



**Johnson & Block**  
AND COMPANY, INC.

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Certified Public Accountants

DEERFIELD COMMUNITY SCHOOL DISTRICT  
DEERFIELD, WISCONSIN

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2017

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Deerfield Community School District  
For the Year Ended June 30, 2017

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Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

October 30, 2017

To the Board of Education  
Deerfield Community School District  
Deerfield, 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 Deerfield Community School District as of and for the year ended June 30, 2017, 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 Deerfield Community School District, as of June 30, 2017, and the respective changes in financial position thereof 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 management's discussion and analysis on page 3 through page 10, budgetary comparison information, schedules of changes in the Districts total OPEB liability, other pension benefits, and related ratios, and Wisconsin Retirement System schedules on pages 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The supplementary information listed in the table of contents is 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Johnson Block & Company, Inc.*

JOHNSON BLOCK AND COMPANY, INC.  
Certified Public Accountants  
Madison, Wisconsin

**DEERFIELD SCHOOL DISTRICT**  
Deerfield, Wisconsin  
Management Discussion & Analysis  
June 30, 2017

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The discussion and analysis of the Deerfield School District financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

The assets of the District exceeded liabilities at the close of fiscal 2017 by \$9,039,575 (*net position*). For the year, net position increased by \$425,220.

Total governmental funds revenue were \$11,888,904; including \$5,421,714 in local revenue, \$5,557,221 of state aid, \$398,328 of Federal aid, \$470,603 of Inter-district payments, \$565 of Intermediate payments and \$40,473 of other services. Total governmental fund expenditures were \$12,547,965; including \$5,738,898 for direct instruction.

The following financial events took place during fiscal year 2017.

- 2016-17 was the first year of a successful 4-year operational referendum (\$400,000 per year).
- Major construction project was started following a successful \$2.9 million facility improvement referendum.
- \$6.19 million in outstanding debt was refinanced at a lower interest rate.
- Fund 46 was increased by \$200,000.
- Certified staff compensation plan and retirement plan were approved and implemented.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements are comprised of 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Position and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements.

The *notes to the financial statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

*Required supplementary information* further explains and supports the financial statements by including a comparison of the District's budget data for the year.

The major features of the District's financial statements, including the activities reported and the type of information contained, is shown in the following table.

**DEERFIELD SCHOOL DISTRICT**  
Deerfield, Wisconsin  
Management Discussion & Analysis  
June 30, 2017

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Major Features of the District-wide and Fund Financial Statements**

	Fund Financial Statements		
	District-wide Statements	Governmental	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instruction, support services, debt service, capital projects, food service, and community services.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position.</li> <li>• Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet.</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance.</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position.</li> <li>• Statement of Changes in Fiduciary Net Position.</li> </ul>
Basis of accounting and measurement focus	<p>Accrual accounting.</p> <p>Economic resources focus.</p>	<p>Modified accrual accounting.</p> <p>Current financial resources focus.</p>	<p>Accrual accounting.</p> <p>Economic resources focus.</p>
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability are due and payable.	All additions or deductions during the year, regardless of when cash is received and paid.

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**DISTRICT WIDE STATEMENTS**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Activities reports all revenues and expenses used to support the District. The Statement of Net Position reports all assets and liabilities available to support District activities. The two district-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities* – Activities that are intended to be mostly self-supporting and meet certain accounting criteria are considered business-type activities. The District had no business-type activities.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Fiduciary funds* – The District has two fiduciary funds, an agency fund for student organizations, and a private purpose trust fund for student scholarships. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.



**DEERFIELD SCHOOL DISTRICT**  
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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 1, below, provides a summary of the District's net position at June 30, 2017.

**TABLE 1**  
**Condensed Statement of Net Position**  
*(In thousands of dollars)*

	<u>2017</u>	<u>2016</u>	<u>\$ VAR</u>
Current and other assets	\$ 3,424	\$ 2,941	\$ 483
Restricted assets	2,719	-	2,719
Capital assets	<u>13,470</u>	<u>12,842</u>	<u>628</u>
Total Assets	19,613	15,783	3,830
Deferred pension outflows	2,032	2,987	(955)
Deferred OPEB outflows	90	106	(16)
Deferred supplemental pension outflows	24	20	4
Deferred amount on refunding	<u>150</u>	<u>176</u>	<u>(26)</u>
Total Deferred Outflows	2,296	3,289	(993)
Long-term Obligations	10,109	8,247	1,862
Other Liabilities	<u>1,885</u>	<u>1,039</u>	<u>846</u>
Total Liabilities	11,994	9,286	2,708
Deferred pension inflows	867	1,171	(304)
Food service deposits	<u>9</u>	<u>1</u>	<u>8</u>
Total Deferred Inflows	876	1,172	(296)
Net Position:			
Net investment in capital assets	4,393	5,990	(1,597)
Restricted	2,717	599	2,118
Unrestricted	<u>1,929</u>	<u>2,025</u>	<u>(96)</u>
Total Net Position	<u>\$ 9,039</u>	<u>\$ 8,614</u>	<u>\$ 425</u>

Notes: Totals may not add due to rounding

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Table 2 provides summarized operating results and their impact on net position.

**TABLE 2**  
**Changes in Net Position from Operating Results**  
*(in thousands of dollars)*

	<u>2017</u>	<u>2016</u>	<u>\$ VAR</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 442	\$ 342	\$ 100
Operating grants & contributions	1,538	1,310	228
General Revenues			
Property taxes	4,784	4,791	(7)
State formula aid	5,061	4,818	243
Other	64	168	(104)
Total Revenues	<u>11,889</u>	<u>11,429</u>	<u>460</u>
<b>Expenses</b>			
Instruction	5,990	5,677	313
Pupil & Instructional Services	935	956	(21)
General Administration Services	306	235	71
Building Administration Services	390	374	16
Business Administration	1,553	1,597	(44)
Central Services	213	266	(53)
Insurance	124	129	(5)
Other Support Services	684	759	(75)
Food Services	367	350	17
Community Services	74	69	5
Interest on Debt	416	292	124
Other Support Services	412	412	-
Total Expenses	<u>11,464</u>	<u>11,116</u>	<u>348</u>
<b>Increase (Decrease) in Net Position</b>	<u>425</u>	<u>313</u>	<u>112</u>
Net Position-January 1	<u>8,614</u>	<u>8,301</u>	<u>313</u>
Net Position-December 31	<u><u>9,039</u></u>	<u><u>8,614</u></u>	<u><u>425</u></u>

Note: Totals may not add due to rounding.

**DEERFIELD SCHOOL DISTRICT**  
Deerfield, Wisconsin  
Management Discussion & Analysis  
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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

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

**TABLE 3**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Total Cost of Services		Less Charges For Services		Less Operating Grants & Contributions		Net Cost of Services	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Expenses</b>								
Instruction	\$ 5,990	\$ 5,677	\$ 173	\$ 84	\$ 1,249	\$ 1,036	\$ 4,568	\$ 4,557
Pupil & Instructional Services	935	956	-	-	131	133	804	823
General Administration Services	306	235	-	-	-	-	306	235
Building Administration Services	390	374	10	-	-	-	380	374
Business Administration	1,553	1,597	-	-	12	10	1,541	1,587
Central Services	213	266	-	-	-	-	213	266
Insurance	124	129	-	-	-	-	124	129
Other Support Services	684	759	-	-	25	15	659	744
Food Service	367	350	253	258	121	116	(7)	(24)
Community Services	74	69	6	-	-	-	68	69
Interest on Debt	416	292	-	-	-	-	416	292
Other	412	412	-	-	-	-	412	412
<b>Total Expenses</b>	<b>\$11,464</b>	<b>\$11,116</b>	<b>\$442</b>	<b>\$342</b>	<b>\$ 1,538</b>	<b>\$1,310</b>	<b>\$9,484</b>	<b>\$9,464</b>

The cost of all governmental activities this year was \$11,463,686. Individuals who directly participated or benefited from a program offering paid for \$442,012 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$1,538,102. The net cost of governmental activities of \$9,483,572 increased by \$19,851 over the previous year.

The composition of governmental revenues by source is illustrated below:

	Governmental Revenue by Source		
	2017	2016	\$ VAR
Local	\$ 5,421,714	\$ 5,269,158	\$ 152,556
Interdistrict	470,603	481,550	(10,947)
Intermediate	565	5,715	(5,150)
State	5,557,221	5,300,648	256,573
Federal	398,328	343,735	54,593
Other	40,473	28,743	11,730
<b>Total</b>	<b>\$11,888,904</b>	<b>\$11,429,549</b>	<b>\$ 459,355</b>

**DEERFIELD SCHOOL DISTRICT**  
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Management Discussion & Analysis  
June 30, 2017

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The composition of governmental expenditures by type is illustrated below:

	<b>Governmental Expense by Type</b>		
	<u>2017</u>	<u>2016</u>	<u>\$ VAR</u>
Instruction	\$ 5,738,898	\$ 5,436,170	\$ 302,728
Support Services	<u>6,809,067</u>	<u>5,712,143</u>	<u>1,096,924</u>
Total	<u>\$ 12,547,965</u>	<u>\$ 11,148,313</u>	<u>\$ 1,399,652</u>

**FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS**

The District completed the year with a total governmental fund balance of \$4,341,929 compared to last year's ending fund balance of \$1,990,544. The increase of fund balance is mainly due to the issuance of long-term debt.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District adopts a preliminary budget in September for the fiscal year beginning July 1<sup>st</sup>. Consistent with current state statutes and regulations an *original* budget is adopted in October following determination of official enrollment and certification of states aids. Generally, the original budget which is passed in October is not significantly modified. There were no modifications to the Original Budget during the 2016-17 fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2017, the District had invested \$22,523,188 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$9,052,678. Asset acquisitions for governmental activities totaled \$1,209,133. The District recognized depreciation expense of \$580,547. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

**TABLE 4**  
**Capital Assets**  
*(net of depreciation, in thousands of dollars)*

	<u>Governmental Activities</u>		<u>Total % change</u>
	<u>2017</u>	<u>2016</u>	<u>16-17</u>
Land	\$ 646	\$ 646	0.00%
Construction work-in-progress	1,202	-	N/A
Buildings and Improvements	18,551	18,551	0.00%
Furniture and Equipment	2,124	2,117	0.33%
Accumulated Depreciation	<u>(9,053)</u>	<u>(8,472)</u>	<u>6.86%</u>
Total	<u>\$ 13,470</u>	<u>\$ 12,842</u>	<u>4.89%</u>

Notes: Totals may not add due to rounding.

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June 30, 2017

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-term Debt**

At year-end the District had \$9,299,173 in bonds payable and other long-term debt outstanding – an increase of \$2,197,540 (31%) from fiscal 2016. This increase resulted from issuance of new debt. (Detailed information about the District’s long-term liabilities is presented in Note 5 to the financial statements.)

**TABLE 5**  
**Outstanding Long-term Obligation**  
*(in thousands of dollars)*

	Total School District		Total % Change
	2017	2016	16-17
General Obligation Debt	\$ 9,015	\$ 6,985	29.06%
Unamortized Debt Premium (Discount)	185	-	N/A
Capital Lease	27	43	-37.21%
Compensated Absences	72	73	-1.37%
<b>Total</b>	<b>\$ 9,299</b>	<b>\$ 7,101</b>	<b>30.95%</b>

Note: Totals may not add due to rounding.

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

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

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

- The District expects to have limited change in enrollment going forward.
- Equalized property values are expected to have minimal increases.
- The recent change in post-employment benefits will show a liability increase on the financial statements.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Peter Greder, Business Manager, Deerfield School District, (608) 764-5431, Deerfield School District, 300 Simonson Blvd, Deerfield, WI 53531.

## BASIC FINANCIAL STATEMENTS

Exhibit A-1  
Deerfield Community School District  
Statement of Net Position  
June 30, 2017

	Governmental Activities
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,899,467
Restricted cash and cash equivalents	2,719,051
Receivables:	
Taxes receivable	1,277,977
Other	9,114
Due from other governmental units	237,336
Total current assets	6,142,945
Noncurrent assets:	
Capital assets	22,523,188
Less: accumulated depreciation	(9,052,678)
Total noncurrent assets	13,470,510
Total Assets	19,613,455
Deferred Outflows of Resources:	
Deferred pension outflows	2,032,548
Deferred OPEB outflows	89,656
Deferred supplemental pension outflows	24,016
Deferred loss on refunding	150,114
Total deferred outflows of resources	2,296,334
Total Assets and Deferred Outflows of Resources	\$ 21,909,789
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 938,813
Accrued salaries and wages	405,649
Payroll taxes and withholdings	447,990
Accrued interest payable	92,851
Current portion of long-term obligations	1,021,863
Total current liabilities	2,907,166
Noncurrent liabilities:	
Long-term obligations	9,227,135
Compensated absences	72,038
Supplemental pension stipend benefits	213,963
Other postemployment benefits	320,396
Net pension liability	275,715
Less: Current portion of long-term obligations	(1,021,863)
Total noncurrent liabilities	9,087,384
Total Liabilities	11,994,550
Deferred Inflows of Resources:	
Food service deposits	8,564
Deferred pension inflows	867,100
Total deferred inflows of resources	875,664
Net Position:	
Net investment in capital assets	4,393,489
Restricted	2,716,607
Unrestricted	1,929,479
Total Net Position	9,039,575
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 21,909,789

Exhibit A-2  
Deerfield Community School District  
Statement of Activities  
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>for Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Government</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,712,180	\$ 58,238	\$ 453,894	\$ (3,200,048)
Vocational education	280,359	-	2,836	(277,523)
Special education	1,381,291	68,135	515,828	(797,328)
Other instruction	615,777	46,359	276,669	(292,749)
Total instruction	<u>5,989,607</u>	<u>172,732</u>	<u>1,249,227</u>	<u>(4,567,648)</u>
Support services:				
Pupil services	467,152	-	27,856	(439,296)
Instructional staff services	467,656	-	102,731	(364,925)
General administration services	306,303	-	-	(306,303)
Building administration services	389,888	10,618	-	(379,270)
Business administration	1,553,168	-	12,136	(1,541,032)
Central services	212,596	-	-	(212,596)
Insurance	124,442	-	-	(124,442)
Other support services	684,299	-	24,853	(659,446)
Food services	366,763	253,003	121,299	7,539
Community services	74,264	5,659	-	(68,605)
Interest and fiscal charges on long-term debt	415,942	-	-	(415,942)
Depreciation-Unallocated	385,499	-	-	(385,499)
Amortization expense	26,107	-	-	(26,107)
Total support services	<u>5,474,079</u>	<u>269,280</u>	<u>288,875</u>	<u>(4,915,924)</u>
Total governmental activities	<u>11,463,686</u>	<u>442,012</u>	<u>1,538,102</u>	<u>(9,483,572)</u>
General Revenues:				
Property Taxes				
General purposes				3,553,749
Debt services				1,164,838
Community services				65,000
Federal and State aid not restricted for specific purposes				
General				5,061,543
Interest and investment earnings				21,264
Miscellaneous				42,398
Total General Revenues				<u>9,908,792</u>
Changes in net position				425,220
Net position - beginning of year				8,614,355
Net position - end of year				<u>\$ 9,039,575</u>



Exhibit A-3  
Deerfield Community School District  
Balance Sheet  
Governmental Funds  
June 30, 2017

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 1,358,139	\$ -	\$ 541,328	\$ 1,899,467
Restricted cash and investments	-	2,719,051	-	2,719,051
Receivables:				
Taxes	1,277,977	-	-	1,277,977
Accounts	172	-	8,942	9,114
Due from other governments	237,336	-	-	237,336
Due from other funds	-	200,000	-	200,000
Total Assets	<u>\$ 2,873,624</u>	<u>\$ 2,919,051</u>	<u>\$ 550,270</u>	<u>\$ 6,342,945</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 197,524	737,001	\$ 4,288	\$ 938,813
Due to other funds	200,000	-	-	200,000
Accrued salaries and wages	395,330	-	10,319	405,649
Payroll taxes and withholdings	437,720	-	10,270	447,990
Total Liabilities	<u>1,230,574</u>	<u>737,001</u>	<u>24,877</u>	<u>1,992,452</u>
Deferred Inflows of Resources:				
Food Service Deposits	-	-	8,564	8,564
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>8,564</u>	<u>8,564</u>
Fund Balances:				
Restricted	17,728	2,182,050	516,829	2,716,607
Unassigned	1,625,322	-	-	1,625,322
Total Fund Balances	<u>1,643,050</u>	<u>2,182,050</u>	<u>516,829</u>	<u>4,341,929</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,873,624</u>	<u>\$ 2,919,051</u>	<u>\$ 550,270</u>	<u>\$ 6,342,945</u>

Exhibit A-4  
Deerfield Community School District  
Reconciliation of the Governmental Funds Balance Sheet  
with the Statement of Net Position  
June 30, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds:		\$	4,341,929
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:			
Governmental capital assets	22,523,188		
Governmental accumulated depreciation	<u>(9,052,678)</u>		13,470,510
Pension and other benefits deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan and OPEB plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and therefore are not reported in the fund statements.			
Deferred outflows of resources			2,146,220
Deferred inflows of resources			<u>(867,100)</u>
Long term liabilities, including bonds and notes payable, are not due 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:			
General obligation debt	(9,200,446)		
Deferred outflows on refunding	150,114		
Capital leases	(26,689)		
Accrued interest on long-term debt	(92,851)		
Compensated absences	<u>(72,038)</u>		(9,241,910)
Other items, including net pension liabilities and OPEB liabilities, are not due and payable in the current period and, therefore, are either deferred or not reported in the fund statements.			
Other postemployment benefits	(320,396)		
Supplemental pension stipend benefits	(213,963)		
Net pension liability	<u>(275,715)</u>		<u>(810,074)</u>
Total net position - governmental activities		\$	<u><u>9,039,575</u></u>

Exhibit A-5  
Deerfield Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 3,553,749	\$ -	\$ 1,229,838	\$ 4,783,587
Other local sources	100,860	10,858	526,409	638,127
Interdistrict sources	454,091	-	16,512	470,603
Intermediate sources	565	-	-	565
State sources	5,552,532	-	4,689	5,557,221
Federal sources	281,718	-	116,610	398,328
Other sources	40,473	-	-	40,473
Total Revenues	<u>9,983,988</u>	<u>10,858</u>	<u>1,894,058</u>	<u>11,888,904</u>
<b>EXPENDITURES:</b>				
Instruction:				
Regular instruction	3,528,186	-	27,786	3,555,972
Vocational instruction	261,310	-	-	261,310
Special instruction	1,324,611	-	-	1,324,611
Other instruction	462,956	-	134,049	597,005
Total Instruction	<u>5,577,063</u>	<u>-</u>	<u>161,835</u>	<u>5,738,898</u>
Support Services:				
Pupil services	448,652	-	873	449,525
Instructional staff services	446,658	-	4,944	451,602
General administration services	292,911	-	-	292,911
Building administration services	377,507	-	-	377,507
Business administration	1,359,460	1,202,976	18,453	2,580,889
Central services	192,031	-	73	192,104
Insurance	124,442	-	-	124,442
Food services	-	-	360,788	360,788
Community service	-	-	70,662	70,662
Principal and interest	20,382	-	1,203,956	1,224,338
Other support services	684,299	-	-	684,299
Total Support Services	<u>3,946,342</u>	<u>1,202,976</u>	<u>1,659,749</u>	<u>6,809,067</u>
Total Expenditures	<u>9,523,405</u>	<u>1,202,976</u>	<u>1,821,584</u>	<u>12,547,965</u>
Excess (deficiency) of revenues over expenditures	<u>460,583</u>	<u>(1,192,118)</u>	<u>72,474</u>	<u>(659,061)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from long-term debt	-	2,900,000	6,115,000	9,015,000
Premium on debt issuance	-	-	185,446	185,446
Payment on long-term debt refinancing	-	-	(6,190,000)	(6,190,000)
Transfers out	(208,508)	-	-	(208,508)
Transfers in	-	200,000	8,508	208,508
Total Other Financing Sources (Uses)	<u>(208,508)</u>	<u>3,100,000</u>	<u>118,954</u>	<u>3,010,446</u>
Net Change in Fund Balances	252,075	1,907,882	191,428	2,351,385
Fund Balance-Beginning of year	1,390,975	274,168	325,401	1,990,544
Fund Balance-End of year	<u>\$ 1,643,050</u>	<u>\$ 2,182,050</u>	<u>\$ 516,829</u>	<u>\$ 4,341,929</u>

Exhibit A-6  
Deerfield Community School District  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2017

Net change in fund balances-total governmental funds		\$ 2,351,385
Amounts reported for governmental activities in the Statement of Activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
Capital outlay reported in governmental fund statements	1,209,133	
Depreciation expenses reported in the Statement of Activities	<u>(580,547)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		628,586
Vested employee benefits are reported in the governmental funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year.		
Decrease in compensated absences that occurred during the year		1,157
Net other post-employment benefits obligation expense		57,194
Net supplemental pension stipend benefits expense		(14,265)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Position and does not affect the Statement of Activities.		
The amount of long-term debt principal retired in the current year		7,001,749
The issuance of long-term debt (e.g. bonds, notes) and capital lease proceeds provides current financial resources to governmental funds but does not affect the Statement of Activities.		
The amount of long-term debt issued in the current year		(9,015,000)
The amount of premium received on bond issuance		(185,446)
The difference between the amount paid to the refunding bond escrow and the principal amount defeased is reported in the governmental funds as an other financing use, but is reported as a deferred charge in the Statement of Net Position and allocated over the life of the debt issue as amortization expense in the Statement of Activities.		
		(26,107)
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the Statement of Activities, interest is reported as incurred.		
The amount of interest paid during the current period	272,060	
The amount of interest accrued during the current period	<u>(275,411)</u>	
Interest paid is greater (less) than interest accrued by		(3,351)
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement on Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.		
Amount of current year required contributions into the defined benefit pension plan	316,451	
Actuarially determined change in net pension asset between years, with adjustments	<u>(687,133)</u>	
		<u>(370,682)</u>
Change in net position-governmental activities		<u>\$ 425,220</u>

Exhibit A-7  
Deerfield Community School District  
Statement of Net Position  
Fiduciary Funds  
June 30, 2017

	Private Purpose Trust	Agency Fund	Total
<b>ASSETS</b>			
Cash and investments	\$ 10,375	\$ 19,606	\$ 29,981
Total Assets	\$ 10,375	\$ 19,606	\$ 29,981
 <b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Due to student groups	\$ -	\$ 19,606	\$ 19,606
Total Liabilities	-	19,606	19,606
Net Position:			
Restricted for scholarships	10,375	-	10,375
Total Liabilities and Net Position	\$ 10,375	\$ 19,606	\$ 29,981

Exhibit A-8  
Deerfield Community School District  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Gifts	\$ 6,024
Interest	5,378
Total Additions	11,402
Deductions:	
Scholarships Awarded	7,722
Total Deductions	7,722
Change in net position	3,680
Net position-Beginning	6,695
Net position-Ending	\$ 10,375

NOTES TO THE FINANCIAL STATEMENTS

Deerfield Community School District  
June 30, 2017

Index to Notes to Financial Statements

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Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Deerfield Community School District is organized as a common school district governed by an elected seven-member school board. The District operates grades 4 year old kindergarten through grade 12. The District is comprised of all or parts of five taxing districts.

The accompanying financial statements present the activities of the Deerfield Community School District. The District is not a component unit of another reporting entity nor does it have any component units.

The financial reporting entity for the District consists of (a) organizations for which the stand-alone government is financially accountable and (b) the stand-alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand-alone government.

B. Basis of Presentation

***District-wide Statements:***

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except for fiduciary funds, which are presented in the fund financial statements by type. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District does not report any business-type activities.

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

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.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***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 constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

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.

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).

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.

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.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Major Funds***

The District reports the following major governmental funds:

- General
- Capital Projects Fund

***Non-Major Funds***

The District reports the following non-major funds:

Special Revenue Funds:

- Food Service -accounts for the activities of the District's food service, generally school hot lunch program.

- Community Service -accounts for activities associated with providing recreational and enrichment programs to the community.

- Package Cooperative -accounts for programs provided on a cooperative basis with other Districts.

- Special Revenue Trust -accounts for trust funds that can be used for District operations. The source of such funds is gifts and donations from private parties

- Debt Service

***Fiduciary Funds***

The District reports the following fiduciary funds:

Private-Purpose Trust Funds -

- Scholarship Fund -accounts for assets that are accumulated to provide scholarships.

Agency Funds -

- Student Activity Fund -accounts for assets held as an agent for various student and parent organizations.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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 U.S. 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. Taxes are levied in December on the assessed value as of the prior January 1.

Property tax calendar – 2016 tax roll:

Lien date and levy date	October, 2016
Tax bills mailed	December, 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017

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 inflows of resources. Amounts received prior to the entitlement period are also recorded as deferred inflows of resources.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, expenditure-driven grant programs, public charges for services, and investment income.

Charges for services provided to 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.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of 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, deferred inflows of resources is removed from the balance sheet and revenue is recognized.

D. Assets and Liabilities

***Cash and Investments***

The District has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund’s portion of total cash and investments is reported as cash and cash equivalents/investments by the District’s individual major funds, and in the aggregate for non-major and agency funds. Interest earned is distributed monthly to the various funds based on each fund’s proportionate equity in the cash and investments pool.

All deposits of the District are made in board designated official depositories and are secured as required by State Statute. The District may designate, as an official depository, any bank or savings association. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

***Accounts Receivable***

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

***Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory in the general fund and governmental activities consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

***Internal receivables and payables***

The amounts reported on the Statement of Net Position for internal receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for these internal balances within the same fund type.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Capital Assets***

District-wide Statements

In the district-wide financial statements, capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair market value at the time received.

All capital assets, or groups of assets, that meet the District's capitalization threshold of \$5,000 are capitalized and updated for additions. Assets that are returned are taken off on an annual basis. All improvements to capital assets are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful are expensed.

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 Position. 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:

Computer equipment	5-10 years
Vehicles and buses	8 years
Other equipment	5-15 years
Site improvements	20 years
Buildings	50 years

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.

***Pensions***

For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions, 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 for WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

***Vested Employee Benefits***

Sick Leave

Employees of the District earn varying amounts of sick time. Employees can accumulate up to 100 days depending on the employee's classification. Administration employees leaving after 10 years of service in the District and age 55 will be compensated up to 100 days at \$50 per day. Administration support staff leaving after 15 years of service in the District and age 60 will be compensated up to 100 days at \$30 per day. A teacher retiring with 10 years of service in the District and age 55 will be compensated up to 130 days at \$25 per day.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports compensated absences in accordance with provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other Postemployment Benefits

As provided in applicable negotiated contracts, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits directly from the District. Employees that choose not to participate in the medical plan during their retirement will instead receive a cash benefit in lieu of such coverage. See Note 9 for additional information.

Other Pension Benefits

The District provides an alternative cash benefit to administrators and non-union support staff that chose to opt out of the medical plan upon retirement. This alternative cash benefit is equal to the District's contribution to the medical plan had they chosen to continue in the medical plan.

The liabilities for vested employee benefits are reported on the district-wide financial statements. In the governmental fund financial statements, none of the liabilities are reported as it is not expected to be paid using expendable available resources. See Note 8(B) for additional information.

***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 are reported as liabilities in the district-wide statements. Long-term debt consists primarily of notes, bonds or loans payable, capital leases and accrued compensated absences.

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.

E. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has four items that qualifies for reporting in this category. The deferred outflows of resources are for the WRS pension system, OPEB, supplemental pension and the deferred amount on refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resource (revenue) until then. The District reported the student deposits and WRS deferred pension inflows as deferred inflows of resources.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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 fund types. If they are not liquidated with expendable available financial resources, a liability is recorded in the District-wide financial statements. The related expenditure is recognized when the liability is liquidated. There were no significant claims or judgments at year-end.

G. Estimates

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

H. Interfund Activity

Charges for services between funds are reported as revenues in the seller funds and as expenditures/expense in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. These transfers are eliminated from the Statement of Activities. On the fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the Statements of Net Position.

I. 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 net investment in capital assets.
- 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 does not meet the definition of "restricted" or "net investment in capital assets."



Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Fund Statements***

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-Spendable - includes amounts that are not in a spendable form (such as inventory/or are required to be maintained intact).
- Restricted - includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed - includes amounts constrained to specific purposes by the Board of Education itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest level action to remove or change the constraint.
- Assigned - includes amounts the Board of Education intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned - includes amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the Board. Commitments of fund balance, once made, can be modified only by majority vote of the Board.

The School Board authorizes and directs the District Administrator to assign the fund balance, to the extent such assignment does not create a negative unassigned fund balance.

The Deerfield School Board recognizes the need to maintain an operating reserve in the general fund for the following purposes:

1. Hold adequate working capital to meet cash flow needs during the fiscal year
2. Reduce the need for short-term borrowing
3. Serve as a safeguard for unanticipated expenditures of the District
4. Show fiscal responsibility to maintain a high credit rating which will help reduce future borrowing costs

The District strives to maintain a fund balance of not less than 10% of subsequent year's operation expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Deerfield Community School District  
Notes to the Basic Financial Statements  
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NOTE 2                    EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

*Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities*

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities in the basic financial statements represent:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the Statement of Activities. The long-term expenses reported recognize the change in vested employee benefits.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the Statement of Activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the Statement of Activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

NOTE 3                    CASH AND INVESTMENTS

At June 30, 2017, the cash and investments included the following:

Account Balances	
Deposits with financial institutions	\$ 1,079,284
Wisconsin Investmnet Series Cooperative (WISC)	3,566,308
WI Local Government Investment Pool	2,907
Total	\$ 4,648,499
Per Statement of Net Position:	
Cash and cash equivalents	\$ 1,899,467
Restricted cash and cash equivalents	2,719,051
Fiduciary Funds:	
Cash and investments	29,981
Total	\$ 4,648,499

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

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, village, 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 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 dealer.
- Bonds issued by the Wisconsin Aerospace Authority.

Interest Rate Risk

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

The District does not have a formal investment policy that limits 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:

Investment Type	Investment Maturities				
	Amount	6 Months or Less	6 Months to 1 Year	1 Year to 5 Years	More Than 5 Years
WI Local Government Investment Pool	\$ 2,907	\$ 2,907	\$ -	\$ -	\$ -
Certificate of Deposit	219,562	-	-	219,562	-
Total	\$ 222,469	\$ 2,907	\$ -	\$ 219,562	\$ -

The average maturity of WI Local Government Investment pool as of June 30, 2017 is 29 days (67 days as of June 30, 2016).

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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 has no investment policy that would further limit its investment choices. As of June 30, 2017, the District's investments were rated as follows:

Investment Type	Fair Value	Rating
WISC Investment Series	\$ 3,566,308	S&P Global Ratings - AAAM
Local Government Investment Pool	2,907	Not Rated
Total fair value of investments subject to credit risk	<u>\$ 3,569,215</u>	

Custodial Credit Risk

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

Deposits in each local and area bank are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 for all time and savings accounts and \$250,000 for all demand accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually.

All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>.

Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the District.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 3

CASH AND INVESTMENTS (CONTINUED)

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers' Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund Investment guidelines.

Investment allocation in the local government investment pool as of June 30, 2017 was: 98% in U.S. Government Securities, 1% in Commercial Paper and Corporate Notes, and 1% in Bankers' Acceptances. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

As of June 30, 2017, \$257,178 of the District's deposits with financial institutions was in excess of federal depository insurance limits and State Guarantee Fund, and held in uncollateralized accounts.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and proceeds from borrowing may have resulted in temporary balances exceeding uninsured amounts at the balance sheet date.

NOTE 4

CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 645,588	\$ -	\$ -	\$ 645,588
Construction work-in-progress	-	1,202,273	-	1,202,273
Total capital assets not being depreciated	645,588	1,202,273	-	1,847,861
<i>Capital assets, being depreciated:</i>				
Buildings	16,838,791	-	-	16,838,791
Site Improvements	1,712,992	-	-	1,712,992
Furniture and Equipment	2,116,684	6,860	-	2,123,544
Total Capital Assets, being depreciated	20,668,467	6,860	-	20,675,327
Total Capital Assets	21,314,055	1,209,133	-	22,523,188
<i>Less Accumulated Depreciation:</i>				
Buildings	6,165,635	403,747	-	6,569,382
Site Improvements	705,054	69,285	-	774,339
Furniture and Equipment	1,601,442	107,515	-	1,708,957
Total Accumulated Depreciation	8,472,131	580,547	-	9,052,678
Total Net Capital Assets	\$ 12,841,924	\$ 628,586	\$ -	\$ 13,470,510

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 4

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$	11,002
Vocational instruction		3,993
Physical curriculum		581
Special instruction		1,111
Co-curricular activities		2,197
Instructional staff services		3,539
General administration		123
Business administration		147,993
Central services		16,997
Community service		1,318
Food service		6,194
Depreciation not charged to a specific function		385,499
Total depreciation for governmental activities	\$	<u><u>580,547</u></u>

Capital outlay was charged to governmental functions as follows:

Business administration	\$	1,209,133
Total capital outlay	\$	<u><u>1,209,133</u></u>

NOTE 5

SHORT-TERM AND LONG-TERM OBLIGATIONS

A. Short-term Notes Payable

Short-term obligations of the District consisted of a line of credit with a maximum balance of \$923,000 with an interest rate of 2.75%. Short-term obligation activity for the year ended June 30, 2017 was as follows:

	Balance 7/1/2016	Additions	Removals	Balance 6/30/2017
Tax and Revenue Anticipation Line of Credit	\$ -	\$ 150,000	\$ (150,000)	\$ -

The notes were issued for cash flow purposes. Total short-term interest expended during the year ended June 30, 2017 was \$68.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 5

SHORT-TERM AND LONG-TERM OBLIGATIONS (CONTINUED)

B. Long-term Liabilities

Long-term liability balances and activity for the year ended June 30, 2017 were as follows:

	Beginning 7/1/2016	Increases	Decreases	Balance 6/30/2017	Current Portion
Refunding Bonds	\$ 6,985,000	\$ -	\$(6,985,000)	\$ -	\$ -
General Obligation Bonds	-	9,015,000	-	9,015,000	1,010,000
Unamortized Debt Premium (Discount)	-	185,446	-	185,446	-
Capital Lease	43,438	-	(16,749)	26,689	11,863
Sub-Total	7,028,438	9,200,446	(7,001,749)	9,227,135	1,021,863
Compensated Absences	73,195	-	(1,157)	72,038	-
Governmental Activities Long-Term Liabilities	<u>\$ 7,101,633</u>	<u>\$ 9,200,446</u>	<u>\$ (7,002,906)</u>	<u>\$ 9,299,173</u>	<u>\$ 1,021,863</u>

Total interest paid and accrued during the year:

	Expense	Paid
Long-term debt	\$ 275,411	\$ 272,060
Short-term borrowing	68	68
Totals	<u>\$ 275,479</u>	<u>\$ 272,128</u>

Long-Term General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2017 is comprised of the following individual issues:

Description	Issue Date	Interest Rates	Date of Maturity	Balance 6/30/17
G.O. Bonds	02/06/17	2.5-2.75%	03/01/27	\$ 9,015,000
Total General Obligation Debt				<u>\$ 9,015,000</u>

The 2016 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$411,660,843. The legal debt limit and margin of indebtedness as of June 30, 2017 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt Limit (10% of \$411,660,843)	\$ 41,166,084
Deduct Long-term Debt Applicable to Debt Margin	<u>(9,015,000)</u>
Margin of Indebtedness	<u>\$ 32,151,084</u>

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 5

SHORT-TERM AND LONG-TERM OBLIGATIONS (CONTINUED)

Aggregate cash flow requirements for the retirement of long-term principal and interest at June 30, 2017 follows:

Year Ended	Principal	Interest	Total
<u>June 30,</u>			
2018	\$ 1,010,000	\$ 243,252	\$ 1,253,252
2019	985,000	203,025	1,188,025
2020	1,010,000	178,400	1,188,400
2021	1,035,000	153,150	1,188,150
2022	1,060,000	127,275	1,187,275
2023-2027	3,915,000	268,325	4,183,325
Totals	<u>\$ 9,015,000</u>	<u>\$ 1,173,427</u>	<u>\$ 10,188,427</u>

Current Refunding

On February 6, 2017, the District issued \$9,015,000 in general obligation bonds with interest rates ranging between 2.5-2.75%. The District issued the bonds to current refund \$6,115,000 of the outstanding 2006 general obligation refunding bonds with a 3.75-4.00% interest rate. The purpose of the remaining borrowing of \$2,900,000 was to pay the cost of renovations repairs and infrastructure improvements to school district buildings and grounds, improve school security and construction of a new multi-use fitness center/weight room, stadium press box and concession area and replace of bleacher facilities.

The current refunding reduced total debt service payments by \$376,702. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$336,813.

NOTE 6

CAPITAL LEASES, AS LESSEE

The following is an analysis of the original cost of leased property under capital leases by major classes as of June 30, 2017.

Equipment	<u>\$ 53,347</u>
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The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2017.

Years Ended	
<u>June 30,</u>	
2018	\$ 14,160
2019	<u>15,916</u>
Sub-Total	30,076
Less: Interest	<u>(3,387)</u>
Total Minimum Payments	<u>\$ 26,689</u>



Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 7

INTERFUND ACTIVITY

During the fiscal year ended June 30, 2017, \$8,508 was transferred from the general fund to the package cooperative fund and \$200,000 was transferred from the general fund to the capital projects fund. The \$8,508 transfer was used to cover any costs not covered by direct revenues and the \$200,000 transfer was to build capital reserve for future capital projects. In the Statement of Activities, these amounts have been eliminated.

NOTE 8

DEFINED BENEFIT PENSION PLANS

A. Wisconsin Retirement System

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

During the reporting period, the WRS recognized \$316,451 in contributions from the employer.

Contribution rates as of June 30, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

Deerfield Community School District  
Notes to the Basic Financial Statements  
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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2017, the Deerfield Community School District reported a liability of \$275,715 for its proportionate share of the net pension asset. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Deerfield Community School District's proportion of the net pension liability was based on the Deerfield Community School District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Deerfield Community School District's proportion was .03345089% , which was a decrease of .00078414% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Deerfield Community School District recognized pension expense of \$724,018.

At June 30, 2017, the Deerfield Community School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual experience	\$ 105,130	\$ (867,100)
Changes of assumptions	288,271	-
Net difference between projected and actual earnings on pension plan investments	1,372,422	-
Changes in proportion and difference between District contributions and proportionate share of contributions	47,235	-
District contributions subsequent to the measurement date	219,490	-
Total	\$ 2,032,548	\$ (867,100)

\$219,490 reported as deferred outflows related to pension resulting from the Deerfield Community School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2018	\$ 380,183
2019	380,183
2020	262,202
2021	(77,289)
2022	679

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Actuarial assumptions.** The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-Retirement Adjustments*	2.1%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate. Starting with 2015, this item includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

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

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

<b>Asset Allocation Targets and Expected Returns</b>				
<b>As of December 31, 2016</b>				
<b>Core Fund Asset Class</b>	<b>Asset Allocation %</b>	<b>Destination Target Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %</b>
Global Equities	50 %	45 %	8.3 %	5.4 %
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Mult-Asset	4	4	6.6	3.7
<b>Total Core Fund</b>	<b>110</b>	<b>120</b>	<b>7.4</b>	<b>4.5</b>
<b>Variable Fund Asset Class</b>				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
<b>Total Variable Fund</b>	<b>100</b>	<b>100</b>	<b>7.9</b>	<b>5</b>
<b>New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%</b>				
<b>Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations</b>				

**Single Discount rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
District's proportionate share of the net pension liability (asset)	\$ 3,627,210	\$ 275,715	\$ (2,305,088)

**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>.

**B. Supplemental Pension Benefits**

The Deerfield Community School District accounts for supplemental pension benefits under GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68.

**Plan Description, Vesting, and Benefits Provided.** The Deerfield Community School District operates a single-employer retiree benefit plan that provides a supplemental pension benefit for eligible administrative employees, if he/she is at least fifty-five (55) years of age and has been employed as an administrator of the district for at least (10) years prior to retirement and for Non-Union Support Staff, if he/she is at least sixty (60) years of age and has been employed by the District for fifteen (15) years upon retirement. Upon retirement from the District, eligible retirees have the annual options to elect a cash benefit in lieu of their participation in the District's medical plan. The amount of the benefit is equal to the contributions that would be made on behalf of the retiree had they chosen to participate in the District's medical plan. Benefits and eligibility are established and amended by the governing body.

There are 7 active employees and 3 retirees in the plan as of the measurement date of June 30, 2016.

**Funding Policy.** Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions. Benefits payments of \$19,876 were made during the reporting period.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.** For the year ended June 30, 2017, the Deerfield Community School District recognized a supplemental pension expense of \$18,405.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

Below is a schedule of changes in the total pension liability for the current reporting period (measurement date June 30, 2016):

Beginning Balance		\$	195,558
Changes for the Year:			
Service Costs			21,383
Interest			7,362
Changes of Benefit Terms			-
Differences Between Expected and Actual Experiences			-
Changes of Assumptions or Other Inputs			9,536
Benefit Payments			<u>(19,876)</u>
Net Changes			<u>18,405</u>
Ending Balance		\$	<u><u>213,963</u></u>

At June 30, 2017, The District reported deferred outflows of resources and deferred inflows of resources related to supplemental pension benefits from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 8,582	\$ -
District contributions subsequent to the measurement date	<u>15,434</u>	<u>-</u>
Total	<u><u>\$ 24,016</u></u>	<u><u>\$ -</u></u>

At June 30, 2017, the Deerfield Community School District reported deferred outflows of resources related to the supplemental pension plan for contributions after the measurement date of \$15,434. It will be recognized as a reduction of the total supplemental pension benefits liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to supplemental pension benefits will be recognized in future supplemental pension benefits expense as follows:

<b>Year Ended June 30:</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2018	\$ 954
2019	954
2020	954
2021	954
2022	954
Thereafter	3,812

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Actuarial assumptions.** The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2015
Measurement Date of Net Pension Liability	June 30, 2016
Discount Rate:	3.00% - based upon all years of projected payments discounted at a municipal bond rate of 3.00%
Projected salary increases	.2% - 5.8% depending on service years

Mortality, disability and retirement rates are based on those used to value the Wisconsin Retirement System pension plan for public schools.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009-2011.

**Single Discount rate.** A single discount rate of 3.00% (based upon all years of projected payments discounted at a municipal bond rate of 3.00%) was used in this valuation in calculating the supplemental pension liability. It was assumed that the District would continue to fund its retiree benefits out of its general fund assets on a pay-as-you-go basis.

**Sensitivity of the Deerfield Community School District's net pension liability to changes in the discount rate.** The following presents the Deerfield Community School District's net pension liability calculated using the discount rate of 3.00 percent, as well as what the Deerfield Community School District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

		1% Decrease to Discount Rate (2.00%)	Current Discount Rate (3.00%)	1% Increase to Discount Rate (4.00%)
Total Supplemental Pension Liability	6/30/2016	\$227,287	\$213,963	\$201,337

NOTE 9

OTHER POSTEMPLOYMENT BENEFITS

The Deerfield Community School District accounts for other postemployment benefits under GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

**Plan Description.** The Deerfield Community School District operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses. There are 9 active members in the plan and 11 retired members in the plan. Benefits and eligibility for teachers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body.

**Funding Policy.** The District has not established a trust to fund its OPEB Liabilities. The District will fund the policy on a pay-as-you-go basis.



Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Benefits Provided.** Benefits and eligibility for teachers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body. Current approved benefits are as follows:

*Superintendent & Administrators:* At least age 55 with a minimum of 10 years of service:

The District will pay the full amount (100%) of the single or family medical premiums on behalf of the retiree during their first year of retirement. In subsequent years, the District's contributions will increase by a maximum of 10% per year. The District's contributions will not exceed a total of 5 years.

*Grandfathered Teachers:* As of June 30, 2012 is at least age 55 with a minimum of 10 years of service:

The District will pay the full amount (100%) of the base single and family medical premiums in effect during the retiree's first year of retirement. The District's contributions will continue in the manner, frozen at this amount, for an additional 6 years, but not to exceed Medicare-eligibility.

Retirees have the option to elect to extend the duration of their benefit up to the maximum of 10 years but not to exceed Medicare-eligibility. However, the District's contributions will be limited to 70% of the premium rates in effect during their 1st year of retirement.

*Note:* Teachers not meeting the age and service requirement as of June 30, 2012 are not eligible for a District-provided post-employment benefit funded upon their retirement of any kind.

*Non-Union Support Staff:* At least age 60 with a minimum of 15 years of service:

The District will pay the full amount (100%) of the single or family medical premiums in effect during the retiree's first year of retirement. The District's contributions shall continue, frozen at this amount for an additional 4 years (i.e. total contributions not to exceed a 5-year period).

**Employees covered by Benefit Terms.** At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	9
	<u>20</u>

**Total OPEB Liability.** The District's total OPEB Liability of \$320,396 was measured at June 30, 2016, and was determined by an actuarial valuation as of June 30, 2015.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Actuarial Assumptions and Other Inputs.** The total OPEB liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	2.50 percent
Salary increases	3 percent, average, including inflation
Discount rate	3 percent
Healthcare cost trend rates	7.5 Actual increases in the first year then 7.00% decreasing by .050% per year down to 6.50%, then down by 0.10% per year down to 5.0%, and level thereafter
Retirees' share of benefit-related costs	18 percent of projected health insurance premiums for retirees

The discount rate is based on the municipal bond rate.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2015 valuation were based on a study conducted in 2012 using the Wisconsin Retirement System (WRS) experience from 2009-2011.

***Changes in the Total OPEB Liability – As of Measurement Date***

	<u>Total OPEB Liability</u>
<b>Balance at 6/30/2015</b>	<u>\$ 394,131</u>
<b>Changes for the year:</b>	
Service cost	15,142
Interest	13,073
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	4,247
Benefit payments	<u>(106,197)</u>
<b>Net Changes</b>	<u>(73,735)</u>
 <b>Balance at 6/30/2016</b>	 <u><u>\$ 320,396</u></u>

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

There were no changes of assumptions or other inputs.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2 percent) or 1-percentage-point higher (4 percent) than the current discount rate:

		1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Total OPEB Liability	6/30/2016	\$ 325,965	\$ 320,396	\$ 314,724

**Sensitivity of the total OPEB liability to changes in healthcare cost trend rates.** The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

		1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	6/30/2016	\$ 308,917	\$ 320,396	\$ 332,979

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** For the year ended June 30, 2017, the District recognized a negative OPEB expense of \$73,735. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Gain / Loss</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ 3,398.00	\$ -
District contributions subsequent to the measurement date	86,258	-
Total	\$ 89,656	\$ -

\$86,258 reported as deferred outflows related to OPEB resulting from the Deerfield Community School District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2017	\$ 849
2018	849
2019	849
2020	851
2021	-

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 10

GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2017 include the following:

Restricted for:	
Debt service payments	\$ 218,161
Food service activities	129,937
Donor restricted	168,696
Capital projects	2,182,050
Community service activities	35
Self insurance	17,728
Total restricted fund balance	<u><u>\$ 2,716,607</u></u>

NOTE 11

GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the District-Wide Statement of Net Position at June 30, 2017 includes the following:

Governmental Activities:	
Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 13,470,510
Less: related long-term debt outstanding	(9,227,135)
Add: deferred loss on refunding	150,114
Total Invested in Capital Assets	<u>4,393,489</u>
Restricted:	
Capital projects	2,182,050
Debt service	218,161
Community service	35
Food service	129,937
Self Insurance	17,728
Trust	168,696
Total Restricted	<u>2,716,607</u>
Unrestricted	1,929,479
Total Governmental Activities Net Position	<u><u>\$ 9,039,575</u></u>

NOTE 12

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2017

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NOTE 13

LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts are permitted to derive from general state aids and property taxes unless a higher amount is approved by a referendum of the taxpayers. This limitation does not apply to revenues needed for the repayment of any general obligation debt (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or a referendum prior to August 12, 1993, (b) a referendum on or after August 12, 1993.

NOTE 14

SELF-FUNDED INSURANCE PROGRAM

The District established a self-funded dental benefit plan for its employees. The Plan administrator is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30<sup>th</sup>.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund, Food Service Fund, and the Community Service Fund of the District. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2017, the District has reported a liability of \$26,549, which represents reported and unreported claims which were incurred on or before June 30, 2017, but were not paid by the District as of that date. Incurred but not reported (IBNR) claims consist of claims reported to the Plan Administrator but not the District and claims which were not yet reported to either the Plan Administrator or the District.

	Accrued Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Accrued Balance at End of Year
2014-2015	\$ 29,564	\$ 134,236	\$ 135,481	\$ 28,319
2015-2016	\$ 28,319	\$ 132,616	\$ 134,629	\$ 26,306
2016-2017	\$ 26,306	\$ 108,147	\$ 107,904	\$ 26,549

NOTE 15

SUBSEQUENT EVENTS/COMMITMENTS

Construction Contract Commitment

In January 2017, the District entered into a contract with a construction company for District's capital improvements project. As of June 30, 2017, the project was still in progress, and the balance to finish the project is approximately \$2,030,922.

Subsequent Events

Effective July 1, 2017, the District starts to provide postemployment benefits to certified teachers who have reached age 55 with a minimum 15 years of services in the District.

Subsequent Purchases

Subsequent to yearend, the District approved the following purchases:

- Fitness room equipment at a cost not to exceed \$115,000.
- An electronic sign for the middle/high school at a cost not to exceed \$35,000.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1  
Required Supplementary Information  
Deerfield Community School District  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>Revenues:</b>					
Property taxes	\$ 3,553,759	\$ 3,553,759	\$ 3,553,749	\$ (10)	\$ (10)
Other local sources	102,750	102,750	100,860	(1,890)	(1,890)
Interdistrict sources	368,180	368,180	375,068	6,888	6,888
Intermediate sources	-	-	565	565	565
State sources	5,143,693	5,143,693	5,153,705	10,012	10,012
Federal sources	110,791	110,791	80,338	(30,453)	(30,453)
Other sources	31,670	31,670	40,473	8,803	8,803
Total Revenues	<u>9,310,843</u>	<u>9,310,843</u>	<u>9,304,758</u>	<u>(6,085)</u>	<u>(6,085)</u>
<b>Expenditures:</b>					
<b>Instruction</b>					
Undifferentiated instruction	2,537,543	2,537,543	2,376,174	161,369	161,369
Regular instruction	1,171,728	1,171,728	1,152,012	19,716	19,716
Vocational instruction	260,603	260,603	261,310	(707)	(707)
Physical instruction	282,497	282,497	234,527	47,970	47,970
Cocurricular activities	190,774	190,774	180,385	10,389	10,389
Special needs	50,610	50,610	48,044	2,566	2,566
Total instruction	<u>4,493,755</u>	<u>4,493,755</u>	<u>4,252,452</u>	<u>241,303</u>	<u>241,303</u>
<b>Support Services:</b>					
Pupil services	259,721	259,721	200,604	59,117	59,117
Instructional staff services	390,638	390,638	330,761	59,877	59,877
General administration services	237,437	237,437	292,911	(55,474)	(55,474)
Building administration services	394,188	394,188	377,507	16,681	16,681
Business administration	1,417,976	1,417,976	1,331,140	86,836	86,836
Central services	219,262	219,262	192,031	27,231	27,231
Insurance	137,266	137,266	124,442	12,824	12,824
Principal and interest	19,000	19,000	20,382	(1,382)	(1,382)
Other support services	700,627	700,627	643,743	56,884	56,884
Total support services	<u>3,776,115</u>	<u>3,776,115</u>	<u>3,513,521</u>	<u>262,594</u>	<u>262,594</u>
Total Expenditures	<u>8,269,870</u>	<u>8,269,870</u>	<u>7,765,973</u>	<u>503,897</u>	<u>503,897</u>
Excess (deficiency) of revenues over expenditures	<u>1,040,973</u>	<u>1,040,973</u>	<u>1,538,785</u>	<u>497,812</u>	<u>497,812</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(1,040,973)	(1,040,973)	(1,286,710)	(245,737)	(245,737)
Total other financing uses	<u>(1,040,973)</u>	<u>(1,040,973)</u>	<u>(1,286,710)</u>	<u>(245,737)</u>	<u>(245,737)</u>
Net Change in Fund Balance	-	-	252,075	252,075	252,075
Fund balance-Beginning of year	1,390,975	1,390,975	1,390,975	-	-
Fund balance-End of year	<u>\$ 1,390,975</u>	<u>\$ 1,390,975</u>	<u>\$ 1,643,050</u>	<u>\$ 252,075</u>	<u>\$ 252,075</u>

Exhibit B-2  
Required Supplementary Information  
Deerfield Community School District  
Budgetary Comparison Schedule for the Special Education Fund  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
<b>Revenues:</b>					
Interdistrict sources	\$ 78,218	\$ 78,218	\$ 79,023	\$ 805	\$ 805
State sources	388,180	388,180	398,827	10,647	10,647
Federal sources	199,405	199,405	201,380	1,975	1,975
Total Revenues	<u>665,803</u>	<u>665,803</u>	<u>679,230</u>	<u>13,427</u>	<u>13,427</u>
<b>Expenditures:</b>					
<b>Instruction</b>					
Vocational instruction	10,250	10,250	-	10,250	10,250
Special instruction	1,226,119	1,226,119	1,324,611	(98,492)	(98,492)
Total instruction	<u>1,236,369</u>	<u>1,236,369</u>	<u>1,324,611</u>	<u>(88,242)</u>	<u>(88,242)</u>
<b>Support Services:</b>					
Pupil services	251,145	251,145	248,048	3,097	3,097
Instructional staff services	131,081	131,081	115,897	15,184	15,184
Business administration	20,600	20,600	28,320	(7,720)	(7,720)
Other support services	57,657	57,657	40,556	17,101	17,101
Total support services	<u>460,483</u>	<u>460,483</u>	<u>432,821</u>	<u>27,662</u>	<u>27,662</u>
Total Expenditures	<u>1,696,852</u>	<u>1,696,852</u>	<u>1,757,432</u>	<u>(60,580)</u>	<u>(60,580)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,031,049)</u>	<u>(1,031,049)</u>	<u>(1,078,202)</u>	<u>(47,153)</u>	<u>(47,153)</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from general fund	1,031,049	1,031,049	1,078,202	47,153	47,153
Total other financing sources	<u>1,031,049</u>	<u>1,031,049</u>	<u>1,078,202</u>	<u>47,153</u>	<u>47,153</u>
Net Change in Fund Balance	-	-	-	-	-
Fund balance-Beginning of year	-	-	-	-	-
Fund balance-End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Exhibit B-3  
Required Supplementary Information  
Deerfield Community School District  
Schedules of Changes in the District's Total OPEB Liability,  
Other Pension Benefits, and Related Ratios  
June 30, 2017

Other Postemployment Benefits \*

	<u>2016</u>	<u>2015</u>
<b>Total OPEB Liability</b>		
Service costs	\$ 15,142	\$ 15,142
Interest	13,073	16,434
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	4,247	-
Benefit payments	<u>(106,197)</u>	<u>(136,210)</u>
Net change in total OPEB	(73,735)	(104,634)
Total OPEB Liability- Beginning	394,131	498,765
Total OPEB Liability- Ending	<u>\$ 320,396</u>	<u>\$ 394,131</u>
<b>Covered Employee Payroll</b>	<u>\$ 563,959</u>	<u>\$ 563,959</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	56.81%	69.89%

Other Pension Benefits\*

	<u>2016</u>	<u>2015</u>
<b>Total supplemental pension stipend benefits</b>		
Service Costs	\$ 21,383	\$ 21,383
Interest	7,362	6,961
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experiences	-	-
Changes of Assumptions or Other Inputs	9,536	-
Benefit Payments	<u>(19,876)</u>	<u>(15,434)</u>
Net Changes in total supplemental pension stipend benefits	18,405	12,910
Total supplemental pension stipend benefits - Beginning	195,558	182,648
Total supplemental pension stipend benefits - Ending	<u>\$ 213,963</u>	<u>\$ 195,558</u>
<b>Covered Employee Payroll</b>	<u>\$ 449,283</u>	<u>\$ 449,283</u>
<b>Total supplemental pension stipend benefits as a percentage of covered-employee payroll</b>	47.62%	43.53%

\* Date shown above is as of the measurement date.

**Deerfield Community School District  
Wisconsin Retirement System  
June 30, 2017**

**Schedule of Proportionate Share of the Net Pension Liability (Asset)  
As of the Measurement Date  
Last 10 Fiscal Years\***

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2016	0.03345089%	\$ 275,715	\$ 4,794,722	5.75%	99.12%
2015	0.03423503%	556,313	4,777,591	11.64%	98.20%
2014	-0.03535561%	(868,192)	4,695,918	-18.49%	102.74%

*\* The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.*

**Schedule of District's Contributions  
For the Year Ended  
Last 10 Fiscal Years\*\***

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2017	\$ 335,524	\$ (335,524)	\$ -	\$ 4,985,887	6.73%
2016	320,116	(320,116)	-	4,796,904	6.67%
2015	326,693	(326,693)	-	4,753,247	6.87%

*\*\*The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.*

Deerfield Community School District  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2017

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NOTE 1

BUDGET SCHEDULE

Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the two-digit subfunction level for the general fund and at the one-digit function level for all other funds.

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

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may make alterations to the proposed budget.
- Once the School 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 School Board.
- Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as an assigned fund balance.

The District is legally required by the State of Wisconsin to maintain and budget separately for a Special Education Fund. The Special Education Fund is combined with the General Fund in the basic financial statements. Due to the perspective differences in budgeting, the required supplementary information reports the budgetary comparison information separately for the General Fund and the Special Education Fund.

Except as noted in the previous paragraph, annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental and special revenue funds.

Appropriations lapse at year-end unless authorized as a carryover by the School Board.

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following functions/subfunctions had an excess of actual expenditures over budget for the year ended June 30, 2017:

Fund	Excess Expenditures
General Fund:	
Vocational Instruction	\$ 707
General Administration Services	55,474
Principal and Interest	1,382
Special Education Fund:	
Special Instruction	\$ 98,492
Business Administration	7,720

Deerfield Community School District  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2017

NOTE 3

EXPLANATIONS OF DIFFERENCES BETWEEN BUDGETARY  
INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 9,304,758	\$ 679,230
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	679,230	(679,230)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 9,983,988	\$ -
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 7,765,973	\$ 1,757,432
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	1,757,432	(1,757,432)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 9,523,405	\$ -

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 7 preceding years.

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

**Change of Assumptions.** A change in actuarial assumptions was made in 2015. Rates used in mortality tables were updated based on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

SUPPLEMENTARY INFORMATION

Exhibit C-1  
Deerfield Community School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue Funds			Debt Service Fund	Total Non-Major Governmental Funds
	Food Service	Community Service	Special Revenue Trust		
<b>ASSETS</b>					
Cash and investments	\$ 148,406	\$ 5,576	\$ 169,185	\$ 218,161	\$ 541,328
Accounts receivable	8,919	-	23	-	8,942
<b>Total Assets</b>	<b>\$ 157,325</b>	<b>\$ 5,576</b>	<b>\$ 169,208</b>	<b>\$ 218,161</b>	<b>\$ 550,270</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 3,776	\$ -	\$ 512	\$ -	\$ 4,288
Accrued salaries and wages	7,106	3,213	-	-	10,319
Payroll taxes and withholdings	7,942	2,328	-	-	10,270
<b>Total Liabilities</b>	<b>18,824</b>	<b>5,541</b>	<b>512</b>	<b>-</b>	<b>24,877</b>
Deferred Inflows or Resources:					
Food service deposits	8,564	-	-	-	8,564
<b>Total Deferred Inflows of Resources</b>	<b>8,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,564</b>
Fund Balances:					
Restricted for:					
Community service	-	35	-	-	35
Debt services	-	-	-	218,161	218,161
Food service	129,937	-	-	-	129,937
Trust	-	-	168,696	-	168,696
<b>Total Restricted Fund Balances</b>	<b>129,937</b>	<b>35</b>	<b>168,696</b>	<b>218,161</b>	<b>516,829</b>
<b>Total Fund Balances</b>	<b>129,937</b>	<b>35</b>	<b>168,696</b>	<b>218,161</b>	<b>516,829</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 157,325</b>	<b>\$ 5,576</b>	<b>\$ 169,208</b>	<b>\$ 218,161</b>	<b>\$ 550,270</b>

Exhibit C-2  
Deerfield Community School District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2017

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Food Service	Community Service	Package / Cooperative	Special Revenue Trust		
<b>REVENUES:</b>						
Property taxes	\$ -	\$ 65,000	\$ -	\$ -	\$ 1,164,838	\$ 1,229,838
Other local sources	254,926	5,659	-	263,176	2,648	526,409
Interdistrict sources	-	-	16,512	-	-	16,512
State sources	4,689	-	-	-	-	4,689
Federal sources	116,610	-	-	-	-	116,610
Total Revenues	<u>376,225</u>	<u>70,659</u>	<u>16,512</u>	<u>263,176</u>	<u>1,167,486</u>	<u>1,894,058</u>
<b>EXPENDITURES:</b>						
Instruction:						
Regular instruction	-	-	-	27,786	-	27,786
Other instruction	-	-	19,514	114,535	-	134,049
Total Instruction	<u>-</u>	<u>-</u>	<u>19,514</u>	<u>142,321</u>	<u>-</u>	<u>161,835</u>
Support Services:						
Pupil services	-	-	-	873	-	873
Instructional staff services	-	-	-	4,944	-	4,944
Business administration	-	-	5,506	12,947	-	18,453
Central services	-	-	-	73	-	73
Food services	360,788	-	-	-	-	360,788
Community services	-	70,662	-	-	-	70,662
Principal and interest	-	-	-	-	1,203,956	1,203,956
Total Support Services	<u>360,788</u>	<u>70,662</u>	<u>5,506</u>	<u>18,837</u>	<u>1,203,956</u>	<u>1,659,749</u>
Total Expenditures	<u>360,788</u>	<u>70,662</u>	<u>25,020</u>	<u>161,158</u>	<u>1,203,956</u>	<u>1,821,584</u>
Excess (deficiency) of revenues over expenditures	<u>15,437</u>	<u>(3)</u>	<u>(8,508)</u>	<u>102,018</u>	<u>(36,470)</u>	<u>72,474</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from long-term debt	-	-	-	-	6,115,000	6,115,000
Premium on debt issuance	-	-	-	-	185,446	185,446
Payment on long-term debt refinancing	-	-	-	-	(6,190,000)	(6,190,000)
Transfers in	-	-	8,508	-	-	8,508
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>8,508</u>	<u>-</u>	<u>110,446</u>	<u>118,954</u>
Net Change in Fund Balances	15,437	(3)	-	102,018	73,976	191,428
Fund Balances-Beginning of year	114,500	38	-	66,678	144,185	325,401
Fund Balances-End of year	<u>\$ 129,937</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 168,696</u>	<u>\$ 218,161</u>	<u>\$ 516,829</u>

Exhibit C-3  
Deerfield Community School District  
Schedule of Changes in Assets and Liabilities  
Pupil Activity Funds  
For the Year Ended June 30, 2017

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2017</u>
<b>ASSETS</b>				
Cash	\$ 56,050	\$ 23,773	\$ (60,215)	\$ 19,608
Total Assets	<u>\$ 56,050</u>	<u>\$ 23,773</u>	<u>\$ (60,215)</u>	<u>\$ 19,608</u>
<b>LIABILITIES</b>				
Due to Student Organizations:				
Senior High	\$ 56,050	\$ 23,773	\$ (60,215)	\$ 19,608
Total Liabilities	<u>\$ 56,050</u>	<u>\$ 23,773</u>	<u>\$ (60,215)</u>	<u>\$ 19,608</u>



Exhibit C-4  
Deerfield Community School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Pass-through Entity ID Number	(Accrued Receivable) Deferred Revenue July 1, 2016	Revenues Grantor Reimbursements	Expenditures	Accrued Receivable June 30, 2017
<u><i>U.S. DEPARTMENT OF AGRICULTURE</i></u>						
Food Distribution July 1, 2016 - June 30, 2017	10.555	Not Available	\$ -	\$ 31,178	\$ 31,178	\$ -
Wisconsin Department of Public Instruction: National School Lunch Program July 1, 2015 - June 30, 2016 July 1, 2016 - June 30, 2017	10.555	2017-131309-NSL-547	(663) -	663 85,432	- 85,432	- -
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>(663)</u>	<u>117,273</u>	<u>116,610</u>	<u>-</u>
<u><i>U.S. DEPARTMENT OF EDUCATION</i></u>						
Wisconsin Department of Public Instruction: Title I July 1, 2015 - June 30, 2016 July 1, 2016 - June 30, 2017	84.010	17-131309-Title I-141	(17,070) -	17,070 39,286	- 56,677	- 17,391
Title II - Part A July 1, 2015 - June 30, 2016 July 1, 2016 - June 30, 2017	84.367	17-131309-Title II-365	(5,619) -	5,619 11,045	- 11,373	- 328
Pass through CESA 2 - Title III Title III July 1, 2016 - June 30, 2017 Total Wisconsin Department of Public Instruction	84.365	Not Available	- <u>(22,689)</u>	565 <u>73,585</u>	565 <u>68,615</u>	- <u>17,719</u>
Special Education Cluster: IDEA Discretionary July 1, 2015 - June 30, 2016 July 1, 2016 - June 30, 2017	84.027	2017-131309-IDEA-341	(63,534) -	63,534 103,050	- 150,230	- 47,180
High Cost Special Education Aid July 1, 2016 - June 30, 2017	84.027	Not Available	-	4,284	4,284	-
Preschool Entitlement July 1, 2015 - June 30, 2016 July 1, 2016 - June 30, 2017 Total Special Education Cluster	84.173	17-131309-Pre-S-347	(1,928) - <u>(65,462)</u>	1,928 2,172 <u>174,967</u>	- 7,575 <u>162,088</u>	- 5,403 <u>52,583</u>
Pass through Johnson Creek School District Carl Perkins July 1, 2016 - June 30, 2017	84.048	Not Available	-	3,200	3,200	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>(88,151)</u>	<u>251,753</u>	<u>233,904</u>	<u>70,302</u>
<u><i>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</i></u>						
School Based Services July 1, 2015 - June 30, 2016 July 1, 2016 - June 30, 2017	93.778	Not Available	(518) -	518 51,580	- 51,580	- -
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>(518)</u>	<u>52,098</u>	<u>51,580</u>	<u>-</u>
TOTALS			<u>\$ (89,332)</u>	<u>\$ 421,123</u>	<u>\$ 402,093</u>	<u>\$ 70,302</u>

Exhibit C-5  
Deerfield Community School District  
Schedule of Expenditures of State Awards.  
For the Year Ended June 30, 2017

Administering Agency Pass-Through Agency Award Description	State I.D. Number	Pass-through Entity ID Number	(Accrued Receivable) Deferred Revenue July 1, 2016	Revenues State Reimbursements	Accrued Receivable (Deferred Revenue) June 30, 2017
<u><i>Entitlement Programs</i></u>					
Special Education and School Age Parents Direct State Payments	255.101	131309-100		\$ 383,919	
Pass through School District of Cambridge Transit of State Aid		130896-100		10,888	
Total Special Education and School Age Parents Program				<u>\$ 394,807</u>	
<u><i>Cost Reimbursement Programs</i></u>					
State Lunch	255.102	131309-107		\$ 3,789	
Morning Milk	255.109	131309-109		900	
Total Cost Reimbursement Programs				<u>\$ 4,689</u>	
<u><i>Other Aids</i></u>					
General Equalization	255.201	131309-116	\$ (82,657)	\$ 4,865,742	\$ 83,011
Youth Alcohol & Other Drug Abuse	255.306	131309-143	(12,875)	14,338	14,338
Common School Fund	255.103	131309-104	-	26,105	-
High Cost Special Education Aid	255.210	131309-119	-	14,908	-
Pupil Transportation	255.107	131309-102	-	12,136	-
Per Pupil Adjustment Aid	255.945	131309-113	(116,550)	194,250	-
Educator Effectiveness Grant	255.940	131309-154	-	12,400	-
Assessments of Reading Readiness	255.956	131309-166	-	1,281	-
Career and Technical Education Incentive Grants	255.950	131309-151	-	3,204	-
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			<u>\$ (212,082)</u>	<u>\$ 5,543,859</u>	<u>\$ 97,349</u>

Deerfield Community School District  
Notes to the Schedules of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2017

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NOTE 1 BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal and State Awards include the federal and state grant activity of the Deerfield Community School District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2016-2017 eligible costs under the State Special Education Program are \$1,542,622.

NOTE 3 MEDICAL ASSISTANCE

Expenditures presented for the Medicaid SBS Benefit represent only the federal funds for the program that the District receives from DHS. District records should be consulted to determine the total amount expended for this program.

NOTE 4 FOOD DISTRIBUTION

The District received commodities totaling \$31,178 that is reflected as part of the activity in program CFDA #10.555.

NOTE 5 DE MINIMIS COST RATE

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

NOTE 6 SUBRECIPIENTS

No amounts were passed through to subrecipients.



Certified Public Accountants

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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  
Deerfield Community School District  
Deerfield, 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 Deerfield Community School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Deerfield Community School District's basic financial statements, and have issued our report thereon dated October 30, 2017.

**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.

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. However, as described in the accompanying schedule of findings and responses, we identified deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item #2017-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item #2017-002 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*.

### **Deerfield Community School District's Response to Findings**

Deerfield Community School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Deerfield Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.

*Johnson Block & Company, Inc.*

**JOHNSON BLOCK AND COMPANY, INC.**

Madison, Wisconsin

October 30, 2017



Certified Public Accountants

406 Science Drive, Suite 100 • Madison, Wisconsin 53711-1097 • TEL 608-274-2002 • FAX 608-274-4320

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH STATE PROGRAM WITH REQUIRED PROCEDURES  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION

To the Board of Education  
Deerfield Community School District  
Deerfield, Wisconsin

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

We have audited the Deerfield Community School District (the "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 state programs with required procedures for the year ended June 30, 2017. The District's state programs that have required procedures 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 program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's state programs with required procedures 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 state programs with required procedures 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 state program with required procedures. 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 requirements referred to above that could have a direct and material effect on each of its state programs with required procedures for the year ended June 30, 2017.



## **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 state program with required procedures to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each state program with required procedures 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompany schedule of findings and responses as items #2017-001, that we consider to be a material weakness.

## **Deerfield Community School District's Response to Findings**

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **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.

*Johnson Block & Company, Inc.*

JOHNSON BLOCK AND COMPANY, INC.

Madison, Wisconsin

October 30, 2017

Deerfield Community School District  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2017

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**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified?   X   Yes        No
- Significant deficiency (ies) identified that are not considered to be material weaknesses?   X   Yes        None Reported
- Noncompliance material to financial statements noted?        Yes   X   No

State Awards

Internal Control over major programs:

- Material Weakness(es) identified?   X   Yes        No
- Significant deficiency (ies) identified that are not considered to be material weaknesses?        Yes   X   None Reported

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 the Wisconsin Public School District Audit Manual?        Yes   X   No

Management Letter Issued?   X   Yes        No

Identification of major programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.201	General Equalization Aids

Identification of non-major programs which limited procedures were performed in accordance with the Wisconsin Public District Audit Manual:

<u>State ID Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents



Deerfield Community School District  
Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2017

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Section II – Financial Statement Findings

Finding #2017-001 – Segregation of Duties

**Condition:** The responsibility for the District’s bookkeeping and accounting functions is assumed by a limited number of individuals. The business manager enters and makes deposits, enters and approves journal entries and reconciles all bank accounts.

**Criteria:** Internal controls should be in place that provide adequate segregation of duties and reduce overlapping accounting functions, especially in cash receipts and disbursements. In addition those functions should be segregated from those overseeing overall finances.

**Cause:** The District has determined that hiring additional staff to perform separate accounting duties would be too costly and not an effective use of resources.

**Effect:** Because of the lack of segregation of duties, errors or irregularities could occur and not be detected on a timely basis.

**Recommendation:** The District should be aware of the need for separation of duties and provide for as much separation of duties as feasible in the circumstances.

**Response:** Management of the District is aware that the current number of accounting staff does not allow for full segregation of duties. Segregation of duties is enhanced whenever possible and the Board of Education and management assumes an active roll through monthly review of receipts and disbursements and monthly financial reports. The Superintendent and business manager are in constant communication regarding the District’s finances. The Superintendent is not involved in processing day to day financial transactions.

Finding #2017-002- Preparation of Financial Statements

**Condition:** Due to the complex nature of various elements of the financial statements and required disclosures, the district staff does not prepare the financial statements and accompanying notes. The District relies on the auditor to assist in preparing the financial statements and notes but has designated individuals responsible for reviewing and accepting the financial statements and related notes.

**Criteria:** Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

**Cause:** The District does not prepare the financial statements and related notes.

**Effect:** Because District staff relies on the auditor to assist with the preparation of the financial statements, the District’s system of internal control may not prevent, detect, or correct misstatements in the financial statements.

**Recommendation:** The auditor will work with the District to make personnel more knowledgeable about its responsibility for the financial statements.

**Response:** The auditors prepare the financial statements but we review them and accept the statements prior to them being issued. We prepare financial reports that are reviewed by management and the Board of Education on a monthly basis. Any concerns or questions are addressed throughout the year.

Section III – Federal and State Awards Findings

None.

Deerfield Community School District  
Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2017

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#2016-001- This is still a finding. See #2017-001

#2016-002- This is still a finding. See #2017-002

#2016-003- Preparation of Schedules of Expenditures of Federal and State Awards

**Condition:** The District does not have management personnel with the necessary expertise to prepare the schedules of expenditures of federal and state awards. Due to limited resources, management has decided to accept certain risks relevant to single audit reporting and relies on the auditor to assist with the preparation of the District's schedules of expenditures of federal and state awards.

**Criteria:** The District should have proper controls in place over the preparation of the schedules of expenditures of federal and state awards to ensure accurate reporting.

**Cause:** The District does not prepare the schedules of expenditures of federal and state awards .

**Effect:** Because management relies on the auditor to assist with the preparation of the schedules of expenditures of federal and state awards, the District's system of internal control may not prevent, detect, or correct misstatements in the schedules.

**Recommendation:** The auditor will continue to work with the District, providing information and training where needed, to make the District's personnel work knowledgeable about its responsibility for the schedules of expenditures of federal and state awards.

**Response:** This finding has been discussed with the District's management and they acknowledge their responsibility for the schedules of expenditures of federal and state awards.

**Current Status:** The District prepared the Schedules of Expenditures of Federal and State Awards for the fiscal year 2016/2017.