental pension liability	\$ 8,378,840	\$ 7,872,288	\$ 7,384,742

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
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**Notes to Financial Statements (Continued)**  
June 30, 2018

**7. Supplemental Pension Plan (Continued)**

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

For the year ended June 30, 2018, the District recognized pension expense of \$685,219. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the supplemental pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Employer contributions subsequent to the measurement date	\$ 360,064	\$ ---
Changes of assumptions or other input	---	234,304
<b>Total</b>	<b>\$ 360,064</b>	<b>\$ 234,304</b>

The \$360,064 reported as deferred outflows related to the stipend resulting from employer benefit payments subsequent to the measurement date will be recognized as a reduction of the stipend liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Deferred Inflows of Resources</b>
2019	\$ (16,736)
2020	(16,736)
2021	(16,736)
2022	(16,736)
Thereafter	(150,624)

**8. Other Post-Employment Benefits**

**Description of Plan**

The District offered voluntary retirement benefits to its teachers and administrators who met the age and years of service requirements as of July 1, 2013. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit (OPEB), the later commonly referred to as an implicit rate subsidy.

For teachers and nurses/OT/PT at least age 55 with a minimum of 20 FYE years of service with the District as of July 1, 2013, the District shall pay 100% of the retiree's medical premiums for the first 4 years of retirement. Thereafter, the District's contributions will be capped at the amounts paid in the 4<sup>th</sup> year of retirement for an additional 4 years.

For teachers and nurses/OT/PT at least age 50 with 15 to 19 FYE years of service with the District or age 50 to 54 with at least 20 FYE years of service with the District as of July 1, 2013, the District shall pay the same percentage of the retiree's medical premium as for active employees (currently 88%) of the retiree's medical premiums for the first 4 years of retirement. Thereafter, the District's contributions will be capped at the amounts paid in the 4<sup>th</sup> year of retirement for an additional 4 years.

For administrators at least age 55 with a minimum of 10 years of service with the District as of July 1, 2013, the District shall pay 100% of the retiree's health and dental insurance premiums for a period of 5 years. The District will also make contributions for one additional year in return for every 5 years of service that exceed the 10 required for eligibility. The District will also pay for life insurance premiums on behalf of the retiree for a period of 5 years.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
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**Notes to Financial Statements (Continued)**  
June 30, 2018

**8. Other Post-Employment Benefits (Continued)**

**Description of Plan (Continued)**

For administrators at least age 50 with a minimum of 5 years of service with the District as of July 1, 2013, the District shall pay the same percentage as for active administrators towards the retiree's health and dental insurance premiums for a period of 5 years. The District will also make contributions for one additional year in return for every 5 years of service that exceed the 10 required for eligibility. The District will also pay for life insurance premiums on behalf of the retiree for a period of 5 years.

The District also provides OPEB benefits to clerical, custodians and food service employees with varying age and years of service requirements as of July 1, 2013.

**Covered Employees**

Employees participating in the OPEB benefit consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

Retirees currently receiving benefit payments	66
Active employees fully eligible but not yet receiving benefit payments	41
Active employees not fully eligible	18
<b>Number of participating employees</b>	<u>125</u>

**Total OPEB Liability**

No assets are accumulated in a trust that meets all the criteria in GASB Statement No. 75, paragraph 4 because the District's contributions are not irrevocable. Accordingly, the District's total OPEB liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total OPEB liability.

The District's total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016. Changes in the District's total OPEB liability were as follows:

		<b>Total OPEB Liability</b>
<b>Balance 6/30/17 - measurement date 7/01/16</b>	\$	9,961,529
Service cost		239,158
Interest		329,852
Benefit payments		<u>(1,313,518)</u>
Net changes		<u>(744,508)</u>
<b>Balance 6/30/18 - measurement date 6/30/17</b>	\$	<u>9,217,021</u>

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**8. Other Post-Employment Benefits (Continued)**

**Actuarial Assumptions**

Actuarial assumptions used to determine the total OPEB liability as of June 30, 2018 were based on the results of an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. Key assumptions, applied to all periods included in the measurement, are as follows:

Valuation date	07/01/16
Measurement date	06/30/17
Reporting date	06/30/18
Actuarial cost method	Entry Age Normal - Level % of Salary
Medical care trend	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount rate*	3.50% (based upon all years of projected payments discounted at a municipal bonde rate of 3.50%)
Municipal bond rate source	Bond Buyer 20-Bond Go Index
Mortality assumptions	Wisconsin 2012 Mortality Table
	*Implicit in this rate is an assumed rate of inflation of 2.50%

**Discount Rate**

The following presents the District's OPEB liability calculated using the discount rate of 3.50 percent, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	<b>1% Decrease to Discount Rate (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase to Discount Rate (4.50%)</b>
District's OPEB liability	\$ 9,570,622	\$ 9,217,021	\$ 8,875,994

**Healthcare Cost Trend Rates**

The following presents the District's the net OPEB liability calculated using the healthcare cost trend rates of 7.50 percent, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease to Healthcare Cost Trend (6.5% Decreasing To 4.0%)</b>	<b>Current Healthcare Cost Trend (7.5% Decreasing To 5.0%)</b>	<b>1% Increase to Healthcare Cost Trend (8.5% Decreasing to 6.0%)</b>
District's OPEB liability	\$ 8,814,244	\$ 9,217,021	\$ 9,636,674

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
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**Notes to Financial Statements (Continued)**  
June 30, 2018

**8. Other Post-Employment Benefits (Continued)**

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$569,010. At June 30, 2018, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ ---	\$ ---
Changes in assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	---	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	---	---
Employer contributions subsequent to the measurement date	1,535,121	---
<b>Total</b>	<b>\$ 1,535,121</b>	<b>\$ ---</b>

The \$1,535,121 reported as deferred outflows related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019.

**9. Limitation on School District Revenues**

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

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

**10. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles.

**11. Commitments and Contingencies**

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

The District has received federal and state grants for specific purposes 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 entered into a contract for a new middle school in the amount of \$39,923,671. As of June 30, 2018, \$22,269,700 has been completed. This project has been included as construction in progress.



**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Financial Statements (Continued)**  
June 30, 2018

**12. Long-Term Capital Improvement Trust Fund**

During the year ended June 30, 2014, the District established a long-term capital improvement trust fund. The trust was funded with a transfer of \$2,300,000 from the general fund. After an initial wait period of five years, expenditures may be made from the trust for the purposes identified in the approved long-term capital improvement fund.

**13. Change in Accounting Principle**

As the result of implementing GASB Statement No. 75, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively increasing net position as of July 1, 2017 by \$762,176. The cumulative net effect of these changes of net position is as follows:

	<b><u>GASB No. 75</u></b>
Liability previously reported	\$ 9,410,187
Actuarially determined balance	9,961,529
<b>Change in benefit</b>	<u>(551,342)</u>
Employer contributions subsequent to the measurement date	1,313,518
<b>Change in accounting principle</b>	<u>\$ 762,176</u>

**14. Effect of New Accounting Standards on Financial Statements**

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

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Local	\$ 29,402,023	\$ 29,392,911	\$ 29,815,796	\$ 422,885
Interdistrict payments within Wisconsin	3,178,741	3,178,741	3,121,697	(57,044)
State	20,214,042	20,214,042	20,300,176	86,134
Federal	462,613	471,725	488,947	17,222
Other	216,244	216,244	230,553	14,309
<b>Total revenues</b>	53,473,663	53,473,663	53,957,169	483,506
 <b>Expenditures:</b>				
Instruction:				
Current	27,809,110	27,752,642	26,867,506	885,136
Interdistrict	976,886	1,009,748	909,415	100,333
Capital outlay	563,951	401,050	322,919	78,131
Support Services:				
Current	17,216,642	17,443,850	16,979,167	464,683
Capital outlay	1,547,251	1,506,550	1,452,205	54,345
<b>Total expenditures</b>	48,113,840	48,113,840	46,531,212	1,582,628
<b>Excess of revenues over expenditures</b>	5,359,823	5,359,823	7,425,957	2,066,134
 <b>Other Financing Uses:</b>				
Operating transfers out	(5,814,823)	(5,814,823)	(5,395,089)	419,734
<b>Net change in fund balances</b>	(455,000)	(455,000)	2,030,868	2,485,868
 <b>Fund Balances - Beginning of year</b>	20,637,492	20,637,492	20,637,492	---
 <b>Fund Balances - End of year</b>	\$ 20,182,492	\$ 20,182,492	\$ 22,668,360	\$ 2,485,868

See Independent Auditors' Report and accompanying notes to required supplementary information.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Budgetary Comparison Schedule**

**Special Education Fund**

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues:</b>				
Interdistrict payments within Wisconsin	\$ ---	\$ ---	\$ 10,933	\$ 10,933
Intermediate sources	---	---	15,633	15,633
State	1,680,000	1,680,000	1,827,790	147,790
Federal	1,291,044	1,295,768	730,424	(565,344)
Other	---	---	7,284	7,284
<b>Total revenues</b>	<u>2,971,044</u>	<u>2,975,768</u>	<u>2,592,064</u>	<u>(383,704)</u>
<b>Expenditures:</b>				
Instruction:				
Current	6,496,642	6,496,642	5,845,274	651,368
Support Services:				
Current	2,289,225	2,293,949	2,101,048	192,901
Capital outlay	---	---	40,831	(40,831)
<b>Total expenditures</b>	<u>8,785,867</u>	<u>8,790,591</u>	<u>7,987,153</u>	<u>803,438</u>
<b>Deficiency of revenues under expenditures</b>	<u>(5,814,823)</u>	<u>(5,814,823)</u>	<u>(5,395,089)</u>	<u>419,734</u>
<b>Other Financing Sources:</b>				
Operating transfers in	5,814,823	5,814,823	5,395,089	(419,734)
<b>Net change in fund balances</b>	---	---	---	---
<b>Fund Balances - Beginning of year</b>	---	---	---	---
<b>Fund Balances - End of year</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report and accompanying notes to required supplementary information.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

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

Year Ended June 30, 2018

Wisconsin Retirement System

Last 10 Fiscal Years\*

	<b>District's proportion of the net pension asset (liability)</b>	<b>District's proportionate share of the net pension asset (liability)</b>	<b>District's covered payroll</b>	<b>Net pension asset (liability) as a percentage of covered payroll</b>	<b>Plan fiduciary net position as a percentage of total pension asset (liability)</b>
2018	0.1971%	\$ 5,851,264	\$ 29,129,682	20.09%	102.93%
2017	0.1982%	(1,633,382)	28,663,277	5.70%	99.12%
2016	0.2006%	(3,259,216)	27,947,736	11.66%	98.20%
2015	0.2027%	4,978,885	27,876,137	17.86%	102.74%

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

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

**Schedule of Contributions**

Year Ended June 30, 2018

Wisconsin Retirement System

Last 10 Fiscal Years\*

	<b>Contractually required contributions</b>	<b>Contributions in relation to the contractually required contributions</b>	<b>Contribution deficiency (excess)</b>	<b>District's covered payroll</b>	<b>Contributions as a percentage of covered payroll</b>
2018	\$ 1,980,821	\$ 1,980,821	\$ ---	\$ 29,129,682	6.80%
2017	1,891,776	1,891,776	---	28,663,277	6.60%
2016	1,901,557	1,901,557	---	27,947,736	6.80%
2015	1,953,361	1,953,361	---	27,876,137	7.00%

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

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

See Independent Auditors' Report and  
accompanying notes to required supplementary information.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Schedule of Changes in the Total Pension Liability and Related Ratios**

Year Ended June 30, 2018

Last 10 Fiscal Years\*

<b><u>Total Pension Liability</u></b>	<b><u>06/30/18</u></b>	<b><u>06/30/17</u></b>
Service Cost	\$ 469,260	\$ 469,260
Interest	232,695	219,531
Change of benefit terms	---	---
Differences between expected and actual experiences	---	---
Changes of assumptions or other input	(251,040)	---
Benefit payments	<u>(201,013)</u>	<u>(298,921)</u>
<b>Net change in total pension liability</b>	<b>249,902</b>	<b>389,870</b>
<b>Total pension liability - beginning</b>	<b><u>7,622,386</u></b>	<b><u>7,232,516</u></b>
<b>Total pension liability - ending</b>	<b><u>\$ 7,872,288</u></b>	<b><u>\$ 7,622,386</u></b>
<b>Covered payroll</b>	<b>\$ 22,475,091</b>	<b>\$ 22,475,091</b>
<b>Total pension liability as a percentage of covered payroll</b>	<b>35.03%</b>	<b>33.91%</b>

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

See Independent Auditors' Report and  
accompanying notes to required supplementary information.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

Year Ended June 30, 2018

Last 10 Fiscal Years\*

	<u>2018</u>
<b><u>Total OPEB Liability</u></b>	
Service Cost	\$ 239,158
Interest	329,852
Change of benefit terms	---
Differences between expected and actual experiences	---
Changes of assumptions or other input	---
Benefit payments	<u>(1,313,518)</u>
<b>Net change in total OPEB liability</b>	<b>(744,508)</b>
<b>Total OPEB liability - beginning</b>	<b><u>9,961,529</u></b>
<b>Total OPEB liability - ending</b>	<b><u><u>\$ 9,217,021</u></u></b>
<b>Covered-employee payroll</b>	<b>\$ 4,302,534</b>
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>214.22%</b>

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

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

See Independent Auditors' Report and  
accompanying notes to required supplementary information.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Required Supplementary Information**  
Year Ended June 30, 2018

**Note A. Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with accounting principles generally accepted in the United States of America ("GAAP"). An explanation of the difference between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	<b>General Fund</b>	<b>Special Education Fund</b>
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 53,957,169	\$ 2,592,064
Reclassification of special education	2,592,064	(2,592,064)
Total Revenues (GAAP)	56,549,233	---
<b>Expenditures</b>		
Actual amounts (budgetary basis)	46,531,212	7,987,153
Reclassification of special education	7,987,153	(7,987,153)
Total Expenditures (GAAP)	54,518,365	---
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	7,425,957	(5,395,089)
Reclassification of special education	(5,395,089)	5,395,089
Excess of Revenues Over (Under) Expenditures (GAAP)	2,030,868	---
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(5,395,089)	5,395,089
Reclassification of special education	5,395,089	(5,395,089)
Total Other Financing Sources (Uses) (GAAP)	---	---
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis) (GAAP)	2,030,868	---
<b>Fund Balance - Beginning of Year</b>		
Actual amounts (budgetary basis) (GAAP)	20,637,492	---
<b>Fund Balance - End of Year</b>		
Actual amounts (budgetary basis) (GAAP)	\$ 22,668,360	\$ ---

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

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2018. The excess expenditures were funded by larger than anticipated revenues and expenditures that were under budget in other areas.

<b>General Fund:</b>	
Vocational curriculum	\$ 31,806
Physical curriculum	22,077
School building administration	257,928
Central services	84,167
Transfers to another fund	58,209
<b>Special Education Fund:</b>	
Other non-program transactions	4,724

**Note C - WRS Information**

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



**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Notes to Required Supplementary Information (Continued)**

Year Ended June 30, 2018

**Note D - Supplemental Pension Benefits**

No assets are accumulated in a trust to pay related benefits.

Additional information for the Pension Benefits plan as of the latest actuarial valuation is as follows:

Key Methods and Assumption Used

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Reporting date	June 30, 2018
Actuarial cost method	Entry age normal - level % of salary
Discount rate*	3.50%
Municipal Bond Rate Source	Bond Buyer 20-Bond Go Index
Actuarial Assumptions	Based on an experience study conducted in 2015 using WRS experience from 2012-2014
Mortality Assumptions	Wisconsin 2012 Mortality Table

\* Implicit in this rate is an assumed rate of inflation of 2.50%  
Discount rate increased from 3.00% at the prior measurement date to 3.50%

**Note E - Other Post-Employment Benefits**

Additional information for the Other Post-Employment Benefits plan as of the latest actuarial valuation is as follows:

Key Methods and Assumption Used

Valuation date	July 1, 2016
Measurement date	June 30, 2017
Reporting date	June 30, 2018
Actuarial cost method	Entry age normal (level percent of salary)
Medical Care Trend	7.50% decreasing by 0.50% per year down to 6.50% then by 0.10% per year down to 5.0%, and level thereafter
Discount rate*	3.50%
Actuarial Assumptions	Based on an experience study conducted in 2015 using WRS experience from 2012-2014
Mortality Assumptions	Wisconsin 2012 Mortality Table

\* Implicit in this rate is an assumed rate of inflation of 2.50%  
Discount rate increased from 3.00% at the prior measurement date to 3.50%

**OTHER SUPPLEMENTARY INFORMATION**

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2018

**Special Revenue Funds**

	<b>Special Revenue <u>Trust</u></b>	<b>Other Special <u>Projects</u></b>	<b>Community <u>Service</u></b>	<b>Debt <u>Service</u></b>	<b>Food <u>Service</u></b>	<b><u>Total</u></b>
<b>Assets:</b>						
Cash	\$ 1,437,120	\$ 5	\$ 1,019,794	\$ 447,559	\$ 550,896	\$ 3,455,374
Investments	---	---	---	2,861,189	---	2,861,189
Due from other governments	---	---	---	---	7,230	7,230
Prepaid expense	---	---	2,011	---	---	2,011
<b>Total assets</b>	<b>\$ 1,437,120</b>	<b>\$ 5</b>	<b>\$ 1,021,805</b>	<b>\$ 3,308,748</b>	<b>\$ 558,126</b>	<b>\$ 6,325,804</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 501	\$ 5	\$ 8,611	\$ ---	\$ 67	\$ 9,184
Withholdings and related district fringes payable	97	---	9,698	---	10,481	20,276
Accrued payroll	---	---	5,250	---	24,143	29,393
Unearned revenues	---	---	20,637	---	72,040	92,677
<b>Total liabilities</b>	<b>598</b>	<b>5</b>	<b>44,196</b>	<b>---</b>	<b>106,731</b>	<b>151,530</b>
<b>Fund Balances:</b>						
Nonspendable	---	---	2,011	---	---	2,011
Restricted	1,436,522	---	---	3,308,748	451,395	5,196,665
Assigned	---	---	975,598	---	---	975,598
<b>Total fund balances</b>	<b>1,436,522</b>	<b>---</b>	<b>977,609</b>	<b>3,308,748</b>	<b>451,395</b>	<b>6,174,274</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,437,120</b>	<b>\$ 5</b>	<b>\$ 1,021,805</b>	<b>\$ 3,308,748</b>	<b>\$ 558,126</b>	<b>\$ 6,325,804</b>

See Independent Auditors' Report.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

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

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Special</u>	<u>Other</u>	<u>Community</u>	<u>Debt</u>	<u>Food</u>	
	<u>Revenue</u>	<u>Special</u>				
	<u>Trust</u>	<u>Projects</u>	<u>Service</u>	<u>Service</u>	<u>Service</u>	
<b>Revenues:</b>						
Local	\$ 656,165	\$ 23,495	\$ 1,637,316	\$ 4,685,736	\$ 1,095,752	\$ 8,098,464
Interdistrict payments within Wisconsin	---	---	---	---	7,712	7,712
State	---	---	---	---	16,043	16,043
Federal	---	---	---	---	426,278	426,278
<b>Total revenues</b>	<b>656,165</b>	<b>23,495</b>	<b>1,637,316</b>	<b>4,685,736</b>	<b>1,545,785</b>	<b>8,548,497</b>
<b>Expenditures:</b>						
Instruction:						
Current	608,371	7,000	---	---	---	615,371
Capital outlay	5,368	16,495	---	---	---	21,863
Support Services:						
Current	26,224	---	1,478,342	---	1,472,549	2,977,115
Capital outlay	24,550	---	---	---	96,260	120,810
Debt service	---	---	---	5,296,003	---	5,296,003
<b>Total expenditures</b>	<b>664,513</b>	<b>23,495</b>	<b>1,478,342</b>	<b>5,296,003</b>	<b>1,568,809</b>	<b>9,031,162</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(8,348)</b>	<b>---</b>	<b>158,974</b>	<b>(610,267)</b>	<b>(23,024)</b>	<b>(482,665)</b>
<b>Fund Balances - Beginning of year</b>	<b>1,444,870</b>	<b>---</b>	<b>818,635</b>	<b>3,919,015</b>	<b>474,419</b>	<b>6,656,939</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,436,522</b>	<b>\$ ---</b>	<b>\$ 977,609</b>	<b>\$ 3,308,748</b>	<b>\$ 451,395</b>	<b>\$ 6,174,274</b>

See Independent Auditors' Report.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Agency Funds - Schedule of Changes in Assets and Liabilities**

June 30, 2018

	<u>Balance</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance</u>
	<u>June 30, 2017</u>						<u>June 30, 2018</u>
<b>Assets:</b>							
Cash	\$ 122,994	\$	299,876	\$	293,107	\$	129,763
<b>Liabilities</b>							
Accounts payable	\$ ---	\$	1,469	\$	---	\$	1,469
Due to student organizations							
Ben Franklin Elementary School	76		2,262		2,023		315
Country Dale Elementary School	883		---		80		803
Pleasant View Elementary School	1,520		473		638		1,355
Robinwood Elementary School	2,089		3,484		2,784		2,789
Southwood Glen Elementary School	434		---		---		434
Forest Park Middle School	15,037		39,979		44,137		10,879
Franklin High School	102,955		252,209		243,445		111,719
<b>Total liabilities</b>	<b>\$ 122,994</b>	<b>\$</b>	<b>299,876</b>	<b>\$</b>	<b>293,107</b>	<b>\$</b>	<b>129,763</b>

See Independent Auditors' Report.

**FRANKLIN PUBLIC SCHOOL DISTRICT**

Franklin, Wisconsin

**Schedule of Expenditures of State Awards**

Year Ended June 30, 2018

<b>Awarding Agency Pass-Through Agency Award Description</b>	<b>State I.D. Number</b>	<b>Pass-Thru Entity Number</b>	<b>Accrued or (Unearned) Revenue at 7/1/17</b>	<b>Receipts</b>	<b>State Disbursements/ Expenditures</b>	<b>Accrued or (Unearned) Revenue at 6/30/18</b>
<b>Wisconsin Department of Public Instruction</b>						
<b>Entitlement Programs</b>						
Special education and school-age parents ** Passed through CESA #1:	255.101	401900-100	\$ ---	\$ 1,739,327	\$ 1,739,327	\$ ---
Special education and school-age parents Passed through School District of Elmbrook:	255.101	749901-100	---	9,403	15,633	6,230
Special education and school-age parents	255.101	670714-100	---	10,933	10,933	---
<b>Special education subtotal</b>			---	1,759,663	1,765,893	6,230
State school lunch	255.102	401900-107	---	16,043	16,043	---
Common school fund library aid	255.103	401900-104	---	169,723	169,723	---
Bilingual/bicultural aid	255.106	401900-111	---	10,051	10,051	---
Pupil transportation	255.107	401900-102	---	89,623	89,623	---
Equalization aids	255.201	401900-116	273,614	19,236,692	19,247,087	284,009
Integration aid-nonresident	255.204	401900-106	---	531,309	531,309	---
High cost special education aid	255.210	401900-119	---	88,463	88,463	---
Peer review and mentoring	255.301	401900-141	20,302	20,302	---	---
General tuition payments by state	255.401	401900-157	---	412,865	412,865	---
Educator effective eval sys grants public	255.940	401900-154	25,200	25,200	25,040	25,040
Per pupil adjustment aid	255.945	401900-113	---	1,863,900	1,863,900	---
Career and technical education incentive grants	255.950	401900-152	---	50,679	50,679	---
Assessments of reading readiness	255.956	401900-166	---	5,960	5,960	---
Robotics lead participation grant public	255.959	401900-167	---	3,967	3,967	---
<b>Total expenditures of state awards</b>			<b>\$ 319,116</b>	<b>\$ 24,284,440</b>	<b>\$ 24,280,603</b>	<b>\$ 315,279</b>

\*\* Total DPI aidable expenditures for the year ended June 30, 2018 were \$6,583,865

See Independent Auditors' Report and Notes to  
Schedules of Expenditures of State and Federal Awards.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

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

<b>Awarding Agency</b>	<b>Federal</b>	<b>Pass-Thru</b>	<b>Accrued or</b>		<b>Federal</b>	<b>Accrued or</b>
<b>Pass-Through Agency</b>	<b>CFDA</b>	<b>Entity</b>	<b>(Unearned)</b>		<b>Disbursements/</b>	<b>(Unearned)</b>
<b>Award Description</b>	<b>Number</b>	<b>Number</b>	<b>Revenue at</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Revenue at</b>
			<b>7/1/17</b>			<b>6/30/18</b>
<b>U.S. Department of Agriculture</b>						
Passed through Wisconsin Department of Public Instruction:						
Nutrition Cluster:						
Donated Commodities - noncash award	10.555	N/A	\$ ---	\$ 126,379	\$ 126,379	\$ ---
Food Service Aid - Lunch	10.555	2018-401900-NSL-547	8,004	300,673	299,899	7,230
<b>Total Nutrition Cluster and U.S. Department of Agriculture</b>			<b>8,004</b>	<b>427,052</b>	<b>426,278</b>	<b>7,230</b>
<b>U.S. Department of Education</b>						
Passed through Wisconsin Department of Public Instruction:						
ESEA Title I-A Basic	84.010	2018-401900-Title I-141	160,883	360,734	327,825	127,974
Passed through Wisconsin Department of Public Instruction:						
Special Education Cluster:						
IDEA Flow Through Entitlement	84.027	2018-401900-IDEA-341	276,851	669,430	534,716	142,137
High Cost Special Education Aid	84.027	2018-401900-IDEA-341	---	22,934	22,934	---
<i>Subtotal for IDEA Flow Through CFDA #84.027</i>			<i>276,851</i>	<i>692,364</i>	<i>557,650</i>	<i>142,137</i>
IDEA Preschool Entitlement	84.173	2018-401900-Pre-S-347	7,902	27,074	26,966	7,794
Special Education Cluster Subtotal			284,753	719,438	584,616	149,931
ESEA Title III-A English Language Acquisition	84.365	2018-401900-Title III A-391	5,706	20,788	18,954	3,872
ESEA Title II-A Teacher Principal Training	84.367	2018-401900-Title II-365	23,481	40,386	28,595	11,690
Passed through Whitnall School District:						
Vocational Education- Basic Grants - to States (Carl Perkins)	84.048	2018-406470-CP-CTE-400	---	2,895	2,895	---
<b>Total U.S. Department of Education</b>			<b>474,823</b>	<b>1,144,241</b>	<b>962,885</b>	<b>293,467</b>
<b>U.S. Department of Health and Human Services</b>						
Passed through Wisconsin Department of Health Services:						
Medicaid Cluster:						
Medical Assistance Program	93.778	44216500	31,082	256,138	259,380	34,324
<b>Total expenditures of federal awards</b>			<b>\$ 513,909</b>	<b>\$ 1,827,431</b>	<b>\$ 1,648,543</b>	<b>\$ 335,021</b>

See Independent Auditors' Report and Notes to  
Schedules of Expenditures of State and Federal Awards.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Notes to Schedules of Expenditures of State and Federal Awards**  
June 30, 2018

**1. Basis of Presentation**

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

**2. Summary of Significant Accounting Policies**

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

**3. Indirect Cost Rate**

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

**4. Noncash Awards**

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2018.



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt



Patrick G. Hoffert  
Jason J. Wrasse  
Joshua T. Bierbach

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

To the School Board  
Franklin Public School District  
Franklin, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Franklin Public School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion of the effectiveness of the District's internal control.

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

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

## **Compliance and Other Matters**

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

## **District's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

November 26, 2018  
Milwaukee, Wisconsin

David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt



Patrick G. Hoffert  
Jason J. Wrasse  
Joshua T. Bierbach

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

To the School Board  
Franklin Public School District  
Franklin, Wisconsin

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal and State Program**

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

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 *Wisconsin State Single Audit Guidelines*. Accordingly, this report is not suitable for other purposes.

November 26, 2018  
Milwaukee, Wisconsin

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Schedule of Prior Audit Findings**  
Year Ended June 30, 2018

**2017-001 Financial Statement Preparation**

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

**Condition:** The financial statements of the District should be prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Preparation of the District's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise.

**Status:** The District has designated the Director of Business Services and the Comptroller to review the financial statements. See finding 2018-001.

**Finding 2017-002 Eligibility**

Department: United States Department of Agriculture  
Program Name: Child Nutrition Cluster  
Federal CFDA #: 10.555

**Criteria:** The Richard B. Russell National School Lunch Act requires families requesting free or reduced lunch fill out an application and submit this to their school district. Applications are then reviewed and approved by the District to determine eligibility for the National School Lunch Program.

**Condition:** We haphazardly selected a sample of 50 students receiving free or reduced lunch to ensure the students were eligible to receive free or reduced lunch. In our sample, there was one application which was approved for free lunch, however, the student was not eligible to receive free lunch per the program guidelines. In addition, there was one application for a student that was approved for free lunch, but the District could not locate the application.

**Status:** The District implemented an online system so that parents enter financial information directly into the free/reduced software which then determines their free/reduced status. The software keeps all of the records electronically.

**Finding 2017-003 Certification Pages**

Program Name: 255.201 - Equalization Aids

**Criteria:** Per Wisconsin State Statute 120.18, "The school district clerk of a common or union high school district shall file a verified annual school district report with the department on forms supplied by the department".

**Condition:** The District's clerk did not sign the PI-1505 Calendar.

**Status:** The District ensured all certification pages were signed and kept an electronic copy of the documents.

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

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

**Section I. Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

- |   |               |
|---|---------------|
| 4. Internal control over major programs:  |               |
| A. Material weakness(es) identified?  | No            |
| B. Significant deficiency(ies) identified?  | None Reported |
| 5. Type of auditors' report issued on compliance for major programs:                                  | Unmodified    |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| 7. Identification of major programs:  |               |

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Special Education Cluster</u>
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

- |   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs. | \$750,000 |
| 9. Auditee qualified as low-risk auditee?                                   | Yes       |

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2018  
(Continued)

**Section I. Summary of Auditors' Results (continued)**

**State Awards**

10. Internal control over major programs:
- A. Material weakness identified? No
  - B. Significant deficiency(ies) identified? None Reported
11. Type of auditors' report issued on compliance for major programs: Unmodified
12. Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Guidelines? No
13. Identification of major state programs:
- | <u>State Identification Number</u> | <u>Name of State Program</u> |
|------------------------------------|------------------------------|
| 255.101                            | Handicapped Education Aid    |
| 255.201                            | Equalization Aid             |
| 255.204                            | Integration Aid-Nonresident  |
14. Dollar threshold used to distinguish between type A and type B programs: \$ 250,000

**Section II. Financial Statement Findings**

**2018-001 Financial Statement Preparation**

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

**Condition:** The financial statements of the District should be prepared in accordance with accounting principles generally accepted in the United States (GAAP). Preparation of the District's financial statements and footnote disclosures in accordance with GAAP requires a very high level of technical experience and expertise.

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

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

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

**FRANKLIN PUBLIC SCHOOL DISTRICT**  
Franklin, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2018  
(Continued)

**Section II. Financial Statement Findings (continued)**

**2018-001 Financial Statement Preparation (continued)**

**Recommendation:** We recommend the District continues to have the Director of Business Services and the Comptroller review the financial statements and disclosures.

**Views of responsible officials:** See Corrective Action Plan.

**Section III. Federal and State Award Findings and Questioned Costs**

None noted

**Section IV. Other Issues**

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

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction

Yes

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner

\_\_\_\_\_  
Brian J. Mechenich

5. Date of Report

November 26, 2018





## Corrective Action Plan

**Reference Number: 2018-001**

**Description: Financial Statement Preparation**

*Corrective Action Plan:* The District will continue to rely on the expertise of an accounting firm to prepare the financial statements. After the financial statements have been prepared, they will be reviewed and approved by the District's director of business services.

*Anticipated Corrective Action Plan Completion Date:* Ongoing.

*Contact Information:* For additional information regarding this finding please contact Jim Milzer, Director of Business Services, at 414-525-7605.

A handwritten signature in blue ink, appearing to read "Jim Milzer", is positioned above the printed name.

Jim Milzer  
Director of Business Services  
414-525-7605