

SCHOOL DISTRICT OF CORNELL
CORNELL, WISCONSIN
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
AS OF JUNE 30, 2019

SCHOOL DISTRICT OF CORNELL

TABLE OF CONTENTS
June 30, 2019

	<u>Page Number</u>
Independent Auditor's Report	1-2
Basic Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Balance Sheet - Governmental Funds	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Position - Fiduciary Funds	8
Statement of Changes in Net Position – Fiduciary Funds	9
Notes to Financial Statements	10-33
Required Supplementary Information	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	34
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Education Fund	35
Schedule of District's Proportionate Share of the Net Pension (Asset) Liability	36
Schedule of Employer Contributions	37
Notes to Required Supplementary Information	38
Supplementary Information	
Combining Balance Sheet – General Fund	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	40
Combining Balance Sheet – Nonmajor Governmental Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	42

SCHOOL DISTRICT OF CORNELL

TABLE OF CONTENTS
June 30, 2019

	<u>Page Number</u>
Schedule of Changes in Assets and Liabilities – Student Organizations’ Fund	43
Schedule of Expenditures of Federal Awards	44
Schedule of Expenditures of State Awards	45
Notes to the Schedules of Expenditures of Federal and State Awards	46
Independent Auditor’s Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	47-48
Independent Auditor’s Report On Compliance For Each Major State Program And On Internal Control Over Compliance Required By The Wisconsin Department Of Public Instruction	49-50
Schedule of Findings and Questioned Cost	51-53

Independent Auditor's Report

To the Board of Education
School District of Cornell
Cornell, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Cornell ("District"), as of and for the year ended June 30, 2019, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 the Wisconsin Public School District Audit Manual issued by the State of Wisconsin Department of Public Instruction, and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Accounting Workshop SC

Accounting Workshop, SC
October 29, 2019

SCHOOL DISTRICT OF CORNELL

BASIC FINANCIAL STATEMENTS

June 30, 2019

SCHOOL DISTRICT OF CORNELL

STATEMENT OF NET POSITION
June 30, 2019

ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 4,872,219
Taxes receivable	433,744
Accounts receivable	20,852
Due from other governments	172,922
Total Current Assets	<u>5,499,737</u>
NONCURRENT ASSETS	
Capital assets	10,188,546
Less: Accumulated depreciation	(6,032,048)
Net Capital Assets	<u>4,156,498</u>
Total Assets	<u>9,656,235</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension amounts	<u>2,417,567</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	497,521
Vested employee benefits	157,075
Total Current Liabilities	<u>654,596</u>
NONCURRENT LIABILITIES	
Net pension liability	597,099
Total Liabilities	<u>1,251,695</u>
DEFERRED INFLOWS OF RESOURCES	
Pension amounts	1,743,283
Unearned revenue	2,437
Total Deferred Inflows of Resources	<u>1,745,720</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,156,498
Restricted	3,255,946
Unrestricted	<u>1,663,943</u>
Total Net Position	<u>\$ 9,076,387</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes In Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Instruction				
Regular	\$ 2,328,708	\$ 187,886	\$ 398,463	\$ (1,742,359)
Vocational	190,293	-	60,921	(129,372)
Special education	787,707	-	334,259	(453,448)
Other	203,940	7,470	39,744	(156,726)
Total Instruction	<u>3,510,648</u>	<u>195,356</u>	<u>833,387</u>	<u>(2,481,905)</u>
Support Services				
Pupil services	231,418	-	-	(231,418)
Instructional support services	252,988	-	58,211	(194,777)
Administration	651,936	-	-	(651,936)
Buildings and grounds	389,837	-	79,319	(310,518)
Pupil transportation	311,795	589	31,334	(279,872)
Other support services	126,789	-	-	(126,789)
Food service	255,425	65,438	222,907	32,920
Community services	121,345	250	93,169	(27,926)
Depreciation-unallocated*	220,857	-	-	(220,857)
Total Support Services	<u>2,562,390</u>	<u>66,277</u>	<u>484,940</u>	<u>(2,011,173)</u>
 Total Activities	 <u>\$ 6,073,038</u>	 <u>\$ 261,633</u>	 <u>\$ 1,318,327</u>	 <u>(4,493,078)</u>
General Revenues				
Taxes				
Property taxes:				
General purposes				1,268,336
State and federal aids not restricted to specific functions:				
General				3,240,258
Investment Income				89,426
Miscellaneous				65,330
Loss on sale of assets				(6,504)
Total General Revenues and Transfers				<u>4,656,846</u>
Change in Net Position				163,768
NET POSITION-BEGINNING OF YEAR				<u>8,912,619</u>
NET POSITION-END OF YEAR				<u>\$ 9,076,387</u>

*This amount excludes the depreciation expense that is included in the direct expenses of the various functions. (See Note 3)

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Capital Improv Trust Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,297,720	\$ 2,382,557	\$ 191,942	\$ 4,872,219
Taxes receivable	433,744	-	-	433,744
Accounts receivable	20,852	-	-	20,852
Due from other funds	-	600,000	-	600,000
Due from other governments	162,710	-	10,212	172,922
TOTAL ASSETS	<u>\$ 2,915,026</u>	<u>\$ 2,982,557</u>	<u>\$ 202,154</u>	<u>\$ 6,099,737</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 58,515	-	1,415	\$ 59,930
Accrued payroll, payroll taxes and withholdings	435,493	-	2,098	437,591
Unearned revenue	-	-	2,437	2,437
Due to other funds	600,000	-	-	600,000
Total Liabilities	<u>1,094,008</u>	<u>-</u>	<u>5,950</u>	<u>1,099,958</u>
Fund Balances				
Restricted	-	2,982,557	196,204	3,178,761
Unassigned	1,821,018	-	-	1,821,018
Total Fund Balances	<u>1,821,018</u>	<u>2,982,557</u>	<u>196,204</u>	<u>4,999,779</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,915,026</u>	<u>\$ 2,982,557</u>	<u>\$ 202,154</u>	

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 in the funds	4,156,498
Some deferred outflows and inflows of financial resources are not reported in the fund financial statements.	
Deferred outflows of resources-pension amounts	2,417,567
Deferred inflows of resources-pension amounts	(1,743,283)
Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the fund statements. Long term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:	
Net pension liability	(597,099)
Vested employee benefits	(157,075)
NET POSITION	<u>\$ 9,076,387</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Capital Improv Trust Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local	\$ 1,314,100	\$ 46,992	\$ 145,732	\$ 1,506,824
Interdistrict	199,247	-	-	199,247
Intermediate	86,555	-	-	86,555
State	3,822,729	-	7,455	3,830,184
Federal	285,981	-	269,537	555,518
Other	64,982	-	-	64,982
Total Revenues	<u>5,773,594</u>	<u>46,992</u>	<u>422,724</u>	<u>6,243,310</u>
EXPENDITURES				
Instruction				
Regular	2,226,415	-	552	2,226,967
Special education	744,298	-	-	744,298
Vocational	182,903	-	-	182,903
Other	158,055	-	38,339	196,394
Total instruction	<u>3,311,671</u>	<u>-</u>	<u>38,891</u>	<u>3,350,562</u>
Support Services				
Pupil services	218,083	-	-	218,083
Instruction support services	246,099	-	-	246,099
Administration	579,620	-	34,734	614,354
Buildings and grounds	374,468	-	-	374,468
Pupil transportation	311,795	-	-	311,795
Other support services	118,732	-	-	118,732
Capital outlay	206,968	-	-	206,968
Food service	-	-	246,555	246,555
Total support services	<u>2,055,765</u>	<u>-</u>	<u>281,289</u>	<u>2,337,054</u>
Community services	-	-	114,170	114,170
Total Expenditures	<u>5,367,436</u>	<u>-</u>	<u>434,350</u>	<u>5,801,786</u>
Excess (deficiency) of revenues over expenditures	406,158	46,992	(11,626)	441,524
OTHER FINANCING USES				
Transfer to(from) other funds	<u>(600,000)</u>	<u>600,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(193,842)	646,992	(11,626)	441,524
FUND BALANCES-BEGINNING OF YEAR				
	<u>2,014,860</u>	<u>2,335,565</u>	<u>207,830</u>	<u>4,558,255</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 1,821,018</u></u>	<u><u>\$ 2,982,557</u></u>	<u><u>\$ 196,204</u></u>	<u><u>\$ 4,999,779</u></u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 441,524

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

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

Capital outlay reported in governmental fund statements	206,968	
Depreciation expense reported in the statement of activities	(220,857)	
Book value of asset disposals	<u>(6,504)</u>	(20,393)

Change in net pension liability, deferred outflows and inflows are only reported in the statement of activities (249,306)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds.

-

Other long-term liabilities are reported in the governmental funds when amounts are paid. The statement of activities reports the value of liabilities accrued during the year.

Other liabilities paid during year	-	
Other liabilities accrued during year	<u>(8,057)</u>	<u>(8,057)</u>

CHANGE IN NET POSITION \$ 163,768

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2019**

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>	<u>Agency</u>
ASSETS			
Cash and investments	\$ 12,861	\$ 666,577	\$ 56,439
Accounts receivable	-	-	-
Due from other funds	-	-	-
Total Assets	<u>\$ 12,861</u>	<u>\$ 666,577</u>	<u>\$ 56,439</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Due to student groups	-	-	56,439
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 56,439</u>
NET POSITION	<u>\$ 12,861</u>	<u>\$ 666,577</u>	

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2019

	<u>Private Purpose Trust</u>	<u>Employee Benefit Trust</u>
ADDITIONS		
Contributions	\$ 5,900	\$ -
Investment earnings	6	10,952
Total additions	<u>5,906</u>	<u>10,952</u>
DEDUCTIONS		
Benefits	<u>4,107</u>	<u>129,659</u>
Excess (deficiency) of revenues over expenditures	1,799	(118,707)
OTHER FINANCING SOURCES (USES)		
Operating transfer in	<u>-</u>	<u>-</u>
Change in Net Position	1,799	(118,707)
NET POSITION-BEGINNING OF YEAR	<u>11,062</u>	<u>785,284</u>
NET POSITION-END OF YEAR	<u>\$ 12,861</u>	<u>\$ 666,577</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

INDEX TO NOTES TO FINANCIAL STATEMENTS
June 30, 2019

<u>NOTE</u>		<u>Page</u>
1.	Summary of Significant Accounting Policies	
	A. Reporting Entity	11
	B. Government-Wide and Fund Financial Statements	11
	C. Basis of Presentation	11
	D. Basis of Accounting	14
	E. Measurement Focus	15
	F. Inventories	15
	G. Long-Term Obligations	15
	H. Capital Assets	16
	I. Interfund Receivables and Payables	16
	J. Budgets	16
	K. Allowance for Uncollectible Accounts	17
	L. Compensated Absences	17
	M. Post Employment Benefits Other Than Pension Benefits	17
	N. Other Assets	17
	O. Claims and Judgments	17
	P. Interfund Transactions	18
	Q. Equity Classifications	18
	R. Use of Estimates	19
	S. Pensions	19
2.	Deposits and Investments	19
3.	Capital Assets	22
4.	Long-Term Obligations	23
5.	Lease Disclosures	23
6.	Employees' Retirement System	24
7.	Governmental Activities Net Position	29
8.	Governmental Fund Balances	30
9.	Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Position	30
10.	Excess of Actual Expenditures Over Budget in Individual Funds	31
11.	Risk Management	31
12.	Commitments and Contingencies	31
13.	Limitation of School District Revenues	31
14.	Post Employment Benefits	32
15.	Due From/Due To Other Funds – Fund Financial Statements	33
16.	Subsequent Events	33
17.	GASB Pronouncements	33

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District of Cornell (“the District”) conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

The District is organized as a unified school district. The District, governed by a five member elected school board, operates grades K through 12 and is comprised of all or parts of nine taxing districts. This report includes all of the funds of the District. The reporting entity for the District consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government or district-wide financial statements consist of the statement of net position and statement of activities. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the District used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds are reported as governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note 1.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the emphasis is on major funds versus non-major funds.

C. BASIS OF PRESENTATION

District-wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

District-wide Financial Statements (continued)

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitutes its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major funds or non-major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

GOVERNMENTAL ACTIVITIES

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines.

General Fund

The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The special education fund has been combined with the general fund as the general fund is the primary source of financing for this fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Long Term Capital Improvement Trust Fund

This trust fund is for future long-term capital improvement projects after a five year period.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF PRESENTATION (continued)

GOVERNMENTAL ACTIVITIES (continued)

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Permanent Funds

Permanent Funds are used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the organization.

FIDUCIARY FUNDS (Not included in district-wide statements)

Private-Purpose Trust Funds

Private-Purpose Trust Funds are used to account for resources legally held in trust for student scholarships.

Employee Benefit Trust Fund

Employee benefit trust fund is used to account for resources and payments of the District's post employment employee benefits held in a legally separated trust.

Agency Funds

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

Major Funds

The District reports the following major governmental funds:

- General Fund
- Long-Term Capital Improvement Trust Fund

Non-major Funds

The District reports the following non-major funds:

- Special Revenue Funds –
 - Special Projects Fund
 - Food Service Fund
 - Community Service Fund

Fiduciary Funds

The District reports the following fiduciary funds:

- Private – Purpose Trust Funds –
 - Scholarship Fund
 - Employee Benefit Trust Fund
- Agency Funds –
 - Student Activity Fund

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

The district-wide Statement of Net Position and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenues are recognized as revenue in the fiscal year levied as the District considers the property taxes as due prior to June 30. The District considers the taxes as due on January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment. Full receipt of the entire levy is assured within sixty days of the school's fiscal year end. Receipt of the balance of taxes levied within sixty days meets the requirements for availability in accordance with generally accepted accounting principles applicable to governmental entities.

Property taxes are collected by local taxing districts until January 31. Real estate tax collections after that date are made by the county, which assumes all responsibility for delinquent real estate taxes.

The aggregate amount of property taxes to be levied for district purposes is determined according to provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2018 tax roll:

Lien date and levy date	October, 2018
Tax bills mailed	December, 2018
Payment in full, or	January 31, 2019
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax sale 2018 delinquent real estate taxes	October, 2022

State general and categorical aids and other entitlements are recognized as revenue in the period the District is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income. Charges for services provided other educational agencies and private parties are recognized as revenue, when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

For governmental fund financial statements, deferred resources arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred resources also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred resources is removed from the combined balance sheet and revenue is recognized.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item in this category that relates to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District may have two items in this category. The first relates to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants. The other item sometimes reported here when applicable, is revenue received in advance of being earned which will be reported as revenue when earned.

E. MEASUREMENT FOCUS

On the district-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the district-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

F. INVENTORIES

Governmental fund inventories are recorded at cost based on the FIFO (first-in, first-out) method using the consumption method of accounting.

G. LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the district-wide statements. The long-term debt consists primarily of notes, bonds or loans payable, capital leases and accrued compensated absences.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. LONG-TERM OBLIGATIONS (continued)

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest are reported as expenditures.

H. CAPITAL ASSETS

District-Wide Statements

In the district-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 2003, governmental funds' capital assets were accounted for in the general fixed asset account group and were not recorded directly as a part of any individual fund's financial statements. Upon implementing GASB 34 governmental units are required to account for all fixed assets including infrastructure in the district-wide statements. Infrastructure assets may be accounted for prospectively from the date of implementation.

The District capitalizes all capital asset additions of \$5,000 or more. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Land Improvements	20 years
- Building & Improvements	10-50 years
- Furniture and equipment	5-20 years

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

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

I. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

J. BUDGETS

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the function level in the general fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. BUDGETS (continued)

The District follows these procedures in establishing the budgetary data:

- a) Based upon requests from District staff, district administration recommends budget proposals to the Board of Education.
- b) The Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- c) Pursuant to a public budget hearing, the Board may make alterations to the proposed budget.
- d) Once the Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations, unless authorized by a 2/3 vote of the entire board.
- e) Appropriations lapse at year-end unless authorized as a carryover by the Board. The portion of fund balance representing carryover appropriations is reported as committed or assigned fund balance.

K. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

L. COMPENSATED ABSENCES

The District's policy allows non-teacher employees to earn varying amounts of vacation pay for each year employed. Upon retirement or termination of employment, the employee is entitled to receive cash for unused days.

M. POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 6, the District provides a post-employment benefit for qualifying retirees, see note 15.

N. OTHER ASSETS

In governmental funds, debt issuance costs are recognized in the current period. For the district-wide financial statements, governmental activity debt issuance costs are amortized over the life of the debt issue.

O. CLAIMS AND JUDGMENTS

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the district-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. EQUITY CLASSIFICATIONS

District-Wide Statements

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

- a. Net investment in capital assets– Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
- b. Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Fund Statements

Governmental fund equity is classified as fund balance.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classification used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are only available to service debt, special project resources are only available for grantor purposes and food service and capital improvement trust resources are required by law to be used within those programs.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. EQUITY CLASSIFICATIONS (continued)

Fund Statements (continued)

- **Committed:** This classification includes amounts that can be used only for specified purposes pursuant to constraints imposed by formal action of the School Board. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of year end.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the School Board delegating this responsibility to its representative. The Board of Education determines any assigned amounts.
- **Unassigned:** This classification includes any residual fund balance of the General Fund.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

R. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

S. PENSIONS

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Total deposits and investments of the District consist of the following:

Deposits	\$ 5,066,313
Investments	<u>541,783</u>
Total Deposits and Investments	<u>\$ 5,608,096</u>
Per statement of net position - deposits and investments	\$ 4,872,219
Per statement of net position - fiduciary funds	<u>735,877</u>
Total	<u><u>\$ 5,608,096</u></u>

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Deposits

At year end, the carrying amount of the District's deposits was \$5,066,313 and the bank balance was \$5,136,474. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit.

All of the bank balance was covered by federal depository insurance and collateral.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts covered by insurance above.

Fluctuating cash flows during the year due to tax collections, receipts of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The policy requires deposits to be made only in banks with FDIC coverage. The board approves depositories annually and as changes occur based on a recommendation from management.

INVESTMENTS

Investment of District funds is restricted by state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company or savings and loan association maturing in three years or less.
- Bonds or securities of any county, city, drainage district, technical college district, district, town, or school district of the state.
- Bonds or securities issued or guaranteed by the federal government.
- The local government investment pool.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospital and Clinics Authority.
- Bonds issued by a local football stadium district.
- Bonds issued by a local arts district.
- Bonds issued by the Wisconsin Aerospace Authority.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

INTEREST RATE RISKS

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

	Remaining Maturity (In Months)	
	Amount	12 Months or Less
Local Government Investment Pool	\$ 6	\$ 6
Annuity contract with American United Life Ins Company	529,752	529,752
John Wilson Music Endowment Fund	12,025	12,025
Totals	\$ 541,783	\$ 541,783

CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy does not further limit its investment choices. At year end, the District's investments consisted of the following:

CREDIT RISK

	Carrying Amount	Rating
WI Local Government Investment Pool	\$ 6	Not Rated
American United Life Ins Company	529,752	A+, AA-
John Wilson Music Endowment Fund	12,025	Not Rated
Totals	\$ 541,783	

Fair (Market) Value of Deposits and Investments

Deposits and investments are reported at fair value. At year end, the fair value of the District's deposits and investments approximated original cost; therefore, no fair value adjustments were necessary.

Determining Fair Value

Fair value of the District's deposits and investments are determined as follows:

- 1) Deposits and investments with stated interest rates (savings account and certificates of deposits) are stated at cost, and
- 2) State of Wisconsin Local Government Investment Pool fair value is determined by the Pool's investment board based on published market quotations.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investment Pool Information

Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At year end, the Pool's fair value was 100 percent of book value.

Income Allocation

Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment. Interest income from special education, food services and community service funds is reported in the general fund.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets not being depreciated					
Sites	\$ 22,650	\$ -	\$ -	\$ -	\$ 22,650
Capital assets being depreciated					
Site improvements	754,498	-	-	-	754,498
Buildings and improvements	7,393,745	-	(11,600)	-	7,382,145
Furniture, equipment and software	2,226,221	206,968	(403,936)	-	2,029,253
Total Capital Assets Being Depreciated	10,374,464	206,968	(415,536)	-	10,165,896
Less: Accumulated depreciation for					
Site improvements	(486,436)	(24,533)	-	-	(510,969)
Buildings and improvements	(3,825,434)	(124,955)	7,304	-	(3,943,085)
Furniture and equipment	(1,908,353)	(142,079)	401,728	70,710	(1,577,994)
Total Accumulated Depreciation	(6,220,223)	(291,567)	409,032	70,710	(6,032,048)
Net Capital Assets	<u>\$ 4,176,891</u>	<u>\$ (84,599)</u>	<u>\$ (6,504)</u>	<u>\$ 70,710</u>	<u>\$ 4,156,498</u>

Depreciation expense of \$338,581 was not charged to any specific function.

The fund and function detail of capital asset additions is as follows:

	General Fund
Vocational curriculum	\$ 132,382
Buildings & grounds	74,586
Totals	<u>\$ 206,968</u>

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 – LONG-TERM OBLIGATIONS

Long-term liability activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds, Notes and Loans Payable					
General obligation debt	\$ -	\$ -	\$ -	\$ -	\$ -
Other Liabilities					
Vested compensated absences	<u>149,018</u>	<u>8,057</u>	<u>-</u>	<u>157,075</u>	<u>157,075</u>
Total Long-Term Liabilities	<u>\$ 149,018</u>	<u>\$ 8,057</u>	<u>\$ -</u>	<u>\$ 157,075</u>	<u>\$ 157,075</u>

General Obligation Debt

The District does not have any general obligation debt.

<u>Type</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Ending Balance</u>
Other Long-Term Liabilities					
Vested compensated absences					<u>157,075</u>
Total Governmental Activities Long-Term Obligations					<u>\$ 157,075</u>

NOTE 5 - LEASE DISCLOSURES

LESSEE - CAPITAL LEASES

The District has no material outstanding sales-type or direct financing leases.

LESSEE - OPERATING LEASES

The District has no material outstanding sales-type or direct financing leases.

LESSOR - CAPITAL LEASES

The District has no material outstanding sales-type or direct financing leases.

LESSOR - OPERATING LEASES

The District does not receive material lease payments from property rented to others.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM

All eligible District employees participate in the Wisconsin Retirement System (“WRS”), a cost-sharing multiple-employer defined benefit public employee retirement system (“PERS”). All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 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. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2019 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.55%	6.55%
Executives & Elected Officials	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

The payroll for District employees covered by the System for the year ended June 30, 2019 was \$2,337,507. The employer’s total payroll was \$2,993,493. The total required contribution for the year ended June 30, 2019 was \$309,564, or 13.2% of covered payroll. Of this amount, the employer and employees each contributed their half. Total contributions for the years ended June 30, 2018 and 2017 were \$338,257 and \$346,226, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive retirement benefits. Employees may retire at age 54 and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. Final Average Earnings is the average of the employee’s three highest years earnings. Employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation after January 1, 1990, and no longer actively employed on 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 are immediately vested. Participants who initially become WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes. The System issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may not be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

EFT 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, credible 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 credible 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 12/31/2016) 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 contributions, with interest, if that benefit is higher than the formula factor.

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

The WRS also provides death and disability benefits for employees.

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

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information about the Pension Plan (continued)

Post-Retirement Adjustments (continued)

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>
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
2018	2.4	17.0

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category was merged in to the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribution 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 \$161,442 in contributions from the employer.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability:	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0
Discount Rate:	7.0
Salary Increases:	
Inflation	3.0
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information about the Pension Plan (continued)

Actuarial Assumptions (continued)

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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

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

**Retirement Funds
Asset Allocation Targets and Expected Returns
As of December 31, 2018**

<u>Core Fund Asset Class</u>	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

*New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.5%.
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.*

Schedule of Employer Allocations. The Employer Allocation Percentage is based on the employer’s average required contribution for the three most recent calendar years compared to the average required contributions for all employers for the same period. If an employer did not participate in the WRS for all three years, their average employer contributions are based on the years in which they participated. In case of employer mergers, prior year contributions are restated based on the status in the final year. The Employer Allocation Percentage is rounded to eight decimal places.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information about the Pension Plan (continued)

Schedule of Pension Amounts. The employer’s proportionate share of the collective Net Pension Liability (Asset), Deferred Outflows of Resources, Deferred Inflows of Resources, and Total Employer Pension Expense (Income) is based on the Employer Allocation Percentage.

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

At June 30, 2019, the District reported a liability (asset) of \$597,099 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

The District’s proportion of the net pension liability (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, 2018, the District’s proportion was 0.01678336%, which was a decrease of 0.00034188% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$398,590.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 459,787	\$ 822,041
Changes in assumptions	100,650	-
Net differences between projected and actual earnings on pension plan investments	1,777,175	905,152
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	16,090
Employer contributions subsequent to the measurement date	<u>79,955</u>	<u>-</u>
Total	<u>\$ 2,417,567</u>	<u>\$ 1,743,283</u>

\$79,955 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 and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 838,503	\$ 627,213
2019	556,722	506,266
2020	545,859	451,053
2021	396,528	158,751
Thereafter	-	-

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 – EMPLOYEES’ RETIREMENT SYSTEM (continued)

General Information About the Pension Plan (continued)

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase To Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 2,372,935	\$ 597,099	\$ (723,372)

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>.

At year end, the District reported a payable to the pension plan, which represents contractually required contributions outstanding as of the end of the year.

NOTE 7 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Government Wide Statement of Net Position at year end include the following:

Net Investment in Capital Assets	\$ 4,156,498
Less: related long-term debt outstanding	-
Total Net Investment in Capital Assets	4,156,498
Restricted	
Special projects fund	122,917
Capital project improvement trust fund	2,982,557
Food service fund	43,448
Community service fund	29,839
Pension-net of deferred inflows, outflows and net pension liability	77,185
	3,255,946
Unrestricted	
Total Governmental Activities Net Position	\$ 9,076,387

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8- GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at year-end include the following:

Restricted	
Major Funds	
Long-term capital improvement trust	\$ 2,982,557
Non-Major Funds	
Special projects	122,917
Food service	43,448
Community service	29,839
Total Restricted Fund Balances	<u>3,178,761</u>
Unassigned	
Major Funds	
General Fund	<u>1,821,018</u>
Total Governmental Fund Balances	<u><u>\$ 4,999,779</u></u>

Interfund transfers of \$669,358 and \$600,000 were made from the general fund to the special education fund and capital improvement trust fund. The special education fund transfer covered a deficit and the trust fund transfer was determined by the school board for future capital improvements.

The special education fund made a \$1,500 transfer to the general fund for indirect cost reimbursement purposes.

NOTE 9- EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation	<u>\$ 4,156,498</u>
---	---------------------

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Compensated absences	<u>\$ 157,075</u>
Combined Adjustment	<u><u>\$ 157,075</u></u>

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10- EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures over budget for the year:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Other instruction	\$ 29,490
Instructional support services	14,394
Other nonprogram	18,300
Operating transfers	744,304
Special Education Fund	
Instructional support services	92,127
Administration	2,104
Buildings & grounds	2,433
Pupil transportation	1,438
Other nonprogram	100,309
Operating transfers	1,500

NOTE 11- RISK MANAGEMENT

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

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.

NOTE 13 – LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase which is determined by the legislature.

This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

A resolution of the school board or by a referendum prior to August 12, 1993.

A referendum on or after August 12, 1993.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 – POST-EMPLOYMENT BENEFITS

Plan Description and Description of Benefits. The Cornell School District Employee Benefit Trust Account (“Plan”) is a single-employer defined benefit healthcare plan administered by the Cornell School District Employee Benefit Trust Account. The Plan’s authority is governed by the trust document and laws of the State of Wisconsin. Amendments to the Plan may only be made by the District. The plan provides that the district will pay 81% of the health insurance premiums for eligible retirees (those that retired prior to June 2007) up to a maximum period of 7 years after retirement.

For those teachers eligible for an OPEB benefit that were still employed at June 30, 2007, the 81% of premium benefit was replaced with a Health Reimbursement Arrangement (HRA). The HRA language for those hired prior to 2006 and retiring after 2006-07 with minimum of 15 years as a District employee state they are eligible for a maximum of \$140,000 (28 years and \$5,000 for each year of employment with the District) in payments to HRA, to be paid over 10 years after retirement. If a retiree dies before exhaustion of the benefit, the retiree’s beneficiaries will receive the remaining benefit.

There are no post-employment benefits for teachers hired after 2006.

Funding. The Plan was funded by making actuarially determined contributions for years through June 30, 2009 and contributions determined under the alternative measurement method allowed by GASB 45 for years since.

Annual OPEB cost and Net OPEB Obligation. The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution to the employer (ARC), an amount determined in accordance with the parameters of GASB Statement 45 (determined actuarially for the year ended June 30, 2009 and under the alternative measurement method for the years ended thereafter).

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial/alternative measurement liabilities (or funding excess) over a period not to exceed thirty years.

For the fiscal years ended June 30, 2011 and thereafter the liability is considered to be fully funded.

Funded Status and Funding Progress. The below schedule presents the value of the assets in the plan in comparison to the accrued liability calculated in accordance with the alternative measurement method (AMM).

Total OPEB Liability, 6/30/19	\$ 430,849
Fiduciary net position, 6/30/19	666,577
Net OPEB Liability (Asset), 6/30/19	<u>\$ (235,728)</u>

The District uses the alternative measurement method for determining its liability for the fiscal years ending June 30, 2011 and thereafter. The following is a summary of those significant methods and assumptions:

There were 14 retirees receiving benefits at the time of the latest alternative measurement, a 100% probability factor of employees staying until retirement was used in determining turnover based on inquiries of the employees covered, no increase in health insurance premiums was necessary as the calculation for those under the old retirement language is complete. Management believes that the entire liability is fully funded. A historical age-based retirement date of 58 was used in the calculations. Finally, a rate of return on the investments used in the calculations is 1.3%.

Method Used to Value Investments. Investments are reported at fair value, which is determined by the underlying investments held by the group variable annuity contract invested with American United Life Insurance Company and deposit account at Citizens State Bank.

**SCHOOL DISTRICT OF CORNELL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14 – POST-EMPLOYMENT BENEFITS (continued)

Plan Description and Contribution Information. Membership in the sole-employer trust consisted of the following at June 30, 2018, the date of the latest measurement of the actuarial liability using the alternative method:

Retirees and beneficiaries receiving benefits	14
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	0
Total	14

Contributions. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums as described in the following sentences. The District is responsible for paying 81% of the retirees' health insurance premiums on an annual basis not to exceed a 7-year period. Any amount in excess of this 81% of the premiums will be paid by the retirees to the District.

For the year ended June 30, 2019, no plan member contributions occurred.

NOTE 15 – DUE FROM/DUE TO OTHER FUNDS – FUND FINANCIAL STATEMENTS

Individual fund interfund receivable and payable balances at year end are as follows:

Fund	Due From	Due To
General Fund	\$ -	\$ 600,000
Capital Improv Trust Fund	600,000	-
	\$ 600,000	\$ 600,000

The balances originate from a transfer to the capital improvement trust fund approved as of June 30, 2019 and made in July 2019.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2019, the date the financial statements were available to be issued.

NOTE 17 – GASB PRONOUNCEMENTS

GASB statements are issued periodically. The District evaluates statements as they are issued and adopts those that are applicable as required by the individual statement.

SCHOOL DISTRICT OF CORNELL
REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2019

SCHOOL DISTRICT OF CORNELL

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local	\$ 1,447,010	\$ 1,447,010	\$ 1,314,100	\$ (132,910)
Interdistrict	179,413	179,413	199,247	19,834
Intermediate	53,574	53,574	48,703	(4,871)
State	3,492,309	3,492,309	3,645,508	153,199
Federal	165,800	165,800	205,337	39,537
Other	10,000	10,000	64,982	54,982
Total Revenues	<u>5,348,106</u>	<u>5,348,106</u>	<u>5,477,877</u>	<u>129,771</u>
EXPENDITURES				
Instruction				
Regular	1,681,084	1,681,084	1,625,495	55,589
Vocational	366,259	366,259	315,285	50,974
Other	128,565	128,565	158,055	(29,490)
Total instruction	<u>2,175,908</u>	<u>2,175,908</u>	<u>2,098,835</u>	<u>77,073</u>
Support Services				
Pupil services	112,291	112,291	109,734	2,557
Instructional support services	132,748	132,748	147,142	(14,394)
Administration	659,600	659,600	577,516	82,084
Buildings and grounds	682,100	682,100	446,621	235,479
Pupil transportation	336,850	336,850	310,357	26,493
Other support services	134,838	134,838	112,736	22,102
Total support services	<u>2,058,427</u>	<u>2,058,427</u>	<u>1,704,106</u>	<u>354,321</u>
Non-program				
General tuition payments	497,000	497,000	492,620	4,380
Other non-program	90,000	90,000	108,300	(18,300)
Total non-program	<u>587,000</u>	<u>587,000</u>	<u>600,920</u>	<u>(13,920)</u>
Total Expenditures	<u>4,821,335</u>	<u>4,821,335</u>	<u>4,403,861</u>	<u>417,474</u>
Excess of revenues over expenditures	526,771	526,771	1,074,016	547,245
OTHER FINANCING USES				
Transfer from other funds	1,500	1,500	1,500	-
Transfer to other funds	(525,054)	(525,054)	(1,269,358)	(744,304)
Net Change in Fund Balance	3,217	3,217	(193,842)	(197,059)
FUND BALANCES-BEGINNING OF YEAR	<u>2,014,860</u>	<u>2,014,860</u>	<u>2,014,860</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 2,018,077</u>	<u>\$ 2,018,077</u>	<u>\$ 1,821,018</u>	<u>\$ (197,059)</u>

See notes to the required supplementary information.

SCHOOL DISTRICT OF CORNELL

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intermediate	\$ 68,500	\$ 68,500	\$ 37,852	\$ (30,648)
State	181,400	181,400	177,221	(4,179)
Federal	132,230	132,230	80,644	(51,586)
Total Revenues	<u>382,130</u>	<u>382,130</u>	<u>295,717</u>	<u>(86,413)</u>
EXPENDITURES				
Instruction				
Special education	<u>754,623</u>	<u>754,623</u>	<u>625,292</u>	<u>129,331</u>
Total instruction	<u>754,623</u>	<u>754,623</u>	<u>625,292</u>	<u>129,331</u>
Support Services				
Pupil services	117,034	117,034	108,349	8,685
Instructional support services	6,830	6,830	98,957	(92,127)
Administration	-	-	2,104	(2,104)
Buildings and grounds	-	-	2,433	(2,433)
Pupil transportation	-	-	1,438	(1,438)
Other support services	10,000	10,000	5,996	4,004
Total support services	<u>133,864</u>	<u>133,864</u>	<u>219,277</u>	<u>(85,413)</u>
Non-program				
Other non-program	<u>18,697</u>	<u>18,697</u>	<u>119,006</u>	<u>(100,309)</u>
Total Expenditures	<u>907,184</u>	<u>907,184</u>	<u>963,575</u>	<u>(56,391)</u>
Excess (deficiency) of revenues over expenditures	(525,054)	(525,054)	(667,858)	(142,804)
OTHER FINANCING SOURCES				
Transfer from general fund	525,054	525,054	669,358	144,304
Transfer to general fund	<u>-</u>	<u>-</u>	<u>(1,500)</u>	<u>(1,500)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the required supplementary information.

SCHOOL DISTRICT OF CORNELL

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended June 30, 2019**

WRS Fiscal Year End Date (Measurement Date)	District's Proportion of the Net Pension Asset	District's Proportionate Share of the Net Pension (Asset) Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Asset
12/31/2018	0.01678336%	\$ 597,099	\$ 2,409,581	24.78%	96.45%
12/31/2017	0.01712524%	\$ (508,468)	\$ 2,560,986	19.85%	102.93%
12/31/2016	0.01654132%	\$ 136,340	\$ 2,493,111	5.47%	99.12%
12/31/2015	0.01584667%	\$ 257,505	\$ 2,363,580	10.89%	102.74%
12/31/2014	0.01560158%	\$ (383,112)	\$ 2,201,158	17.41%	102.74%

*The District is required to present the above information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF EMPLOYER CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM (WRS)
For the Year Ended June 30, 2019

WRS Fiscal Year End Date (Measurement Date)	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2018	\$ 161,442	\$ 161,442	\$ -	\$ 2,409,581	6.7%
12/31/2017	\$ 176,499	\$ 176,499	\$ -	\$ 2,560,986	6.9%
12/31/2016	\$ 164,545	\$ 164,545	\$ -	\$ 2,493,111	6.6%
12/31/2015	\$ 160,723	\$ 160,723	\$ -	\$ 2,363,580	6.8%
12/31/2014	\$ 154,413	\$ 154,413	\$ -	\$ 2,201,158	7.0%

*The District is required to present the above information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

SCHOOL DISTRICT OF CORNELL

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes using the budgetary accounting procedures prescribed by the Wisconsin Department of Public Instruction (DPI). The DPI requires the District to separate special education revenues and expenditures from other general fund amounts. Budgetary expenditure control is exercised at the fund or function level depending upon the fund. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows the budget procedures at note 1J.

NOTE B – BUDGETARY INFORMATION

The District adopts a separate budget for the special education special revenue fund. A reconciliation of the Revenues, Expenditures, and Other Financing Sources (Uses) per the budget to actual individual fund statements to the combined general fund/special education fund statement follows

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary statements)	\$ 5,477,877	\$ 295,717
Reclassification of special education	295,717	(295,717)
Total Revenues	5,773,594	-
Expenditures		
Actual amounts (budgetary statements)	4,403,861	963,575
Reclassification of special education	963,575	(963,575)
Total Expenditures	5,367,436	-
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary statements)	1,074,016	(667,858)
Reclassification of special education	(667,858)	667,858
Excess of Revenues Over (Under) Expenditures	406,158	-
Other Financing Sources (Uses)		
Actual amounts (budgetary statements)	(1,267,858)	667,858
Reclassification of special education	667,858	(667,858)
Total Other Financing Sources (Uses)	(600,000)	-
Net Change in Fund Balance		
Actual amounts (combined statement)	(193,842)	-
Fund Balance - beginning		
Actual amounts (combined statement)	2,014,860	-
Fund Balance - ending		
Actual amounts (combined statement)	\$ 1,821,018	\$ -

NOTE C – WISCONSIN RETIREMENT SYSTEM

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

Changes of Assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015-2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

**SCHOOL DISTRICT OF CORNELL
SUPPLEMENTARY INFORMATION**

June 30, 2019

SCHOOL DISTRICT OF CORNELL

**COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2019**

	General Fund	Special Education Fund	Total General Fund
ASSETS			
Cash and investments	\$ 2,244,375	\$ 53,345	\$ 2,297,720
Taxes receivable	433,744	-	433,744
Accounts receivable	20,852	-	20,852
Due from other governments	131,591	31,119	162,710
	<u>\$ 2,830,562</u>	<u>\$ 84,464</u>	<u>\$ 2,915,026</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 57,486	\$ 1,029	\$ 58,515
Accrued payroll, payroll taxes, withholdings	352,058	83,435	435,493
Due to other funds	600,000	-	600,000
Total Liabilities	<u>1,009,544</u>	<u>84,464</u>	<u>1,094,008</u>
Fund Balances			
Unassigned	1,821,018	-	1,821,018
Total Fund Balances	<u>1,821,018</u>	<u>-</u>	<u>1,821,018</u>
	<u>\$ 2,830,562</u>	<u>\$ 84,464</u>	<u>\$ 2,915,026</u>
TOTAL LIABILITIES AND FUND BALANCES			

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND**

For the Year Ended June 30, 2019

	General Fund	Special Education Fund	Total General Fund
REVENUES			
Local sources	\$ 1,314,100	\$ -	\$ 1,314,100
Interdistrict sources	199,247	-	199,247
Intermediate sources	48,703	37,852	86,555
State sources	3,645,508	177,221	3,822,729
Federal sources	205,337	80,644	285,981
Other sources	64,982	-	64,982
Total Revenues	<u>5,477,877</u>	<u>295,717</u>	<u>5,773,594</u>
EXPENDITURES			
Instruction			
Regular	2,226,415	-	2,226,415
Special education	-	744,298	744,298
Vocational	315,285	-	315,285
Other instruction	158,055	-	158,055
Total instruction	<u>2,699,755</u>	<u>744,298</u>	<u>3,444,053</u>
Support Services			
Pupil services	109,734	108,349	218,083
Instruction support services	147,142	98,957	246,099
Administration	577,516	2,104	579,620
Buildings and grounds	446,621	2,433	449,054
Pupil transportation	310,357	1,438	311,795
Other support services	112,736	5,996	118,732
Total support services	<u>1,704,106</u>	<u>219,277</u>	<u>1,923,383</u>
Total Expenditures	<u>4,403,861</u>	<u>963,575</u>	<u>5,367,436</u>
Excess (deficiency) of revenues over expenditures	1,074,016	(667,858)	406,158
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,500	669,358	670,858
Operating transfers out	<u>(1,269,358)</u>	<u>(1,500)</u>	<u>(1,270,858)</u>
NET CHANGE IN FUND BALANCE	(193,842)	-	(193,842)
FUND BALANCES-BEGINNING OF YEAR	<u>2,014,860</u>	<u>-</u>	<u>2,014,860</u>
FUND BALANCES-END OF YEAR	<u>\$ 1,821,018</u>	<u>\$ -</u>	<u>\$ 1,821,018</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Special Projects</u>	<u>Food Service</u>	<u>Community Service</u>	
ASSETS				
Cash and investments	\$ 122,917	\$ 37,971	\$ 31,054	\$ 191,942
Accounts receivable	-	-	-	-
Due from other governments	-	10,212	-	10,212
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 122,917</u></u>	<u><u>\$ 48,183</u></u>	<u><u>\$ 31,054</u></u>	<u><u>\$ 202,154</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 360	\$ 1,055	\$ 1,415
Accrued payroll	-	1,938	160	2,098
Deferred revenue	-	2,437	-	2,437
Total Liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted	<u>122,917</u>	<u>43,448</u>	<u>29,839</u>	<u>196,204</u>
Total Fund Balances	<u>122,917</u>	<u>43,448</u>	<u>29,839</u>	<u>196,204</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 122,917</u></u>	<u><u>\$ 48,183</u></u>	<u><u>\$ 31,054</u></u>	<u><u>\$ 202,154</u></u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Special Projects</u>	<u>Food Service</u>	<u>Community Service</u>	
REVENUES				
Local	\$ 40,960	\$ 65,438	\$ 39,334	\$ 145,732
State	-	7,455	-	7,455
Federal	-	215,452	54,085	269,537
Other	-	-	-	-
Total Revenues	<u>40,960</u>	<u>288,345</u>	<u>93,419</u>	<u>422,724</u>
EXPENDITURES				
Instruction				
Regular instruction	552	-	-	552
Other instruction	38,339	-	-	38,339
Buildings and grounds	-	34,734	-	34,734
Other support services	-	-	-	-
Food service	-	246,555	-	246,555
Total support services	<u>38,891</u>	<u>281,289</u>	<u>-</u>	<u>320,180</u>
Community service	<u>-</u>	<u>-</u>	<u>114,170</u>	<u>114,170</u>
Total Expenditures	<u>38,891</u>	<u>281,289</u>	<u>114,170</u>	<u>434,350</u>
Excess (deficiency) of revenues over expenditures	2,069	7,056	(20,751)	(11,626)
OTHER FINANCING SOURCES				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,069	7,056	(20,751)	(11,626)
FUND BALANCES-BEGINNING OF YEAR	<u>120,848</u>	<u>36,392</u>	<u>50,590</u>	<u>207,830</u>
FUND BALANCES-END OF YEAR	<u>\$ 122,917</u>	<u>\$ 43,448</u>	<u>\$ 29,839</u>	<u>\$ 196,204</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
STUDENT ORGANIZATIONS’ FUND
For the Year Ended June 30, 2019**

	Beginning Balance	Receipts	Disbursements	Ending Balance
ASSETS				
Cash and investments	48,874	\$ 145,696	\$ 138,131	\$ 56,439
Due from other funds	-	-	-	-
	\$ 48,874	\$ 145,696	\$ 138,131	\$ 56,439
 Liabilities - Due to student organizations	\$ 48,874	\$ 145,696	\$ 138,131	\$ 56,439

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF CORNELL

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019**

Federal Agency/ Program Title	CFDA Number	Pass- Through Agency	Revenues			Total Revenues	Total Expenditures Grantor Share
			(Accrued) Deferred Beginning Balance	Received	Accrued (Deferred) Ending Balance		
U.S. DEPARTMENT OF EDUCATION							
Rural Education Achievement Program	84.358	WI DPI	\$ -	\$ 29,162	\$ -	\$ 29,162	\$ 29,162
Title I	84.010	WI DPI	(48,283)	120,036	47,865	119,618	119,618
Title 4-A	84.424	WI DPI	-	10,000	10,000	20,000	20,000
21st Century Learning Center	84.287	WI DPI	(22,074)	76,159	-	54,085	54,085
Title II-A	84.367	WI DPI	-	19,297	-	19,297	19,297
Special Education Cluster							
IDEA Flow Through	84.027	WI DPI	(22,750)	87,255	21,091	85,596	85,596
IDEA Preschool	84.173	WI DPI	(1,376)	12,415	1,268	12,307	12,307
Total Special Education Cluster			<u>(24,126)</u>	<u>99,670</u>	<u>22,359</u>	<u>97,903</u>	<u>97,903</u>
Carl Perkins	84.048	CESA 10	-	-	4,271	4,271	4,271
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Medical Assistance	93.778	CESA 10	(30,450)	67,174	30,949	67,673	67,673
U.S. DEPARTMENT OF AGRICULTURE							
Child Nutrition Cluster							
National School Breakfast Program	10.553	WI DPI	-	58,643	1,568	60,211	60,211
National School Lunch Program	10.555	WI DPI	-	117,751	3,296	121,047	121,047
Summer Food Service Program	10.559	WI DPI	(4,550)	7,606	5,349	8,405	8,405
Total Child Nutrition Cluster			<u>(4,550)</u>	<u>184,000</u>	<u>10,213</u>	<u>189,663</u>	<u>189,663</u>
Food Distribution - Commodities	10.550	WI DPI	-	16,302	-	16,302	16,302
Fresh Fruit & Vegetable Program	10.582	WI DPI	-	9,486	-	9,486	9,486
TOTAL FEDERAL AWARDS			<u>\$ (129,483)</u>	<u>\$ 631,286</u>	<u>\$ 125,657</u>	<u>\$ 627,460</u>	<u>\$ 627,460</u>

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

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2019

State Agency/ Pass-Through Agency/ Program Title	State ID Number	Revenues			Total Revenues	Total Expenditures Grantor Share
		(Accrued) Deferred Beginning Balance	Received (Returned)	Accrued (Deferred) Ending Balance		
DEPARTMENT OF PUBLIC INSTRUCTION						
Entitlement Programs						
Handicapped Pupils and School Age Parents	255.101	\$ -	\$ 175,221	\$ -	\$ 175,221	\$ 175,221
Participant in Cesa 10 Package Program		-	8,721	-	8,721	8,721
Total Handicapped Program		-	183,942	-	183,942	183,942
School Lunch Aid Program	255.102	-	2,474	-	2,474	2,474
Common School Fund Library Aid	255.103	-	19,199	-	19,199	19,199
Pupil Transportation	255.107	-	15,229	-	15,229	15,229
Wisconsin Morning Milk	255.115	-	1,588	-	1,588	1,588
General Equalization	255.201	(47,372)	2,746,914	46,227	2,745,769	2,745,769
Sparsity Aid	255.212	-	173,200	-	173,200	173,200
Personal Electronic Computing Device	255.296	-	4,375	-	4,375	4,375
Educator Effectiveness Grant	255.940	-	3,200	-	3,200	3,200
School Breakfast Program	255.344	-	3,393	-	3,393	3,393
SAGE	255.504	-	189,991	-	189,991	189,991
Per Pupil Adjustment Aid	255.945	-	278,604	-	278,604	278,604
Aid For High Poverty District	255.926	-	34,610	-	34,610	34,610
High Cost Transportation	255.947	-	16,105	-	16,105	16,105
Assessments of Reading Readiness	255.956	-	903	-	903	903
Career & Tech Educ Incentive	255.950	-	4,000	-	4,000	4,000
Special Educ Transition	255.960	-	2,000	-	2,000	2,000
Youth Apprenticeship		-	2,650	-	2,650	2,650
Teacher Training Grant for Educ Technology		(10,405)	33,334	-	22,929	22,929
Payment In Lieu Of Taxes		-	2,944	-	2,944	2,944
Computer Aid		(1,015)	5,107	1,039	5,131	5,131
Total Wisconsin Department of Public Instruction		(58,792)	3,723,762	47,266	3,712,236	3,712,236
Department of Justice-School Safety Initiative		-	79,319	-	79,319	79,319
Department of Administration-WI Fast Forward		-	50,000	-	50,000	50,000
TOTAL STATE AWARDS		(58,792)	3,853,081	47,266	3,841,555	3,841,555

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

SCHOOL DISTRICT OF CORNELL

**NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AND STATE AWARDS**

June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the Schedules) include the federal and state grant activity of the District under programs of the federal and state government for the year ended June 30, 2019. The information in these schedules is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Guidelines. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

Expenditures are reported on the accrual basis of accounting on the schedules. Expenditures are recognized following the cost principles in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

NOTE 2 - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2018-2019 eligible costs under the State Special Education Program are \$759,131.

NOTE 3 - FOOD DISTRIBUTION

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

ACCOUNTING WORKSHOP, SC

CERTIFIED PUBLIC ACCOUNTANTS

5001 Heffron Street
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Ann Kropp, CPA, CMA
Jeffrey Kropp, CPA

Independent Auditor's Report On Internal Control
Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

Board of Education
School District of Cornell
Cornell, 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 District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

District's Response to Findings

The District's response to the findings 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.

Accounting Workshop SC

Accounting Workshop, SC
October 29, 2019

ACCOUNTING WORKSHOP, SC
CERTIFIED PUBLIC ACCOUNTANTS
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Ann Kropp, CPA, CMA
Jeffrey Kropp, CPA

Independent Auditor's Report On Compliance
For Each Major State Program
And On Internal Control Over Compliance
Required By The Wisconsin Department Of Public Instruction

Board of Education
School District of Cornell
Cornell, Wisconsin

Report on Compliance for Each Major State Program

We have audited the School District of Cornell's (District's) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2019. The District's major state programs are identified in the accompanying summary of auditors' results.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the *Wisconsin Public School District Audit Manual*.

District's Response to Findings

The District's response to the financial statement findings identified in our audit is described in the accompanying summary of auditor's results. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-1 to be a significant deficiency.

Purpose of this Report

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

Accounting Workshop SC

Accounting Workshop, SC
October 29, 2019

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	_____ none reported
Noncompliance material to the financial statements?	_____ yes	<u> X </u> no

State Awards

Internal control over financial reporting:		
Material weakness identified?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	_____ yes	<u> X </u> no
Type of auditor's report issued on compliance for major programs.	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines.	_____ yes	<u> X </u> no

Identification of major state programs

<u>State Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents
255.201	General Equalization
255.945	Per Pupil Aid

SCHOOL DISTRICT OF CORNELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

Section II - Financial Statement Findings

FINDING 2019-1: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: A system of internal control should be in place that provides reasonable assurance that year end financial statements, including the schedules of expenditures of federal and state awards, are complete and accurate.

Condition: There is a lack of controls over the year-end financial reporting process. We, as your auditors, prepared the District's financial statements and schedules of expenditures of federal and state awards.

Cause: Due to its size, the District does not have the funds to hire the additional staff that would be required in order to have enough time and expertise to record all year end closing entries and prepare its own financial statements, including the schedules of expenditures of federal and state awards.

Effect: Because of the lack of controls over year end financial reporting, your financial statements may be misstated before the annual audit is completed.

Recommendation: Most small districts operate with only enough staff to process monthly transactions and reports, and will continue to rely on outside consultants to handle year end financial reporting. The school board should continue to make a reasonable effort to be knowledgeable about the District's financial condition and financial reporting requirements.

Management's Response/Planned Corrective Action: It is indicated that the District has significant deficiencies due to the fact that we do not prepare a complete set of audit reports including footnotes and we have audit adjustments. As stated in the report, there are very few schools that have met these strict standards and the District is no exception. To meet these new standards, we would need additional staff, primarily a CPA dedicated to meeting these standards.

District staff will accumulate as much of the information required for federal and state awards as we can and reconcile the revenue and expenditure information to the general ledger for these awards. We will continue to rely on the assistance of our auditors to draft the financial statements because the District does not have the staff needed to perform this task. Management reviews the financial statements by comparing them to its financial records and accepts responsibility for the financial statements.

Section III - State Award Findings and Questioned Costs

None.

SCHOOL DISTRICT OF CORNELL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

Section IV - Other Issues

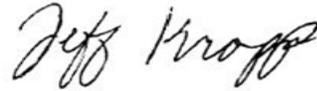
1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

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

Department of Public Instruction	_____ yes	<u> X </u> no
Department of Health Services	_____ yes	<u> X </u> no
Department of Natural Resources	_____ yes	<u> X </u> no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? _____ yes X no

4. Name and signature of partner



Jeffrey Kropp, CPA

5. Date of report October 29, 2019