

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018

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JUNE 30, 2018

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MEMBERS OF THE BOARD OF EDUCATION

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INDEPENDENT AUDITORS' REPORT

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 1, the District has implemented Governmental Accounting Standards Board Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manitowoc Public School District's basic financial statements. The schedule of changes in assets and liabilities - agency funds and schedule of charter school authorizer operating costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State Single Audit Guidelines, and are also not a required part of the basic financial statements.

The schedule of changes in assets and liabilities - agency funds, schedule of charter school authorizer operating costs, schedule of expenditures of federal awards, and the schedule of state financial assistance are the responsibility of management and were derived from and

relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 January 18, 2019, on our consideration of the Manitowoc Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Manitowoc Public School District's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin
January 18, 2019

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS**



Manitowoc Public School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Manitowoc Public School District ("District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's basic financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

Total governmental funds revenue was \$63,898,749; including \$18,610,006 of property taxes, \$34,659,299 of general state and federal aid, and \$9,814,335 of charges for services, grants and contributions. Total governmental fund expenditures were \$66,547,383; including \$37,769,770 for direct instruction.

The District's financial status, as reflected in total net position, decreased by \$2,648,634. The main reason for the decrease in net position was the decrease in capital assets being depreciated, an increase of the Wisconsin Retirement System local retiree life insurance fund liability, an increase in OPEB healthcare liability, and changes in deferred outflows of resources and deferred inflows of resources.

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.

Major Features of the District-Wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, debt service, capital projects, 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	Statement of net position. Statement of activities.	Balance sheet. Statement of revenues, expenditures and changes in fund balances.	Statement of fiduciary net position. Statement of changes in fiduciary net position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.
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; received during or soon after 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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 reported as governmental activities. The District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, food service, community programs and administration. Property taxes and state formula aid finance most of these 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 serves as a trustee, or fiduciary, for retired employees, as well as student and parent organizations. The assets of these organizations belong to the organization and not the District. 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2018, compared to 2017. The District's combined net position of \$42,709,206 in 2017, decreased from operations by \$2,648,634 and a decrease from a change in accounting principal by \$3,315,925 to a net position of \$36,744,647 in 2018 or a reduction of 14.0%.

Table 1
Condensed Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Total % Change
	2017	2018	2017 - 2018
Current and other assets	\$ 26,057	\$ 31,417	20.6%
Capital assets	28,853	28,676	-0.6%
Total assets	<u>54,910</u>	<u>60,094</u>	9.4%
Deferred outflow of resources	<u>15,711</u>	<u>19,089</u>	21.5%
Long-term liabilities outstanding	8,338	7,669	-8.0%
Other liabilities	16,445	14,469	-12.0%
Total liabilities	<u>24,783</u>	<u>22,138</u>	-10.7%
Deferred inflow of resources	<u>7,689</u>	<u>20,300</u>	164.0%
Net position			
Net investment in capital assets	24,381	23,252	-4.6%
Restricted	14,352	11,855	-17.4%
Unrestricted	<u>(584)</u>	<u>1,638</u>	380.5%
Total net position	<u>\$ 38,149</u>	<u>\$ 36,745</u>	-3.7%

Note: Totals may not add due to rounding.

	Governmental Activities		Total % Change
	2017	2018	2017 - 2018
Revenues			
Program revenues			
Charges for services	\$ 1,600	\$ 1,336	-16.5%
Operating grants and contributions	8,354	8,478	1.5%
General revenues			
Property taxes	19,706	18,610	-5.6%
State and federal aid	32,733	34,659	5.9%
Other	687	815	18.6%
Total revenues	63,080	63,898	1.0%
Expenses			
Instruction	39,163	37,770	-3.6%
Pupil and instructional services	5,910	6,126	3.7%
Administration and business	4,388	4,166	-5.0%
Maintenance and operations	7,725	7,480	-3.2%
Transportation	1,774	1,809	2.0%
Food service	1,982	2,163	9.1%
Interest on debt	271	273	0.7%
Other	5,877	6,760	15.0%
Total expenses	67,090	66,547	-0.8%
(Decrease) increase in net position	\$ (4,010)	\$ (2,649)	-33.9%
Note: Totals may not add due to rounding.			

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

The District relies primarily on property taxes (29.1%) and state and federal aids (66.4%) to fund governmental activities. There were only minor variations between years within the sources of revenue.

Table 3 presents the cost of the eight 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)

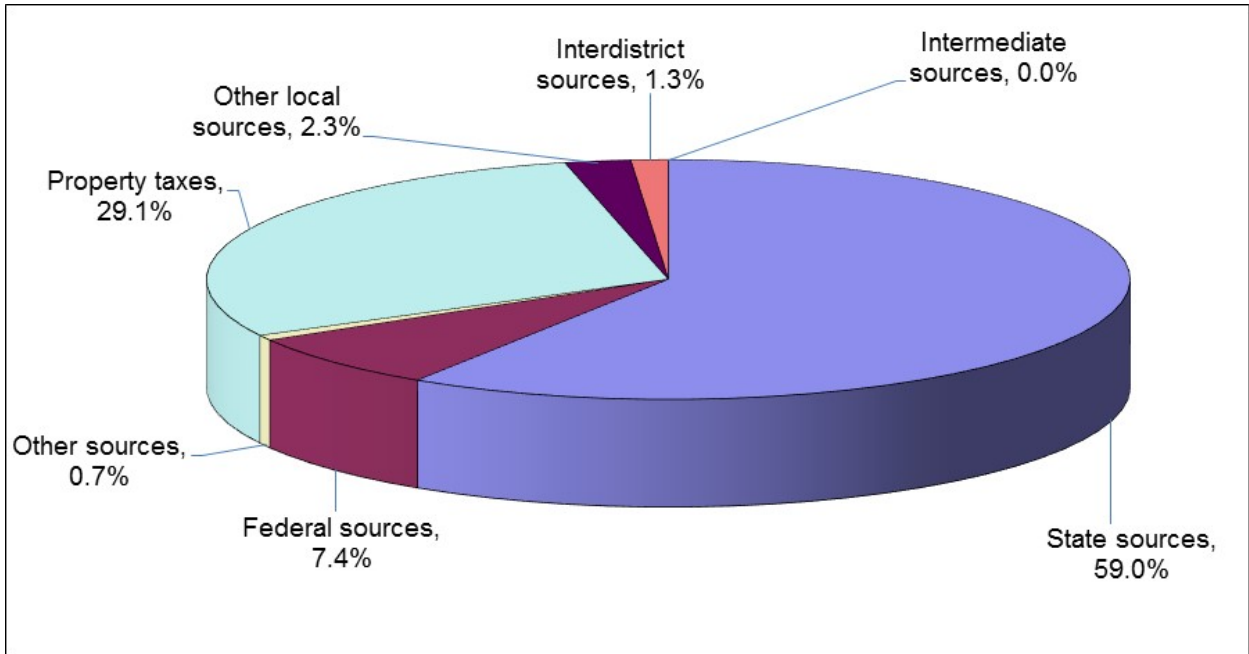
	Total Cost of Services		% Change	Net Cost of Services		% Change
	2017	2018	2017- 2018	2017	2018	2017- 2018
Instruction	\$ 39,163	\$ 37,770	-3.6%	\$ 32,190	\$ 31,163	-3.2%
Pupil and instructional services	5,910	6,126	3.7%	5,527	5,877	6.3%
Administration and business	4,388	4,166	-5.0%	4,388	4,166	-5.1%
Maintenance and operations	7,725	7,480	-3.2%	7,704	7,456	-3.2%
Transportation	1,774	1,809	2.0%	1,717	1,758	2.4%
Food service	1,982	2,163	9.1%	(78)	(117)	-50.0%
Interest on debt	271	273	0.7%	194	195	0.5%
Other	5,877	6,760	15.0%	5,493	6,235	13.5%
Total	\$ 67,090	\$ 66,547	-0.8%	\$ 57,135	\$ 56,733	-0.7%

Note: Totals may not add due to rounding.

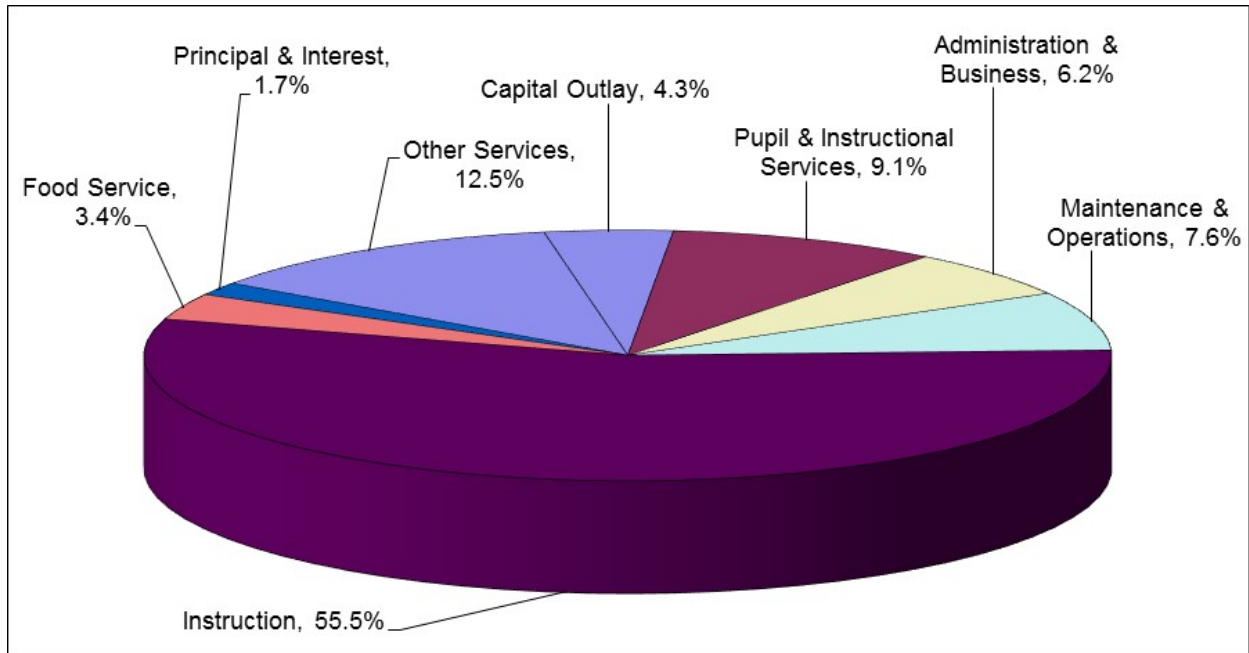
The cost of all governmental activities this year was \$66,547,383. Individuals who directly participated or benefited from a program offering paid for \$1,336,148 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$8,478,187. The net cost of governmental activities \$56,733,048 was financed by general revenues of the District, which includes state and federal aid, and local property taxes.

The composition of governmental revenues by type (Chart 1) and expenditures by type (Chart 2) are illustrated below.

**Governmental Activities Revenue by Type
Chart 1**



**Governmental Activities Expenditure by Type
Chart 2**



Note: Totals may not add due to rounding.

BUSINESS-TYPE ACTIVITIES

The District does not have any business-type activities.

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$18,986,972 down from last year's ending fund balance of \$21,182,587.

- The general fund had a decrease in fund balance of \$1,044,415.
- The special projects fund had a decrease in fund balance of \$349.
- The capital projects fund had a decrease in fund balance of \$1,252,210. The fund balance of the capital projects fund will fluctuate each year.
- The food service program had an increase in fund balance of \$101,359.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reviews an interim budget in May for the subsequent year (beginning July 1st). Consistent with current state statutes and regulations an original budget is adopted in October, following determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified. The District modified its original budget in 2017-2018 to reflect:

- Requirement to add teachers and other staff during the year.
- Expenses for technology purchases.
- Expenses for capital projects; specifically the Ron Rubick Field Renovation.
- Modification in food service revenues and expenditures.
- Modification in several state and federal grants.

While the District's final budget for the general fund anticipated that expenditures would exceed revenues by \$1,263,845, the actual results for the year show expenditures exceeded revenues by \$1,044,415.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2018, the District had invested \$82,232,946 in capital assets, including sites, site improvements, buildings, and equipment. Total accumulated depreciation on these assets is \$53,556,513. Asset acquisitions for governmental activities totaled \$3,000,334. The District recognized depreciation expense of \$3,176,542 for governmental activities. Detailed information about capital assets can be found in Note 3 to the financial statements.

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

	Governmental Activities		Total % Change
	2017	2018	2017-2018
Sites	\$ 973	\$ 973	0.0%
Site improvements	2,266	2,373	4.7%
Buildings	67,799	69,037	1.8%
Furniture and equipment	8,789	9,068	3.2%
Construction in progress	-	782	N/A
Accumulated depreciation	(50,974)	(53,557)	5.1%
Total	<u>\$ 28,853</u>	<u>\$ 28,676</u>	-0.6%

Note: Totals may not add due to rounding.

Long-Term Obligations

At year-end, the District had \$7,669,000 in general obligation notes, \$1,844,055 in Wisconsin Retirement System local retiree life insurance fund (LRLIF) liability, \$1,693,294 in OPEB supplemental pension liability, \$4,931,618 in OPEB healthcare liability, and \$182,116 in other long-term liabilities outstanding for a total of \$16,320,083 or a decrease of 2.6% from last year (see Table 5). The decrease was a result of an increase of the Wisconsin Retirement System LRLIF liability, an increase in OPEB healthcare liability, and a decrease in notes payable and other long term liabilities. The District made outstanding bonds/notes and other long-term liability payments of \$1,436,061 for the year. Detailed information about the District's long-term obligations is presented in Note 4, Note 6, Note 7, and Note 9 for other post employment benefits obligations to the financial statements.

	Governmental Activities		% Change
	2017	2018	2017 - 2018
General obligation debt	\$ 8,338	\$ 7,669	-8.0%
Other	8,416	8,651	2.8%
Total	<u>\$ 16,754</u>	<u>\$ 16,320</u>	-2.6%

Note: Totals may not add due to rounding.

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:

- In April 2018, the District approved a referendum question for increasing the revenue limit for operational expenditures by \$3,500,000. The District is authorized to exceed the state revenue limit beginning with the 2018-19 school year through the 2020-21 school year on a nonrecurring basis.
- During the 2018-2019 school year, the District will be performing a grade realignment as follows:
 - All 5K kindergarten classes will be shifted from the current location of Riverview Early Learning Center to the 6 other elementary schools.
 - Stangel Elementary will relocate to the current site of the Riverview Early Learning Center.
 - McKinley Academy will move from its current building to the former Stangel Elementary Location.
 - All 6th grade classes from the elementary schools will be shifted to Washington and Wilson Junior High School.
 - All 9th grade classes of Washington and Wilson Junior High Schools will be shifted to Lincoln High School.
 - Lincoln High School will house 9th, 10th, 11th, and 12th grades
 - Washington and Wilson Junior Schools will house 6th, 7th and 8th grades and will be change from Junior High Schools to Middle Schools.

- The current location of the McKinley Academy will become a vacant building that the District will pursue selling.

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 Mr. Shawn M. Alfred, CPA, CMA, Director of Business Services, Manitowoc Public School District, 920-683-4795, 2902 Lindbergh Drive, PO Box 1657, Manitowoc, Wisconsin, 54221-1657.

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**BASIC
FINANCIAL STATEMENTS**

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**DISTRICT-WIDE
FINANCIAL STATEMENTS**

MANITOWOC PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current assets	
Cash and investments	\$ 19,525,482
Receivables	
Taxes	3,786,593
Accounts	14,146
Due from other governments	1,348,645
Other current assets	10,629
Inventories and prepaid items	70,559
Wisconsin Retirement System net pension	6,661,124
Capital assets (net of accumulated depreciation)	
Capital assets not being depreciated	1,754,714
Capital assets being depreciated	26,921,719
TOTAL ASSETS	60,093,611
 DEFERRED OUTFLOWS OF RESOURCES	
Wisconsin Retirement System net pension	18,410,068
Wisconsin Retirement System LRLIF	199,429
OPEB supplemental pension	306,329
OPEB healthcare	173,655
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,089,481
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 79,183,092
 LIABILITIES	
Current liabilities	
Accounts payable	1,598,468
Self insurance claims payable	1,391,673
Payroll, payroll taxes, insurance	2,659,613
Interest	48,857
Deposits payable	80,246
Unearned revenue	39,082
Current portion of long-term obligations	2,099,415
Noncurrent portion of long-term obligations	14,220,668
TOTAL LIABILITIES	22,138,022
 DEFERRED INFLOWS OF RESOURCES	
Wisconsin Retirement System net pension	20,243,203
Wisconsin Retirement System LRLIF	41,861
OPEB supplemental pension	15,359
TOTAL DEFERRED INFLOWS OF RESOURCES	20,300,423
 NET POSITION	
Net investment in capital assets	23,252,095
Restricted for	
General fund	3,410,838
Special revenue funds	351,794
Capital projects	2,857,545
Other activities	5,234,380
Unrestricted	1,637,995
TOTAL NET POSITION	36,744,647
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 \$ 79,183,092

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular instruction	\$ 25,015,507	\$ 252,242	\$ 2,298,560	\$ (22,464,705)
Vocational instruction	1,517,500	1,841	19,622	(1,496,037)
Special instruction	8,707,656	-	3,613,639	(5,094,017)
Other instruction	2,529,107	312,128	108,861	(2,108,118)
Total instruction	<u>37,769,770</u>	<u>566,211</u>	<u>6,040,682</u>	<u>(31,162,877)</u>
Support Services				
Pupil services	3,378,609	572	-	(3,378,037)
Instructional staff services	2,747,624	318	248,321	(2,498,985)
General administration services	541,959	480	-	(541,479)
Building administration services	3,047,968	-	-	(3,047,968)
Business administration	576,117	-	-	(576,117)
Operations and maintenance	7,480,189	24,343	-	(7,455,846)
Pupil transportation	1,809,415	-	51,329	(1,758,086)
Food service program	2,162,987	666,511	1,613,216	116,740
Central services	2,252,611	79	-	(2,252,532)
Insurance	517,187	-	-	(517,187)
Interest and refinancing	273,061	77,634	-	(195,427)
Other support services	732,625	-	524,639	(207,986)
Total support services	<u>25,520,352</u>	<u>769,937</u>	<u>2,437,505</u>	<u>(22,312,910)</u>
Non-program transactions	3,257,261	-	-	(3,257,261)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 66,547,383</u>	<u>\$ 1,336,148</u>	<u>\$ 8,478,187</u>	<u>(56,733,048)</u>

General revenues

Taxes	
Property taxes, levied for general purposes	\$ 18,610,006
State and federal aids not restricted to specific functions	
General	34,659,299
Other	7,846
Interest and investment earnings	201,980
Miscellaneous	605,283
Total general revenues	<u>54,084,414</u>

CHANGE IN NET POSITION	(2,648,634)
NET POSITION - BEGINNING OF YEAR	42,709,206
CHANGE IN ACCOUNTING PRINCIPLE	(3,315,925)
NET POSITION - END OF YEAR	<u>\$ 36,744,647</u>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**FUND
FINANCIAL STATEMENTS**

MANITOWOC PUBLIC SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	10 GENERAL & SPEC. ED. FUND	20 SPECIAL PROJECT FUND	30 DEBT SERVICE FUND	40 CAPITAL PROJECTS FUND	50 FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and investments	\$ 15,400,253	\$ 352,150	\$ -	\$ 3,356,401	\$ 416,678	\$ 19,525,482
Receivables						
Taxes	3,786,593	-	-	-	-	3,786,593
Accounts	6,672	-	-	4,549	2,925	14,146
Due from other governments	1,263,095	-	-	-	85,550	1,348,645
Other current assets	10,629	-	-	-	-	10,629
Inventories and prepaid items	-	-	-	-	70,559	70,559
TOTAL ASSETS	<u>20,467,242</u>	<u>352,150</u>	<u>-</u>	<u>3,360,950</u>	<u>575,712</u>	<u>24,756,054</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	1,016,708	356	-	503,405	77,999	1,598,468
Self insurance claims payable	1,391,673	-	-	-	-	1,391,673
Payroll, payroll taxes, insurance	2,659,613	-	-	-	-	2,659,613
Deposits payable	80,246	-	-	-	-	80,246
Unearned revenue	18,319	-	-	-	20,763	39,082
TOTAL LIABILITIES	<u>5,166,559</u>	<u>356</u>	<u>-</u>	<u>503,405</u>	<u>98,762</u>	<u>5,769,082</u>
FUND BALANCES						
Non-Spendable						
General fund	11,658	-	-	-	-	11,658
Other activities	-	-	-	-	70,559	70,559
Restricted						
General fund	3,410,838	-	-	-	-	3,410,838
Special project fund	-	351,794	-	-	-	351,794
Capital projects	-	-	-	2,857,545	-	2,857,545
Other activities	-	-	-	-	406,391	406,391
Committed						
General fund	2,657,928	-	-	-	-	2,657,928
Assigned						
General fund	4,084,451	-	-	-	-	4,084,451
Unassigned						
General fund	5,135,808	-	-	-	-	5,135,808
TOTAL FUND BALANCES	<u>15,300,683</u>	<u>351,794</u>	<u>-</u>	<u>2,857,545</u>	<u>476,950</u>	<u>18,986,972</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,467,242</u>	<u>\$ 352,150</u>	<u>\$ -</u>	<u>\$ 3,360,950</u>	<u>\$ 575,712</u>	

Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:

Governmental capital assets	\$ 82,232,946	
Governmental accumulated depreciation	<u>(53,556,513)</u>	28,676,433

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements

4,985,557

Other post employment benefits deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in the fund statements

464,625

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	\$ (7,669,000)	
Accrued interest on general obligation debt	(48,857)	
WRS liability	(1,844,055)	
Vested employee benefits	(182,116)	
Net OPEB obligation	<u>(6,624,912)</u>	<u>(16,368,940)</u>
Total net position - governmental activities		<u>\$ 36,744,647</u>

MANITOWOC PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	10 GENERAL & SPEC. ED. FUND	20 SPECIAL PROJECT FUND	30 DEBT SERVICE FUND	40 CAPITAL PROJECTS FUND	50 FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Property taxes	\$ 18,610,006	\$ -	\$ -	\$ -	\$ -	\$ 18,610,006
Other local sources	629,733	112,396	-	51,853	666,511	1,460,493
Interdistrict sources	857,765	-	-	-	-	857,765
Intermediate sources	29,671	-	-	-	-	29,671
State sources	37,590,884	-	-	-	41,069	37,631,953
Federal sources	3,183,631	-	-	-	1,566,003	4,749,634
Other sources	392,008	-	65,510	5,314	5,857	468,689
TOTAL REVENUES	61,293,698	112,396	65,510	57,167	2,279,440	63,808,211
EXPENDITURES						
Instruction						
Regular instruction	24,078,447	92,586	-	-	-	24,171,033
Vocational instruction	1,462,999	-	-	-	-	1,462,999
Special instruction	8,535,900	-	-	-	-	8,535,900
Other instruction	2,479,672	786	-	-	-	2,480,458
Total instruction	36,557,018	93,372	-	-	-	36,650,390
Support services						
Pupil services	3,322,679	-	-	-	-	3,322,679
Instructional staff services	2,698,581	-	-	-	-	2,698,581
General administration services	532,362	-	-	-	-	532,362
Building administration services	2,977,781	-	-	-	-	2,977,781
Business administration	553,692	-	-	-	8,551	562,243
Operations and maintenance	4,922,011	-	-	-	-	4,922,011
Pupil transportation	1,790,862	18,279	-	-	-	1,809,141
Food services	-	-	-	-	2,152,816	2,152,816
Central services	2,139,088	-	-	-	-	2,139,088
Insurance	514,238	-	-	-	-	514,238
Principal	242,929	-	669,000	-	-	911,929
Interest	-	-	195,427	-	-	195,427
Other support services	545,080	1,094	-	-	-	546,174
Total support services	20,239,303	19,373	864,427	-	2,161,367	23,284,470
Non-program transactions	3,257,261	-	-	-	-	3,257,261
Capital outlay	1,498,231	-	-	1,309,377	17,001	2,824,609
TOTAL EXPENDITURES	61,551,813	112,745	864,427	1,309,377	2,178,368	66,016,730
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(258,115)	(349)	(798,917)	(1,252,210)	101,072	(2,208,519)
OTHER FINANCING SOURCES (USES)						
Sales of capital assets	12,617	-	-	-	287	12,904
Transfer to other funds	(7,557,994)	-	-	-	-	(7,557,994)
Transfer from other funds	6,759,077	-	798,917	-	-	7,557,994
TOTAL OTHER FINANCING SOURCES (USES)	(786,300)	-	798,917	-	287	12,904
NET CHANGE IN FUND BALANCE	(1,044,415)	(349)	-	(1,252,210)	101,359	(2,195,615)
FUND BALANCE - BEGINNING OF YEAR	16,345,098	352,143	-	4,109,755	375,591	21,182,587
FUND BALANCE - END OF YEAR	\$ 15,300,683	\$ 351,794	\$ -	\$ 2,857,545	\$ 476,950	\$ 18,986,972

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ (2,195,615)

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 useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in governmental fund statements	2,824,609	
Capital outlay reported as other expenses in fund statements	175,725	
Depreciation expense reported in the statement of activities	<u>(3,176,542)</u>	
Amount by which capital outlays are less than depreciation in the current period:		(176,208)

Certain 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 vacation/absences/years of service liability:	10,878
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Wisconsin Retirement System pension asset, deferred outflows of resources, and deferred inflows of resources changes:	(929,364)
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Wisconsin Retirement System LRLIF asset, deferred outflows of resources, and deferred inflows of resources changes:	(180,057)
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OPEB supplemental pension deferred outflows of resources, liability, and deferred inflows of resources changes:	107,373
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OPEB healthcare deferred outflows of resources, liability, and deferred inflows of resources changes:	(197,570)
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Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but 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 and capital lease payments in the current year is	911,929	
The amount of new long-term bond or note debt in the current year is	<u>-</u>	
General long-term obligation debt (increased) decreased by:		911,929

Qualified School Construction loans and capital leases were issues below market value. Interest expense is imputed at an appropriate effective interest rate, which is offset by a the federal subsidy.

The amount of imputed interest expense in the current year is	(77,634)	
The amount of imputed interest federal subsidy and lease interest income subsidy in the current year is	<u>77,634</u>	
Net effect of imputation of interest:		-

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as it accrues.

The amount of interest paid during the current period	273,061	
The amount of interest accrued during the current period	<u>(273,061)</u>	
Interest paid is greater (less) than interest accrued by:		<u>-</u>

Change in net position - governmental activities \$ (2,648,634)

MANITOWOC PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

	AGENCY STUDENT ACTIVITY	SCHOLARSHIPS/ OTHER TRUST
ASSETS		
Cash and investments	\$ 96,246	\$ 32,985
LIABILITIES		
Due to student organizations	96,246	-
TOTAL LIABILITIES	96,246	-
NET POSITION		
Held in trust for scholarships/other	-	32,985
TOTAL LIABILITIES AND NET POSITION	\$ 96,246	\$ 32,985

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2018

	<u>SCHOLARSHIPS/ OTHER TRUST</u>
ADDITIONS	
Interest	\$ -
Contributions	-
TOTAL ADDITIONS	<u>-</u>
DEDUCTIONS	
Scholarships/other	<u>-</u>
CHANGES IN NET POSITION	-
NET POSITION - BEGINNING OF YEAR	<u>32,985</u>
NET POSITION - END OF YEAR	<u>\$ 32,985</u>

The accompanying notes are an integral part of these statements.

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of Manitowoc Public School District (the "District") have been prepared in conformity with generally accepted accounting principles (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.

Reporting Entity - The Manitowoc Public School District is organized as a common school district. The District, governed by an elected seven-member school board, operates grades pre-kindergarten through grade 12. The District is comprised of all or parts of nine taxing districts. The accompanying financial statements present the activities of the Manitowoc Public School District.

The District's basic financial statements do not include any component units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the District has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the District's financial accountability for a legally separate organization: the District is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis Of Presentation

District-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund. It accounts for all financial activity that is not required to be accounted for in another fund.

Special Project Fund - The special revenue trust fund is used to account for funds that can be used for District operations. The source of the funds are gifts and donations from private parties.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Fund - This fund accounts for the activities of the District's capital projects.

Food Service Fund - This fund accounts for the activities of the District's food service.

The District accounts for assets held as an agent for various student organizations and scholarships in a fiduciary agency fund.

Measurement Focus and Basis of Accounting

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

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

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Cash and Investments - The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts, such as the debt service fund.

Investments are stated at fair value, if applicable, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

Property Tax Levy - Under Wisconsin law, personal property taxes and first and second installments of real estate taxes are collected by city and village treasurers who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. Third installments of real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes. Taxes collected by the township are made in two installments, the first by the town, and the second by the county treasurer.

The District's property taxes are levied on or before November 1 on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or in two or more installments with the first installment payable the subsequent January 31, and a final payment no later than the following July 31. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15, and by the 20 of each subsequent month thereafter. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2017 tax levy is used to finance operations of the District's fiscal year ended June 30, 2018. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 it is believed that such allowance would not be material.

Inventories and Prepaid Items - Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

A nonspendable fund balance has been recognized for these non-liquid assets (inventories and prepaid items) to signify that a portion of fund balance is not available for other subsequent expenditures, except in cases where inventories are offset by unearned revenues.

Due To/From Other Funds - The amounts reported on the statement of net position for receivable/payable from external parties represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Capital Assets - 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.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	50 years
Building improvements	\$ 5,000	Straight-line	20-30 years
Site improvements	\$ 2,500	Straight-line	10-20 years
Furniture and equipment	\$ 2,500	Straight-line	5-20 years
Computer and related technology	\$ 2,500	Straight-line	5-10 years
Vehicles	\$ 2,500	Straight-line	8 years
Library books*	\$ 2,500	Straight-line	7 years

* For purposes of determining the capitalization threshold for these items the District groups all purchases for the year.

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

Compensated Absences - The District's policy permits employees to accumulate earned, but unused vacation benefits, which are eligible for payment upon separation from government service.

Generally, sick leave can be accumulated depending on the employment agreement. Accumulated sick time may not be taken in compensation upon retirement. The District accrues that sick leave which it deems probable of payout for employee health insurance credit.

The liability for compensated absences is reported as incurred in the government-wide statements. A liability for those amounts is recorded in the government funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits where applicable.

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

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

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 future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has four items that qualify for reporting in this category. They are the Wisconsin Retirement System pension, Wisconsin Retirement System local retiree life insurance fund (LRLIF), OPEB supplemental pension, and OPEB healthcare reported in the government-wide statement of net position. The Wisconsin Retirement System pension, Wisconsin Retirement System LRLIF, OPEB supplemental pension, and OPEB healthcare result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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 resources (revenue) until then. The District has three types of items, Wisconsin Retirement System pension, Wisconsin Retirement System LRLIF, and OPEB supplemental pension that qualify for reporting in this category. The Wisconsin Retirement System pension, Wisconsin

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

Retirement System LRLIF, and OPEB supplemental pension result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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

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

Fund Balance Classifications - The District classifies its fund equity as follows: 1) nonspendable fund balance consists of equity not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the District itself, using its highest level of decision making authority - Board of Education policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Board of Education has authorized the Director of Business Services to assign fund balances through its financial management policy and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the District's policy to record the net loss against unassigned fund balance, then assigned fund balance, then committed fund balance and lastly to restricted fund balance. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Change in Accounting Principle - The District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018.

NOTE 2 - Cash and Investments

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund. No significant violations of these restrictions occurred during the year.

As of June 30, 2018, the District had the following investment:

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 2 - Cash and Investments - Continued

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
State of Wisconsin Investment Pool	Less than one year	\$ 1,714,393
Wisconsin Investment Series Cooperative	Less than one year	2,170,742
Certificates of deposit	Less than one year	<u>32,985</u>
Total		<u>\$ 3,918,120</u>

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At June 30, 2018, the Pool's fair value was 100 percent of book value.

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

- 1) State of Wisconsin Local Government Investment Pool fair value is determined monthly by the Pool's investment board based on published market quotations (level 2 inputs).
- 2) Wisconsin Investment Series Cooperative is determined based on published market quotations (level 2 inputs).

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

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The District does not have a formal investment policy that would further limit investment maturities as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit 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. The State of Wisconsin Local Government Investment Pool and Wisconsin Investment Series Cooperative are not rated.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2018, \$15,823,745 of the District's \$16,793,682 bank balance was exposed to custodial credit risk as uninsured collateral pledged by the bank in the bank's name. \$4,640 was uninsured and uncollateralized.

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 3 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 972,709	\$ -	\$ -	\$ 972,709
Construction in progress	-	<u>782,005</u>	-	<u>782,005</u>
Total capital assets not being depreciated	<u>972,709</u>	<u>782,005</u>	-	<u>1,754,714</u>
Capital assets being depreciated:				
Land improvements	2,265,779	106,898	-	2,372,677
Buildings and improvements	67,799,197	1,238,014	-	69,037,211
Furniture and equipment	8,404,660	791,218	(553,597)	8,642,281
Vehicles	<u>384,658</u>	<u>82,199</u>	<u>(40,794)</u>	<u>426,063</u>
Total capital assets being depreciated	<u>78,854,294</u>	<u>2,218,329</u>	<u>(594,391)</u>	<u>80,478,232</u>
Less accumulated depreciation for:				
Land improvements	(1,169,927)	(124,412)	-	(1,294,339)
Buildings and improvements	(43,627,306)	(2,220,040)	-	(45,847,346)
Furniture and equipment	(5,867,665)	(813,843)	553,597	(6,127,911)
Vehicles	<u>(309,464)</u>	<u>(18,247)</u>	<u>40,794</u>	<u>(286,917)</u>
Total accumulated depreciation	<u>(50,974,362)</u>	<u>(3,176,542)</u>	<u>594,391</u>	<u>(53,556,513)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>27,879,932</u>	<u>(958,213)</u>	-	<u>26,921,719</u>
Capital assets, net of accumulated depreciation	<u>\$ 28,852,641</u>	<u>\$ (176,208)</u>	<u>\$ -</u>	<u>\$ 28,676,433</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 346,524
Vocational instruction	24,809
Special education instruction	2,334
Other instruction	9,003
Instructional staff services	3,246
General administration services	1,122
Building administration services	7,448
Business services	6,341
Operations and maintenance	2,674,324
Food service	10,171
Central services	88,011
Other support services	3,209
Total	<u>\$ 3,176,542</u>

The District does not capitalize interest on general fixed asset projects.

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 4 - Long-Term Obligations

Long-term obligations of the District are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Notes payable	\$ 8,338,000	\$ -	\$ (669,000)	\$ 7,669,000	\$ 1,457,500
Leases payable	242,928	-	(242,928)	-	-
Vested sick pay	192,994	-	(10,878)	182,116	182,116
Wisconsin Retirement System					
LRLIF	1,506,430	379,486	(41,861)	1,844,055	-
OPEB supplemental pension	1,722,912	200,352	(229,970)	1,693,294	286,144
OPEB healthcare	<u>4,750,445</u>	<u>422,597</u>	<u>(241,424)</u>	<u>4,931,618</u>	<u>173,655</u>
Total	<u>\$ 16,753,709</u>	<u>\$ 1,002,435</u>	<u>\$ (1,436,061)</u>	<u>\$ 16,320,083</u>	<u>\$ 2,099,415</u>

Interest cost incurred during the year totaled \$273,061. Total interest paid during the year aggregated \$195,427.

General Obligation Debt - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The general obligation debt is expected to be repaid with general property taxes. General obligation debt at June 30, 2018, is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Date of Maturity</u>	<u>Balance 6/30/18</u>
Notes Payable	12/1/09	3.50%	9/15/19	\$ 2,010,000
Notes Payable	9/1/10	4.35%	4/1/20	614,000
Notes Payable	11/14/12	1.75%	4/1/21	1,035,000
Notes Payable	7/2/14	2.50-3.00%	4/1/24	<u>4,010,000</u>
Total				<u>\$ 7,669,000</u>

The note issued in 2009 above is a Qualified School Construction Note (QSCB) which is part of a federal program under which the federal government pays the interest either directly to the bond holders or through a rebate to the District for the total interest paid. There is no interest cost to the District resulting in a 0% interest rate on these notes. Generally Accepted Accounting Principles requires non-interest bearing notes to have interest imputed on the outstanding principal balance. \$70,350 of interest on these notes has been imputed based on an equivalent rate the District would pay for interest bearing notes/bonds and will be paid by the federal government. The following aggregate cash flow requirements include this imputed interest.

General Obligation Debt Limit Calculation - The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,313,151,023. The legal debt limit and margin of indebtedness as of June 30, 2018, in accordance with section 67.03(1)(b) of Wisconsin Statutes follows:

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 4 - Long-Term Obligations - Continued

Debt limit (10% of \$2,313,151,023)	\$ 231,315,102
Deduct long-term applicable to debt margin	(7,669,000)
Amount available in debt service fund	-
Margin of indebtedness	<u>\$ 223,646,102</u>

Maturities of Long-Term Obligations - Aggregate principal and interest payments for the retirement of long-term debt obligations are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,457,500	\$ 265,778	\$ 1,723,278
2020	2,021,500	230,603	2,252,103
2021	1,035,000	99,525	1,134,525
2022	1,055,000	81,413	1,136,413
2023	1,085,000	55,037	1,140,037
2024	1,015,000	27,912	1,042,912
	<u>\$ 7,669,000</u>	<u>\$ 760,268</u>	<u>\$ 8,429,268</u>

NOTE 5 - Wisconsin Retirement System Pension

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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System Pension - Continued

employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

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

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

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

Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$2,251,317 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System Pension - Continued

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

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

At June 30, 2018, the District reported a liability (asset) of (\$6,661,124) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.22434686%, which was a decrease of 0.00148705% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,946,004.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,463,124	\$ 3,958,769
Net differences between projected and actual earnings on pension plan investments	7,129,338	16,284,434
Changes in assumptions	1,316,108	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	126,264	-
Employer contributions subsequent to the measurement date	1,375,234	-
Total	\$ 18,410,068	\$ 20,243,203

\$1,375,234 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System Pension - Continued

Year ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 6,819,015	\$ 6,041,719
2020	6,031,830	6,041,719
2021	2,165,852	4,430,510
2022	2,002,149	3,729,255
Thereafter	15,988	-

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

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

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

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

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

Retirement Funds Asset Allocation Targets and Expected Returns
 As of December 31, 2017

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System Pension - Continued

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5

New England Pension Consultants Long-Term US CPI (Inflation) Forecast 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 17,234,603	\$ (6,661,124)	\$ (24,822,616)

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>.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System Pension - Continued

Payables to the Pension Plan -The District reported a payable of \$909,115 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 6 - Wisconsin Retirement System Local Retirement Life Insurance Fund

General Information about the Other Post Employment Benefits

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

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

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

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

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

Contribution rates as of June 30, 2017 are:

Coverage Type	Employer Contribution
50% post retirement coverage	40% of employee contribution
25% post retirement coverage	20% of employee contribution

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

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 6 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

Attained Age	Basic
Under 30	\$.05
30-34	.06
35-39	.07
40-44	.08
45-49	.12
50-54	.22
55-59	.39
60-64	.49
65-69	.57

During the reporting period, the LRLIF recognized \$11,639 in contributions from the employer.

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

At June 30, 2018, the District reported a liability (asset) of \$1,844,055 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.612932%, which was a decrease of .007542% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$192,702.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,982
Net differences between projected and actual earnings on OPEB plan investments	21,234	-
Changes in assumption	178,195	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	15,879
Employer contributions subsequent to the measurement date	-	-
Total	\$ 199,429	\$ 41,861

Zero reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 6 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 32,597	\$ 3,978
2020	32,597	3,978
2021	32,597	3,978
2022	32,597	3,978
Thereafter	69,041	25,949

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

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Net OPEB Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
20 Year Tax Exempt Municipal Bond Yield:	3.44%
Long-Term Expected Rate of Return:	5%
Discount Rate:	3.63%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

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

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

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 6 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

Asset Class	Index	Target Allocation %	Long-Term Expected Geometric Real Rate of Return %
US Government Bonds	Barclays Government	1	1.13
US Credit Bonds	Barclays Credit	65	2.61
US Long Credit Bonds	Barclays Long Credit	3	3.08
US Mortgages	Barclays MBS	31	2.19
Inflation			2.3
Long-term Expected Rate of Return			5

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

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

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
District's proportionate share of the net OPEB liability (asset)	\$ 2,606,350	\$ 1,844,055	\$ 1,259,073

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

Payables to the Pension Plan - The District reported a payable of zero for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

NOTE 7 - Supplemental Pension Defined Benefit Plan

General Information about the Supplemental Pension Plan

Plan Description - The supplemental pension is a single employer defined benefit pension plan. Benefit terms are established by employee handbooks and may be modified by the Board of Education. The plan is administered by the District and included in the District's financial statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 7 - Supplemental Pension Defined Benefit Plan - Continued

Benefits Provided - Administrators hired on or prior to June 30, 2003 at least age 54 with a minimum of 10 years of service that do not qualify for or choose not to participate in the District's medical plan upon retirement, shall receive a one-time payment of \$100 per year of service. Additionally, retirees shall receive a stipend benefit divided equally into 12 payments paid out quarterly over a 3-year period into a special pay plan through MidAmerica under section 403(b). The total of this stipend is determined as follows: (1) if the Administrator has 10 years of service they shall receive 50% of the average salary based upon the individual's contract(s) for the 3 years immediately prior to retirement or (2) if the Administrator has 15 years of service they shall receive an amount equal to the average salary based upon the individual's contract(s) for the 3 years immediately prior to retirement.

Administrators hired after June 30, 2003 at least age 57 with a minimum of 10 years of service that do not qualify for or choose not to participate in the District's medical plan upon retirement, shall receive \$100 per year of service. Additionally, retirees shall receive a stipend benefit equal to the average salary based upon the individual's contract(s) for the 3 years immediately prior to retirement into a special pay plan through MidAmerica under section 403(b). The total stipend amount will be divided equally into 12 payments and paid out quarterly over a 3-year period.

Each teacher at least age 57 with a minimum of 15 years of service shall receive a one-time payment of \$100 per year of service to be paid in cash.

Paraprofessionals, clerical, custodians, and non-represented staff eligible for WRS with a minimum 10 years of service with the District shall receive \$113 per year of service. These monies may either be taken in cash or used for continued medical coverage.

Employees Covered - As of the June 30, 2017 measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>675</u>
Total	<u>703</u>

Contributions - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended June 30, 2018, contribution rates for Plan members were \$0 per participant per year and \$1,628 - \$22,005 from the District, depending on the type of retiree plan. Plan members receiving benefits paid \$0 and the District paid \$213,215 for current year premiums due.

Actuarial Assumptions - The total supplemental pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 7 - Supplemental Pension Defined Benefit Plan - Continued

Actuarial Valuation Date:	June 30, 2017
Measurement Date of Pension Liability:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal - Level %
Asset Valuation Method:	Fair Market Value
Discount Rate:	3.5%
Salary Increases:	3%
Mortality:	Wisconsin 2012 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on plan investments was determined by expected future real rates of return (expected returns, net of plan investment expense and inflation) developed for each major asset class. There are no plan assets.

Discount Rate - A discount rate of 3.5% was used to measure the total supplemental pension liability. This discount rate was based on a 20 year municipal bond rate. The projection of cash flows used to determine the discount rate assumed the 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 position was projected to be available to make all projected future benefit payments 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 supplemental pension liability.

Changes in the Total Pension Liability

	<u>Increase (Decrease)</u>
	<u>Total Pension Liability</u>
Beginning balance	<u>\$ 1,722,912</u>
Changes for the year:	
Service cost	127,924
Interest	50,408
Differences between expected and actual experience	22,020
Changes of assumptions or other input	(16,755)
Benefit payments, including refunds of employee contributions	<u>(213,215)</u>
Net changes	<u>(29,618)</u>
Ending Balance	<u>\$ 1,693,294</u>

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

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 7 - Supplemental Pension Defined Benefit Plan - Continued

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Total supplemental pension liability	\$ 1,753,035	\$ 1,693,294	\$ 1,635,145

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

For the year ended June 30, 2018, the District recognized pension expense of \$213,215.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,185	\$ -
Changes in assumptions	-	15,359
Net differences between projected and actual earnings on pension plan investments	-	-
Employer contributions subsequent to the measurement date	286,144	-
Total	\$ 306,329	\$ 15,359

\$286,144 reported as deferred outflows related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction on the total pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending June 30	Deferred Outflows/Inflows of Resources
2019	\$ 439
2020	439
2021	439
2022	439
Thereafter	3,070

Payables to the Pension Plan - The District reported a payable of zero for the outstanding amount of contributions to the supplemental pension plan required for the year ended June 30, 2018.

NOTE 8 - Interfund Balance and Activity

Interfund transfers at June 30, 2018 were as follows:

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 8 - Interfund Balance and Activity - Continued

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Debt service	\$ 798,917

Generally, transfers are used to move revenue from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - Post Employment Benefits Other Than Pensions

General Information about the Post Employment Benefits Other Than Pensions

Plan Description - The other post employment benefits (OPEB) other than pension is a single-employer defined benefit OPEB plan. Benefit terms are established by employee handbooks and may be modified by the Board of Education. The plan is administered by the District and included in the District's financial statements.

Benefits Provided - Administrators are eligible for post employment health and dental benefits. The benefits differ depending upon the administrator's hire date. For administrators hired prior to July 1, 2003; the District will contribute 80% of the medical and dental premiums on behalf of the retiree until Medicare-eligibility. For those hired on or after July 1, 2003, the District's contributions will be limited to either \$714 or 80% of the medical premium and \$76 or 80% of the dental premium whichever is less, until Medicare eligibility.

Teachers receive health insurance, if at retirement they are at least age 57 or older with a minimum of 15 years of service. The District's annual contribution to medical insurance will be limited to 50% of the annual medical premiums, but not to exceed \$3,000 for a single plan and \$6,000 for a family plan. These contributions will continue for a period of 8 years, but not to exceed Medicare eligibility.

Upon retirement, retirees may self-pay to remain on the District's medical plan indefinitely provided they pay the full amount of all required premiums.

Employees Covered - As of the June 30, 2017 measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>675</u>
Total	<u>733</u>

Contributions - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on premiums and an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended June 30, 2018, contribution rates for Plan members were \$134 - \$2,090 per participant per month and \$250 - \$1,872 from the District, depending on the type of retiree plan. Plan members receiving benefits contributed \$211,228 and the District contributed \$241,424 to the plan.

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 9 - Post Employment Benefits Other Than Pensions - Continued

Actuarial Assumptions - The OPEB healthcare liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal - Level %
Asset Valuation Method:	Fair Market Value
Discount Rate:	3.5%
Salary Increases:	3%
Mortality:	Wisconsin 2012 Mortality Table
Medical Care Cost Trend:	6.44% in Year 1, followed by 7% decreasing by 0.5% to 6.5%, then by 0.1% down to 5%, and level thereafter
Dental Care Cost Trend:	5%

The actuarial valuation was based upon the data provided by the District and utilized the premium rate history of the District's medical plans as well as the trends used in the prior valuation and projected a stream of expected premium rates for each year in the future based on the data as of June 30, 2017. Actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System experience from 2012 - 2014.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on plan investments was determined by expected future real rates of return (expected returns, net of plan investment expense and inflation) developed for each major asset class. There are no plan assets.

Discount Rate - A discount rate of 3.5% was used to measure the total OPEB healthcare liability. This discount rate was based on a 20 year municipal bond rate. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB healthcare liability.

Changes in the OPEB Healthcare Liability

	<u>Increase (Decrease)</u>
	Total OPEB Healthcare Liability
Beginning balance	\$ 4,750,445
Changes for the year:	
Service cost	256,075
Interest	166,522
Benefit payments	(241,424)
Net changes	181,173
Ending Balance	\$ 4,931,618

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 9 - Post Employment Benefits Other Than Pensions - Continued

Sensitivity of the OPEB Healthcare Liability to Changes in the Healthcare Cost Trend Rate - The following presents the OPEB healthcare liability calculated using the healthcare cost trend rate of 6.44 percent decreasing to 5 percent, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.44 percent decreasing to 4 percent) or 1-percentage-point higher (7.44 percent decreasing to 6 percent) than the current rate:

	1% Decrease to Healthcare Cost Rate (5.44% decreasing to 4%)	Current Healthcare Cost Rate (6.44% decreasing to 5%)	1% Increase to Healthcare Cost Rate (7.44% decreasing to 6%)
OPEB healthcare liability	\$ 4,629,142	\$ 4,931,618	\$ 5,281,843

Sensitivity of the OPEB Healthcare Liability to Changes in the Discount Rate - The following presents the OPEB healthcare liability calculated using the discount rate of 3.5 percent, as well as what the OPEB healthcare liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
OPEB healthcare liability	\$ 5,234,372	\$ 4,931,618	\$ 4,642,580

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

For the year ended June 30, 2018, the District recognized OPEB healthcare expense of \$241,424.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	-
Employer contributions subsequent to the measurement date	173,655	-
Total	\$ 173,655	\$ -

\$173,655 reported as deferred outflows related to OPEB healthcare resulting from contributions subsequent to the measurement date will be recognized as a reduction on the net OPEB healthcare liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB healthcare will be recognized in expense as follows:

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 9 - Post Employment Benefits Other Than Pensions - Continued

Year ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ -	\$ -
2020	-	-
2021	-	-
2022	-	-
2023	-	-
Thereafter	\$ -	\$ -

Payables to the OPEB Healthcare Plan - The District reported a payable of zero for the outstanding amount of contributions to the OPEB Healthcare plan required for the year ended June 30, 2018.

NOTE 10 - Fund Balance and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
Non spendable		
General	Employee computer loan program	\$ 11,658
Food Service	Inventory	\$ 70,559
Restricted		
General	Common school fund	\$ 17,811
General	Self-insurance	\$ 3,393,027
Special projects	DPI regulation	\$ 351,794
Capital projects	DPI regulation	\$ 2,857,545
Food service	DPI regulation	\$ 406,391
Committed		
General	Future debt payments	\$ 2,657,928
Assigned		
General	Specific expenses	\$ 4,084,451

Governmental Activities

Restricted		
General	Self-insurance	\$ 3,393,027
Special projects	DPI regulation	\$ 351,794
Capital projects	DPI regulation	\$ 2,857,545
Other activities	Food service	\$ 406,391
Other activities	Wisconsin Retirement System pension	\$ 4,827,989

NOTE 11 - 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; employee health and accident claims; and natural disasters. The District manages these risks through the purchase of commercial insurance, except for self-insured health and dental benefits as described in Note 14. Settled claims have not exceeded commercial

MANITOWOC PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2018

NOTE 11 - Risk Management - Continued

coverage in any of the past three years and there has been no significant reduction in insurance coverage from coverage in the prior year.

NOTE 12 - Commitments and Contingent Liabilities

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

The District is aware that a number of their older school buildings contain some level of asbestos for which they will incur removal costs upon remodeling, selling, or abandoning these buildings at some future date. However, at this point, the District does not feel they have enough information to reasonably estimate the fair value of the asset retirement obligation and have not recorded a liability.

The District has entered into an agreement with Brandt Buses for transportation services. The agreement runs through 2021 with estimated increases of 2.0 - 3.0% per year.

NOTE 13 - Limitation of School District Revenue

Wisconsin statutes limit the amount of revenue school districts may derive from general school aids and property taxes. This limitation does not apply to revenue needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or by a referendum prior to August 12, 1993 and (b) a referendum on or after August 12, 1993.

NOTE 14 - Self-Funded Insurance

Self-Insured Risk - The District's self insurance is accounted for in the general fund, with appropriate charges to other funds as payroll is incurred in the other funds. Benefit maximums contained in the Plan limit the District's total liability under the Plan. An administrator processes claims and the District is liable for administrative expenses.

Claims Liabilities - The District records an estimated liability for health and dental care claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience.

Unpaid Claims Liabilities - The following represent the changes in approximate aggregate liabilities for health and dental care for the current and prior year.

	Year Ended <u>June 30, 2018</u>	Year Ended <u>June 30, 2017</u>
Beginning liability balance	\$ 1,720,271	\$ 1,630,576
Claims and changes in estimates	7,954,009	10,811,765
Claim payments	<u>(8,282,607)</u>	<u>(10,722,070)</u>
Ending liability balance	<u>\$ 1,391,673</u>	<u>\$ 1,720,271</u>

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 14 - Self-Funded Insurance - Continued

Claim payments are principally funded through charges to employees, which are paid through payroll deductions, and employer contributions to the health and dental plan.

NOTE 15 - Change in Account Principle

The change in accounting principle of \$3,315,925 on the statement of activities is due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**REQUIRED
SUPPLEMENTARY INFORMATION**

MANITOWOC PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGETED AMOUNTS			FINAL BUDGETED AMOUNTS			ACTUAL AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	
	REVENUES									
Property taxes	\$ 18,609,151	\$ -	\$ 18,609,151	\$ 18,609,151	\$ -	\$ 18,609,151	\$ 18,610,006	\$ -	\$ 18,610,006	\$ 855
Other local sources	1,226,596	-	1,226,596	772,372	-	772,372	629,733	-	629,733	(142,639)
Interdistrict sources	728,100	17,660	745,760	834,867	17,660	852,527	857,287	478	857,765	5,238
Intermediate sources	61,893	-	61,893	61,893	-	61,893	29,671	-	29,671	(32,222)
State sources	34,458,213	2,317,100	36,775,313	35,120,772	2,317,100	37,437,872	35,173,212	2,417,672	37,590,884	153,012
Federal sources	1,503,690	1,783,340	3,287,030	1,503,690	1,783,340	3,287,030	1,572,887	1,610,744	3,183,631	(103,399)
Other sources	228,560	1,400	229,960	303,279	1,400	304,679	389,220	2,788	392,008	87,329
TOTAL REVENUES	56,816,203	4,119,500	60,935,703	57,206,024	4,119,500	61,325,524	57,262,016	4,031,682	61,293,698	(31,826)
EXPENDITURES										
Current										
Instruction										
Regular instruction	24,346,027	-	24,346,027	24,058,815	-	24,058,815	24,078,447	-	24,078,447	(19,632)
Vocational instruction	1,508,834	963	1,509,797	1,512,270	963	1,513,233	1,462,575	424	1,462,999	50,234
Special instruction	-	8,598,057	8,598,057	-	8,571,918	8,571,918	-	8,535,900	8,535,900	36,018
Other instruction	2,306,390	-	2,306,390	2,498,040	-	2,498,040	2,479,672	-	2,479,672	18,368
Total instruction	28,161,251	8,599,020	36,760,271	28,069,125	8,572,881	36,642,006	28,020,694	8,536,324	36,557,018	84,988
Support services										
Pupil services	1,912,060	1,474,929	3,386,989	1,924,544	1,454,104	3,378,648	1,922,557	1,400,122	3,322,679	55,969
Instructional staff services	2,322,523	378,860	2,701,383	2,358,860	390,150	2,749,010	2,336,278	362,303	2,698,581	50,429
General administration services	536,467	-	536,467	542,700	-	542,700	532,362	-	532,362	10,338
Building administration services	2,955,725	-	2,955,725	2,963,614	-	2,963,614	2,977,781	-	2,977,781	(14,167)
Business services	541,622	42,075	583,697	531,217	22,475	553,692	531,217	22,475	553,692	-
Operations and maintenance	4,830,478	19,000	4,849,478	4,926,949	19,000	4,945,949	4,922,011	-	4,922,011	23,938
Pupil transportation	1,494,989	274,521	1,769,510	1,495,213	297,246	1,792,459	1,495,212	295,650	1,790,862	1,597
Central services	2,118,372	-	2,118,372	2,126,074	-	2,126,074	2,139,088	-	2,139,088	(13,014)
Insurance	509,480	-	509,480	509,480	-	509,480	514,238	-	514,238	(4,758)
Other support services	710,357	-	710,357	548,773	-	548,773	545,080	-	545,080	3,693
Total support services	17,932,073	2,189,385	20,121,458	17,927,424	2,182,975	20,110,399	17,915,824	2,080,550	19,996,374	114,024
Non-program transactions	2,823,774	151,672	2,975,446	3,101,577	184,221	3,285,798	3,101,576	155,685	3,257,261	28,537
Debt service										
Principle	242,929	-	242,929	242,929	-	242,929	242,929	-	242,929	-
Capital outlay	871,449	19,000	890,449	1,521,449	19,000	1,540,449	1,480,031	18,200	1,498,231	42,218
TOTAL EXPENDITURES	50,031,476	10,959,077	60,990,553	50,862,504	10,959,077	61,821,581	50,761,054	10,790,759	61,551,813	269,768
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,784,727	(6,839,577)	(54,850)	6,343,520	(6,839,577)	(496,057)	6,500,962	(6,759,077)	(258,115)	237,942
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	11,600	-	11,600	11,600	-	11,600	12,617	-	12,617	1,017
Transfer (to) other funds	(7,638,565)	-	(7,638,565)	(7,638,565)	-	(7,638,565)	(7,557,994)	-	(7,557,994)	80,571
Transfer from other funds	19,600	6,839,577	6,859,177	19,600	6,839,577	6,859,177	-	6,759,077	6,759,077	(100,100)
TOTAL OTHER FINANCING SOURCES (USES)	(7,607,365)	6,839,577	(767,788)	(7,607,365)	6,839,577	(767,788)	(7,545,377)	6,759,077	(786,300)	(18,512)
NET CHANGE IN FUND BALANCE	(822,638)	-	(822,638)	(1,263,845)	-	(1,263,845)	(1,044,415)	-	(1,044,415)	(219,430)
FUND BALANCE - BEGINNING OF YEAR	16,345,098	-	16,345,098	16,345,098	-	16,345,098	16,345,098	-	16,345,098	-
FUND BALANCE - END OF YEAR	\$ 15,522,460	\$ -	\$ 15,522,460	\$ 15,081,253	\$ -	\$ 15,081,253	\$ 15,300,683	\$ -	\$ 15,300,683	\$ (219,430)

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL PROJECT FUND
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES				
Other local sources	\$ 93,120	\$ 93,120	\$ 112,396	\$ 19,276
TOTAL REVENUES	<u>93,120</u>	<u>93,120</u>	<u>112,396</u>	<u>19,276</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	101,258	101,258	92,586	8,672
Other instruction	2,000	2,000	786	1,214
Total instruction	<u>103,258</u>	<u>103,258</u>	<u>93,372</u>	<u>9,886</u>
Support services				
Pupil transportation	21,265	21,265	18,279	2,986
Other support services	4,900	4,900	1,094	3,806
Total support services	<u>26,165</u>	<u>26,165</u>	<u>19,373</u>	<u>6,792</u>
TOTAL EXPENDITURES	<u>129,423</u>	<u>129,423</u>	<u>112,745</u>	<u>16,678</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(36,303)</u>	<u>(36,303)</u>	<u>(349)</u>	<u>35,954</u>
NET CHANGE IN FUND BALANCE	(36,303)	(36,303)	(349)	35,954
FUND BALANCE - BEGINNING OF YEAR	<u>352,143</u>	<u>352,143</u>	<u>352,143</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 315,840</u>	<u>\$ 315,840</u>	<u>\$ 351,794</u>	<u>\$ 35,954</u>

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE CAPITAL PROJECTS FUND
 BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>(NEGATIVE)</u>
REVENUES				
Other local sources	\$ 20,600	\$ 20,600	\$ 51,853	\$ 31,253
Other sources	-	-	5,314	5,314
TOTAL REVENUES	<u>20,600</u>	<u>20,600</u>	<u>57,167</u>	<u>36,567</u>
EXPENDITURES				
Capital outlay	<u>3,075,000</u>	<u>3,075,000</u>	<u>1,309,377</u>	<u>1,765,623</u>
TOTAL EXPENDITURES	<u>3,075,000</u>	<u>3,075,000</u>	<u>1,309,377</u>	<u>1,765,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,054,400)</u>	<u>(3,054,400)</u>	<u>(1,252,210)</u>	<u>1,802,190</u>
NET CHANGE IN FUND BALANCE	(3,054,400)	(3,054,400)	(1,252,210)	1,802,190
FUND BALANCE - BEGINNING OF YEAR	<u>4,109,755</u>	<u>4,109,755</u>	<u>4,109,755</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,055,355</u>	<u>\$ 1,055,355</u>	<u>\$ 2,857,545</u>	<u>\$ 1,802,190</u>

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Other local sources	\$ 649,415	\$ 649,415	\$ 666,511	\$ 17,096
State sources	38,170	38,170	41,069	2,899
Federal sources	1,474,222	1,474,222	1,566,003	91,781
Other sources	<u>5,000</u>	<u>5,000</u>	<u>5,857</u>	<u>857</u>
TOTAL REVENUES	<u>2,166,807</u>	<u>2,166,807</u>	<u>2,279,440</u>	<u>112,633</u>
EXPENDITURES				
Current				
Support services				
Business services	8,552	8,552	8,552	-
Food service	<u>2,134,782</u>	<u>2,134,782</u>	<u>2,152,815</u>	<u>(18,033)</u>
Total support services	<u>2,143,334</u>	<u>2,143,334</u>	<u>2,161,367</u>	<u>(18,033)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>17,001</u>	<u>(17,001)</u>
TOTAL EXPENDITURES	<u>4,286,668</u>	<u>4,286,668</u>	<u>4,339,735</u>	<u>(53,067)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,119,861)</u>	<u>(2,119,861)</u>	<u>(2,060,295)</u>	<u>59,566</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>287</u>	<u>287</u>
NET CHANGE IN FUND BALANCE	(2,119,861)	(2,119,861)	(2,060,008)	59,853
FUND BALANCE - BEGINNING OF YEAR	<u>375,591</u>	<u>375,591</u>	<u>375,591</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (1,744,270)</u>	<u>\$ (1,744,270)</u>	<u>\$ (1,684,417)</u>	<u>\$ 59,853</u>

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
JUNE 30, 2018

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the 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 sub-function level in the General Fund and at the function level for all other funds. Reported budget amounts are as originally adopted or as amended by the School Board resolution.

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

1. Based upon requests from District staff, District Administration recommends budget proposals to the School Board.
2. 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.
3. 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.
4. Pursuant to the public budget hearing, the School Board may alter the proposed budget.
5. After 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.
6. 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 a reserve of fund balance.
7. Encumbrance accounting is not used by the District.
8. Budgets are adopted on a basis consistent with generally accepted accounting principles.

NOTE 2 - Excess of Actual Expenditure Over Budget - The following expenditure classifications were in excess of \$1,000 over budget.

General/Special Education	Regular instruction	\$ 19,632
General/Special Education	Building administration services	14,167
General/Special Education	Central services	13,014
General/Special Education	Insurance	4,758
Food Service	Food service	18,033
Food Service	Capital outlay	17,001

MANITOWOC PUBLIC SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM PENSION SCHEDULES
YEAR ENDED JUNE 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.22434686%	0.22583381%	0.22878762%	0.23324522%
Proportionate share of the net pension liability (asset)	\$ (6,661,124)	\$ 1,861,411	\$ 3,717,754	\$ (5,749,141)
Covered payroll	\$33,107,599	\$32,489,589	\$32,025,120	\$31,813,322
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-20.12%	5.73%	11.61%	-18.07%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.93%	99.12%	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,251,317	\$ 2,144,314	\$ 2,177,710	\$ 2,226,937
Contributions in relation to the contractually required contributions	<u>(2,251,317)</u>	<u>(2,144,314)</u>	<u>(2,177,710)</u>	<u>(2,226,937)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$33,107,599	\$32,489,589	\$32,025,120	\$31,813,322
Contributions as a percentage of covered payroll	6.80%	6.60%	6.80%	7.00%

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

The District implemented the Government Accounting Standards Board Statement No. 68 for the year ended June 30, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 preceding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2018

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes of assumptions - there were no changes in the assumptions.

MANITOWOC PUBLIC SCHOOL DISTRICT
WISCONSIN RETIREMENT LOCAL RETIREE LIFE INSURANCE FUND SCHEDULES
YEAR ENDED JUNE 30, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
Last 10 Fiscal Years *

	<u>2018</u>
Proportion of the net OPEB liability (asset)	0.6129320%
Proportionate share of the net OPEB liability (asset)	\$ 1,844,055
Covered payroll	\$25,775,544
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.15%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	44.81%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	<u>2018</u>
Contractually required contributions	\$ 11,639
Contributions in relation to the contractually required contributions	<u>(11,639)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$25,775,544
Contributions as a percentage of covered payroll	0.05%

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

The District implemented the Government Accounting Standards Board Statement No. 75 for the year ended June 30, 2018. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 9 proceeding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2018

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the local retiree life insurance fund.

Changes of assumptions - there were no changes in the assumptions.

MANITOWOC PUBLIC SCHOOL DISTRICT
SUPPLEMENTAL PENSION DEFINED BENEFIT PLAN SCHEDULES
YEAR ENDED JUNE 30, 2018

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 127,924	\$ 127,924
Interest	50,408	50,823
Differences between expected and actual experience	22,020	-
Changes of assumptions or other inputs	(16,755)	-
Benefit payments, including refunds of employee contributions	<u>(213,215)</u>	<u>(171,971)</u>
Net Changes in Total Pension Liability	(29,618)	6,776
Total Pension Liability - Beginning	<u>1,722,912</u>	<u>1,716,136</u>
Total Pension Liability - Ending	<u>\$ 1,693,294</u>	<u>\$ 1,722,912</u>
Covered payroll	\$ 32,035,413	\$ 32,712,208
Total pension liability as a percentage of covered payroll	5.29%	5.27%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ -	\$ 180,596
Contributions in relation to the actuarially determined contributions	<u>(213,215)</u>	<u>(171,971)</u>
Contribution deficiency (excess)	<u><u>\$ (213,215)</u></u>	<u><u>\$ 8,625</u></u>
Covered payroll	\$ 32,035,413	\$ 32,712,208
Contributions as a percentage of covered payroll	0.67%	0.53%
Actuarial valuation date	6/30/2017	6/30/2016
Measurement date	6/30/2017	6/30/2016

The District implemented the Government Accounting Standards Board Statement No. 73 for the year ended June 30, 2017. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 proceeding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2018

Methods and assumptions used to determine actuarial calculations - entry age normal cost, level % amortization, fair market value asset valuation, 3.5% discount rate, 3% salary increases, Wisconsin 2012 mortality table.

Changes of benefit terms - there were no changes of benefit terms.

Changes of assumptions - there were no changes in the assumptions.

MANITOWOC PUBLIC SCHOOL DISTRICT
OPEB HEALTHCARE DEFINED BENEFIT PLAN SCHEDULES
YEAR ENDED JUNE 30, 2018

SCHEDULE OF CHANGES IN THE TOTAL OPEB HEALTHCARE LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>2018</u>
Total OPEB Healthcare Liability	
Service cost	\$ 256,075
Interest	166,522
Benefit payments	<u>(241,424)</u>
Net Changes in Total OPEB Healthcare Liability	181,173
Total OPEB Healthcare Liability - Beginning	<u>4,750,445</u>
Total OPEB Healthcare Liability - Ending	<u>\$ 4,931,618</u>
Covered payroll	\$32,035,413
OPEB Healthcare liability as a percentage of covered payroll	15.39%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>2018</u>
Actuarially determined contributions	\$ -
Contributions in relation to the actuarially determined contributions	<u>(241,424)</u>
Contribution deficiency (excess)	<u>\$ (241,424)</u>
Covered payroll	\$32,035,413
Contributions as a percentage of covered payroll	0.75%
Actuarial valuation date	6/30/2017
Measurement date	6/30/2017

The District implemented the Government Accounting Standards Board Statement No. 75 for the year ended June 30, 2018. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 9 proceeding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2018

Methods and assumptions used to determine actuarial calculations - entry age normal cost, 20 year level % open amortization, fair market value asset valuation, 3.5% discount rate, Wisconsin 2012 mortality table.

Changes of benefit terms - there were no changes of benefit terms.

Changes of assumptions - there were no changes in the assumptions.

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

**OTHER
SUPPLEMENTARY INFORMATION**

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2018

	<u>BALANCE</u> <u>JUNE 30, 2017</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2018</u>
ASSETS				
Cash and investments	\$ 96,246	\$ 544,627	\$ 541,776	\$ 99,097
TOTAL ASSETS	<u><u>96,246</u></u>	<u><u>544,627</u></u>	<u><u>541,776</u></u>	<u><u>99,097</u></u>
 LIABILITIES				
Due to student organizations				
Elementary	10,935	79,678	75,509	15,104
Junior High	22,142	151,322	153,071	20,393
High	63,169	313,627	313,196	63,600
TOTAL LIABILITIES	<u><u>\$ 96,246</u></u>	<u><u>\$ 544,627</u></u>	<u><u>\$ 541,776</u></u>	<u><u>\$ 99,097</u></u>

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS
YEAR ENDED JUNE 30, 2018

OPERATING ACTIVITY	WUFAR OBJECT CODE	COST
Employee salary	100	\$ -
Employee benefits	200	-
Purchased services	300	-
Non-capital objects	400	-
Capital objects	500	-
Employee dues	800	-
Field trip registrations	900	-
Total		<u>\$ -</u>

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Awarding Agency Pass-Through Agency Award Description	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CATALOG NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED	REVENUES		ACCRUED	SUBRECIPIENT PASS-THROUGH EXPENDITURES
				RECEIVABLE (UNEARNED REVENUE) JULY 1, 2017	GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2018	
U.S. DEPARTMENT OF AGRICULTURE								
Wisconsin Department of Public Instruction								
School Breakfast Program								
July 1, 2016 - June 30, 2017	2017-363290-SB-546	10.553	N/A	\$ 9,125	\$ 9,125	\$ -	\$ -	-
July 1, 2017 - June 30, 2018	2018-363290-SB-546		N/A	-	340,976	351,757	10,781	-
Food Distribution								
July 1, 2017 - June 30, 2018	None	10.555	N/A	-	136,092	136,092	-	-
National School Lunch Program								
July 1, 2016 - June 30, 2017	2017-363290-NSL-547	10.555	N/A	27,635	27,635	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-NSL-547		N/A	-	902,930	926,563	23,633	-
Special Milk Program for Children								
July 1, 2016 - June 30, 2017	2017-363290-SMP-548	10.556	N/A	90	90	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-SMP-548		N/A	-	3,350	3,418	68	-
National School Lunch Area Eligible Snack Program								
July 1, 2016 - June 30, 2017	2017-363290-NSL-Snacks-566	10.555	N/A	82	82	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-NSL-Snacks-566		N/A	-	9,654	9,654	-	-
Summer Food Service Program								
July 1, 2016 - June 30, 2017	2017-363290-SFSP-586	10.559	N/A	47,847	47,847	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-SFSP-586		N/A	-	60,647	111,713	51,066	-
Total Child Nutrition Cluster				<u>84,779</u>	<u>1,538,428</u>	<u>1,539,197</u>	<u>85,548</u>	<u>-</u>
CN School Food Equipment Grant Public								
July 1, 2017 - June 30, 2018	None	10.579	N/A	-	5,990	5,990	-	-
Fresh Fruit and Vegetable Program - July								
July 1, 2017 - June 30, 2018	2018-363290-FF&V-594	10.582	N/A	-	2,373	2,373	-	-
Fresh Fruit and Vegetable Program - October								
July 1, 2017 - June 30, 2018	2018-363290-FF&V-376	10.582	N/A	-	18,442	18,442	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>84,779</u>	<u>1,565,233</u>	<u>1,566,002</u>	<u>85,548</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Wisconsin Department of Public Instruction								
Title I - Grants to Local Educational Agencies Cluster								
July 1, 2016 - June 30, 2017	2017-363290-Title I-141	84.010	N/A	261,616	261,616	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-Title I-141		\$ 1,107,258	-	858,473	1,022,195	163,722	-
				<u>261,616</u>	<u>1,120,089</u>	<u>1,022,195</u>	<u>163,722</u>	<u>-</u>
Special Education - Grants to States IDEA (Flow Thru)								
July 1, 2016 - June 30, 2017	2017-363290-IDEA-341	84.027	N/A	204,378	204,378	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-IDEA-341		1,305,666	-	989,342	1,148,138	158,796	-
Special Education - High Cost								
July 1, 2017 - June 30, 2018	None	84.027	N/A	-	10,046	10,046	-	-
Autism Evidence Based Grant								
July 1, 2016 - June 30, 2017	None	84.027	N/A	7,709	7,709	-	-	-
Special Education - Preschool Grants								
July 1, 2016 - June 30, 2017	2017-363290-Pre-S-347	84.173	N/A	4,512	4,512	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-Pre-S-347		39,804	-	33,092	37,305	4,213	-
Total IDEA Cluster				<u>216,599</u>	<u>1,249,079</u>	<u>1,195,489</u>	<u>163,009</u>	<u>-</u>
Twenty-First Century Community Learning Centers - Jefferson Elementary								
July 1, 2016 - June 30, 2017	2017-363290-CLC-367	84.287	N/A	5,040	5,040	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-CLC-367		50,278	-	45,124	50,278	5,154	-
Twenty-First Century Community Learning Centers - Washington Jr. High								
July 1, 2016 - June 30, 2017	2017-363290-CLC-267	84.287	N/A	40,830	40,830	-	-	-
Title III - English Language Acquisition Grants								
July 1, 2016 - June 30, 2017	2017-363290-Title III A-391	84.365	N/A	45,172	45,172	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-Title III A-391		59,236	-	27,392	51,621	24,229	6,420
Title II - Supporting Effective Instruction State Grants								
July 1, 2016 - June 30, 2017	2017-363290-Title II-365	84.367	N/A	242,452	242,452	-	-	-
July 1, 2017 - June 30, 2018	2018-363290-Title II-365		198,043	-	-	198,043	198,043	-
Title IV-A - Student Support and Academic Enrichment								
July 1, 2017 - June 30, 2018	2018-363290-Title IV A-365	84.424		11,715	-	10,723	10,723	-
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>811,709</u>	<u>2,775,178</u>	<u>2,528,349</u>	<u>564,880</u>	<u>6,420</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Wisconsin Department of Health Services								
Medical Assistance								
July 1, 2016 - June 30, 2017	None	93.778	N/A	51,532	51,532	-	-	-
July 1, 2017 - June 30, 2018	None		N/A	-	604,278	655,282	51,004	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>51,532</u>	<u>655,810</u>	<u>655,282</u>	<u>51,004</u>	<u>-</u>
TOTAL FEDERAL AWARDS				<u>\$ 948,020</u>	<u>\$ 4,996,221</u>	<u>\$ 4,749,633</u>	<u>\$ 701,432</u>	<u>\$ 6,420</u>

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	PASS-THROUGH		RECEIVABLE			RECEIVABLE		SUBRECIPIENT PASS-THROUGH EXPENDITURES
	ENTITY IDENTIFYING NUMBER	STATE I.D. NUMBER	(UNEARNED REVENUE) JULY 1, 2017	REVENUE GRANTOR REIMBURSEMENTS	EXPENDITURES	(UNEARNED REVENUE) JUNE 30, 2018		
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Wisconsin Department of Public Instruction								
Special Education and School Age Parents	363290-100	255.101	\$ -	\$ 2,363,464	\$ 2,363,464	\$ -	\$ -	4,457
State School Lunch Aid	363290-107	255.102	-	18,902	18,902	-	-	-
Common School Fund Library Aid	363290-104	255.103	-	239,219	239,219	-	-	-
Bilingual/Bicultural Aid	363290-111	255.106	-	81,020	81,020	-	-	-
General Transportation Aid	363290-102	255.107	-	51,329	51,329	-	-	-
Wisconsin Morning Milk Program	363290-109	255.109	-	12,788	12,788	-	-	-
Equalization Aid	363290-116	255.201	521,204	31,401,310	31,406,148	526,042	-	-
High Cost Special Education Aid	363290-119	255.210	-	38,751	38,751	-	-	-
Alcohol and Drug Abuse	363290-143	255.306	-	-	21,627	21,627	-	-
School Breakfast Program	363290-108	255.344	-	9,378	9,378	-	-	-
Student Achievement Guarantee in Education	363290-160	255.504	-	892,974	892,974	-	-	-
Educator Effectiveness Evaluation System	363290-154	255.940	-	33,040	33,040	-	-	-
Per Pupil Aid	363290-135	255.945	-	2,296,800	2,296,800	-	-	-
Career and Technical Education Incentive	363290-151	255.950	-	36,742	36,742	-	-	-
Assessment of Reading Readiness	363290-166	255.956	-	7,402	7,402	-	-	-
Aid for Special Education Transition Grant BBL	363290-168	255.960	-	11,000	11,000	-	-	-
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			<u>521,204</u>	<u>37,494,119</u>	<u>37,520,584</u>	<u>547,669</u>		<u>4,457</u>
WISCONSIN DEPARTMENT OF NATURAL RESOURCES								
Payment in Lieu of Taxes	None	None	-	7,846	7,846	-	-	-
WISCONSIN DEPARTMENT OF REVENUE								
Exempt Computer Aid	None	None	<u>97,629</u>	<u>97,629</u>	<u>99,064</u>	<u>99,064</u>		-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Blueprint for Prosperity	None	445.109	90,622	90,622	-	-	-	-
Cooperative Educational Service Agency #6								
Youth Apprenticeship Grant	None	445.112	-	19,622	19,622	-	-	-
TOTAL WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT			<u>90,622</u>	<u>110,244</u>	<u>19,622</u>	<u>-</u>		<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 709,455</u>	<u>\$ 37,709,838</u>	<u>\$ 37,647,116</u>	<u>\$ 646,733</u>		<u>\$ 4,457</u>

The accompanying notes are an integral part of these statements.

MANITOWOC PUBLIC SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2018

NOTE 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Manitowoc Public School District. The information in these schedules is presented in accordance with the requirements of Uniform Guidance and *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 - Summary of Significant Accounting Policies

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

NOTE 3 - Special Education and School Age Parents Program

2017-2018 eligible costs under the State Special Education Program are \$9,121,259.

NOTE 4 - Food Distribution Program

Non-monetary assistance is reported in the schedule of federal awards at the fair market value of the commodities received and used.

NOTE 5 - 10% De Minimis Cost Rate

Elected not to use.

**MANITOWOC PUBLIC SCHOOL DISTRICT
MANITOWOC, WISCONSIN**

OTHER REPORTS



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

To the Board of Education
Manitowoc Public School District
Manitowoc, 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 Manitowoc Public School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Manitowoc Public School District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

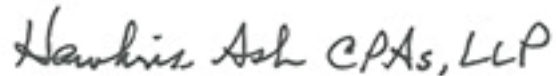
As part of obtaining reasonable assurance about whether the Manitowoc Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2018-001.

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.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin
January 18, 2019



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

To the Board of Education
Manitowoc Public School District
Manitowoc, Wisconsin

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
January 18, 2019

MANITOWOC PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to the financial statements?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over financial reporting:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major federal programs:

<u>CFDA Number</u> 84.027 / 84.173	<u>Name of Federal Program or Cluster</u> Special Education Cluster
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State Assistance

Internal control over financial reporting:

Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*?

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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MANITOWOC PUBLIC SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
 JUNE 30, 2018

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education Aid
255.201	General Equalization Aid
255.945	Per Pupil Aid

Dollar threshold used to distinguish between:

Type A and Type B federal programs:	\$750,000
Type A and Type B state programs:	\$250,000

Auditee qualified as a low-risk auditee? X Yes No

Section II & III - Financial Statements, Federal and State Award Findings and Questioned Costs

2018-001 - District Financial Statements

Program: District-Wide.

Criteria: Wisconsin Department of Public Instruction regulation requires the District's financial statements be on file with them by December 1.

Condition: The financial statements were not filed December 1.

Questioned Cost: Not applicable.

Context: The District did not complete the financial statements by December 1.

Effect: The District did not comply with the Wisconsin Department of Public Instruction requirements.

Information: Isolated instance

Prior Year Finding: This was not a prior year finding.

Recommendation: The District should complete the financial statement by December 1 or hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

Management's Response: Due to the complexities involved with preparing GAAP basis financial statements, management has weighed the cost-benefit of training personnel or hiring a CPA firm. Management has concluded to hire a CPA firm.



Manitowoc Public School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

June 30, 2018

Summary Schedule of Prior Audit Findings

None.

Corrective Action Plan

2018-001 - Preparation of Financial Statements - Contact: Shawn Alfred, Director of Business Services. Completion date: N/A. Due to the complexities of governmental reporting in accordance with GAAP, i.e. financial statements and related disclosure reporting, District management has weighed the cost benefit of training current staff or hiring a Certified Public Accountant on staff for the purposes of preparing the external financial statements in accordance with GAAP. District management has concluded to outsource the preparation of the external financial statements and related disclosures to their certified public accounting firm, which is an acceptable practice according to *Government Auditing Standards*. District management will review and approve the externally prepared financial statements.