

HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Hortonville Area School District
Hortonville, 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 Hortonville Area School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Hortonville Area School District, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying general and special education funds, nonmajor governmental funds, nonmajor special revenue funds, schedule of charter school authorizer operating costs, and schedules of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 12, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 12, 2023

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

The discussion and analysis of Hortonville Area School District's financial performance provides an overall review of the financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The District's overall financial status, as reflected in total net position, increased by \$10.21M.
- The General Fund (Fund 10) fund balance increased from \$14.0M to \$14.5M. The fund balance represents 28% of Fund 10 expenditures.
- The Employer Benefit Trust Fund (Fund 73) - This fund is used to account for resources held in trust, which will be used to pay for benefits contractually owed to retirees of the District. With the establishment of this Fund in 2005, the District addressed the need to fund other post employment benefits due retirees, which was initially in the form of paid health insurance premium for up to eight years. During the 2014-15 school year, the previous benefit was replaced by a tax sheltered account (TSA) benefit, which will be funded in the year earned. This transition was made as the previous benefit was deemed too expensive to maintain with limited new resources funding public education, and will save the District an estimated \$9.9 million over the years to come. A small set of teachers were grandfathered into the previous benefit, with the majority of teachers converted to the new benefit, which has a maximum capped value. Within the General Fund, funds are budgeted as necessary to contribute to Fund 73 for the old benefit as well as pay directly for the new benefit. The last payment for the old benefit is projected to be in the 2030-31 school year. By then, if not sooner, the trust balance will be depleted and a trust fund will no longer be necessary.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts - management's discussion and analysis and the basic financial statements, including notes to the financial statements and supplementary information.

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

District-Wide Financial Statements

- The *Statement of Net Position* compares assets to liabilities to give an overall view of the financial health of the District. This statement includes fixed assets and long-term liabilities.
- The *Statement of Activities* defines the District's expenses by function and illustrates the total that is offset by corresponding revenues - charges for services and/or operating grants and contributions. General revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue - recognizing the change in net position for the District from the previous year.

Fund Financial Statements

- The remaining statements: *Balance Sheet - Governmental Funds* and *Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds* focus on individual parts of the District. Fund financial statements generally report operations in more detail than the district-wide statements.

The *Notes to 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.

Other Supplementary Information provides information specific to nonmajor governmental funds and schedules of federal and state awards.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

The major features of the District's financial statements, including the scope of the activities reported and type of information contained, is shown in the following table. (Table #1)

Table #1

		-----Fund Financial Statements-----		
	District-wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds).	The activity of the District that is not proprietary or fiduciary, such as instructional, support services, food service and community services.	Activities the District operates similar to private business. <u>The District does not report any program for this designation.</u>	Assets held by the District on behalf of someone else. The employee benefit trust funds are also reported here.
Required financial statements	Statement of net position and statement of activities.	Balance sheet, and statement of revenues, expenditures and changes in fund balance.	Statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position, and 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.	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.	All assets and liabilities, both financial and capital, short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

Table #2

Condensed Statement of Net Position			
	<u>2022</u>	<u>2021</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$50,704,849	\$63,840,439	-21%
Noncurrent Assets	\$11,104,417	\$8,678,256	28%
Capital Assets	\$60,206,691	\$44,183,195	36%
Total Assets	\$122,015,957	\$116,701,890	5%
Deferred Outflows of Resources	\$20,932,393	\$13,653,458	53%
<u>Liabilities</u>			
Current Liabilities	\$8,959,190	\$7,485,968	20%
Noncurrent Liabilities	\$54,689,543	\$61,134,127	-11%
Total Liabilities	\$63,648,733	\$68,620,095	-7%
Deferred Inflows of Resources	\$26,146,073	\$18,793,219	39%
<u>Net Position</u>			
Net Investment in Capital Assets	\$31,333,613	\$25,518,195	23%
Restricted	\$30,612,069	\$45,818,452	-33%
Unrestricted	\$(8,792,138)	\$(28,394,613)	-69%
Total Net Position	\$53,153,544	\$42,942,034	24%

Statement of Net Position: (Table #2)

The District's overall financial status, as reflected in total net position, increased by \$10.21M to \$53.15M. The District reported total assets of \$122.02M of which \$60.21M are capital assets. The District reported deferred outflows of resources of \$20.93M. The District reported total liabilities of \$63.65M, of which \$54.69M are long-term liabilities. The District reported deferred inflows of resources of \$26.15M.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

Table #3

Changes in Net Position from Operating Results For Governmental Activities					
	<u>2021-22</u>	<u>%</u>	<u>2020-21</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program:					
Charges for Services	\$4,120,028	6%	\$3,627,690	6%	14%
Operating Grants & Cont.	\$7,549,764	12%	\$5,011,744	9%	51%
General:					
Property Taxes	\$21,471,269	34%	\$20,486,193	36%	5%
General State Aids	\$29,304,813	46%	\$26,813,435	47%	9%
Other	\$1,267,668	2%	\$844,807	2%	50%
Total Revenues	<u>\$63,713,542</u>	<u>100%</u>	<u>\$56,783,869</u>	<u>100%</u>	<u>12%</u>
Expenses:					
Instruction	\$27,575,823	53%	\$24,875,771	49%	11%
Support Services	\$15,925,311	31%	\$15,161,278	30%	5%
Nonprogram Services	\$4,090,667	6%	\$5,522,820	11%	-26%
Food Service	\$1,950,212	3%	\$1,427,808	3%	37%
Interest and Fiscal Charges	\$1,629,853	2%	\$938,631	2%	74%
Unallocated Depreciation	\$2,330,166	5%	\$2,366,585	5%	-2%
Total Expenses	<u>\$53,502,032</u>	<u>100%</u>	<u>\$50,292,893</u>	<u>100%</u>	<u>6%</u>
Change in Net Position	<u>\$10,211,510</u>		<u>\$6,490,976</u>		<u>57%</u>

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

Revenues: (Table #3)

- For FY21-22, the District received \$63.71M in revenue. This is an increase of 12% or \$6.93M from the previous year. Property taxes increased from the prior year by \$985,076 to \$21.47M and general state aids increased by \$2.49M to \$29.30M. For FY21-22, 34% of total revenue came from local school property taxes, and 46% of the total came in the form of general state aids. The District received approximately 18% of all revenue in the form of specific use state aid, federal grants, and direct fees for services.
- Individuals who directly participated or received benefits from a program offering contributed \$4.12M of the cost, a increase of \$492,338 from the prior year. Book and activity fees, admissions to athletic events, school lunch fees, open enrollment tuition, and building rental fees are included here.
- Federal and state government subsidized certain programs with grants and contributions of \$7.55M, which is a increase of \$2.54M from the prior year. Special education aid, transportation and food service aids are included here.

Expenses: (Table #3)

- For FY21-22, the District's total expenditure amount was \$53.50M. This is an increase of \$3.21M from the prior year. For FY21-22, 52% was directed to instruction, 30% to support services, and 8% to nonprogram services. The food service program represented 4% and costs for debt service represented 3% of total expenditures.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u> <u>2022</u>	<u>Net Cost of Services</u> <u>2022</u>
Instruction	\$27,575,823	\$20,762,448
Support Services	\$15,925,311	\$14,401,817
Nonprogram Services	\$4,090,667	\$3,831,490
Food Service	\$1,950,212	\$(1,123,534)
Interest and Fiscal Charges	\$1,629,853	\$1,629,853
Unallocated Depreciation	\$2,330,166	\$2,330,166
Totals	\$53,502,302	\$41,832,240

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$53.50M.
- The net cost of governmental activities, \$41.83M, was financed by general revenues, which are primarily made up of property taxes, \$21.47M, and general state aids, \$29.30M. Miscellaneous and investment earnings accounted for \$1.27M. In addition, District operations were subsidized by \$11.67M, which was collected through direct fees, operating grants, and contributions.

General Fund Budgetary Comparison:

Consistent with current state statutes and regulations, an original budget was adopted in October 2021 to reflect the actual revenue cap and state aid certification.

Actual revenues were \$729,662 higher than budgeted. Actual expenditures were \$119,367 higher than budgeted.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

Fund Balances:

- The District shows a total for all fund balances of \$45.60M as of June 30, 2022.
- \$14.46M is in the general fund (Fund 10). The District utilizes this fund balance for on going cash flow needs as most tax and state aid revenue is received in the later part of the fiscal year. The Fund 10 fund balance represents 28% of operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating, and allows the District to respond to non-recurring economic needs.
- \$1.56M in the debt service fund (Fund 39) is restricted to make future payments on long-term debt.
- Other funds include: special revenue trust, capital projects and a county sponsored alcohol and other drug awareness project.
- Fund balance in the food service fund will be used for continuing operations in that fund.

Governmental Activities:

The improvement in the District's financial position can be credited to effective and conservative fiscal management.

Capital Asset and Debt Administration:

Capital Assets

- At year-end, the District had \$60.21M in capital assets. Further detail can be found in Note 4 to the financial statements.

Long-term Obligations

- Long-term obligations decreased by \$6.73M to \$57.96M. Long-term obligations include \$54.20M in general obligation debt benefits, \$2.25M in unamortized bond premium, \$1.39M in other post-employment benefits, \$34,850 in pension liabilities, and \$94,006 in vested employee benefits. Further detail can be found in Note 5 to the financial statements.
- The District's most recent bond rating was Aa2. The current debt limit is \$308.47M, leaving the District the ability to borrow an additional \$254.27M (margin of indebtedness).

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2022

Long-term Obligations (Continued)

- General obligation debt of the District is secured by an irrevocable tax levy adopted by the Board of Education at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for use for annual debt service payments. Hortonville Area School District complies with all statutory requirements.

Decisions that will Impact the Future of the District

- Starting in 1993, school districts in Wisconsin have been operating under a “revenue limit cap”. The revenue limit cap is a state imposed method of controlling the growth of school district budgets. As a school district which has experienced a steady growing enrollment since 1993 (excluding the economic downturn period of 2008), we have been able to meet our financial requirements, add additional staff and programming as necessary, and steadily increase our fund balance. As we move forward, enrollment increases are expected to continue due to our close proximity to the Fox Valley, and the amount of undeveloped land that is available for both commercial and residential development within the School District.
- Student enrollment growth has led to five successful referendums over the past thirty years. The community approved additional building space in the form of three elementary schools, two middle schools, and a District Transportation Facility. In addition, classroom space has been added on to Greenville Elementary, Hortonville Middle School, Greenville Middle School and a number of additions to Hortonville High School.
- The Other Post Employment Benefit (OPEB) outstanding liability continues to decrease. Between currently allocated General Fund budget funds and the balance available within the OPEB trust, the District is well positioned to meet and fund this liability into the near future. By approximately 2031, the OPEB liability will no longer exist. Current funds used to pay for this liability can then be reallocated to other areas of need.

Contacting the District's Financial Management:

This Financial Report is designed to provide our citizens, taxpayers, 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, please contact Christina Peterson, Director of Business Services, Hortonville Area School District, 246 North Olk Street, Hortonville, WI 54944.

BASIC FINANCIAL STATEMENTS

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

STATEMENT OF NET POSITION

June 30, 2022

ASSETS

Current assets:

Cash and investments	\$ 43,917,702
Taxes receivable	5,288,276
Accounts receivable	23,586
Interest receivable	6,817
Pledges receivable, current portion	83,980
Due from other governments	1,384,488
Total current assets	<u>50,704,849</u>

Noncurrent assets:

Net pension asset - WRS	<u>11,104,417</u>
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Capital assets:

Land, buildings, and equipment	99,586,727
Less accumulated depreciation	<u>39,380,036</u>
Total capital assets	<u>60,206,691</u>

Total assets	<u>122,015,957</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	21,208
Deferred outflows related to WRS pension	<u>20,911,185</u>
Total deferred outflows of resources	<u>20,932,393</u>

LIABILITIES

Current liabilities:

Current portion of bonds payable	3,270,000
Accounts payable	1,627,524
Food service deposits	63,557
Accrued salaries and wages	2,206,634
Accrued payroll taxes and withholdings	1,206,512
Accrued interest payable	584,963
Total current liabilities	<u>8,959,190</u>

Long-term liabilities:

Bonds payable	50,925,000
Bond premium	2,250,439
Net OPEB liability	1,385,248
Net pension liability - supplemental pension	34,850
Vested employee benefits	94,006
Total long-term liabilities	<u>54,689,543</u>
Total liabilities	<u>63,648,733</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to WRS pension	<u>26,146,073</u>
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NET POSITION

Net investment in capital assets	31,333,613
Restricted	30,612,069
Unrestricted	<u>(8,792,138)</u>
Total net position	<u>\$ 53,153,544</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction:				
Undifferentiated curriculum	\$ 14,847,262	\$ 1,892,335	\$ 202,171	\$ (12,752,756)
Regular curriculum	5,060,357	1,892,334	155,994	(3,012,029)
Special curriculum	4,013,292	--	2,620,381	(1,392,911)
Other instruction	3,654,912	--	50,160	(3,604,752)
Total instruction	27,575,823	3,784,669	3,028,706	(20,762,448)
Support services:				
Pupil services	2,382,467	--	433,945	(1,948,522)
Instructional staff services	1,754,241	--	547,185	(1,207,056)
General administration	486,447	--	--	(486,447)
School building administration	2,919,592	--	--	(2,919,592)
Business administration	6,446,900	--	539,960	(5,906,940)
Other support services	1,935,664	--	2,404	(1,933,260)
Total support services	15,925,311	--	1,523,494	(14,401,817)
Nonprogram	4,090,667	--	259,177	(3,831,490)
Food service	1,950,212	335,359	2,738,387	1,123,534
Interest and fiscal charges	1,629,853	--	--	(1,629,853)
Unallocated depreciation	2,330,166	--	--	(2,330,166)
Totals	\$ 53,502,032	\$ 4,120,028	\$ 7,549,764	(41,832,240)

General revenues:

General state aids	29,304,813
Property taxes levied for:	
General purposes	14,661,833
Debt service	6,809,436
Interest income	145,247
Donations	959,814
Miscellaneous	162,607
Total general revenues	52,043,750
Change in net position	10,211,510
Net position, beginning of year	42,942,034
Net position, end of year	\$ 53,153,544

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 13,106,071	\$ 1,563,714	\$ 26,274,384	\$ 2,973,533	\$ 43,917,702
Taxes receivable, net	5,288,276	--	--	--	5,288,276
Accounts receivable	23,586	--	--	--	23,586
Interest receivable	--	--	--	6,817	6,817
Pledges receivable	--	--	83,980	--	83,980
Due from other funds	170,624	--	--	1,040,000	1,210,624
Due from other governments	1,380,830	--	--	3,658	1,384,488
Total assets	<u>\$ 19,969,387</u>	<u>\$ 1,563,714</u>	<u>\$ 26,358,364</u>	<u>\$ 4,024,008</u>	<u>\$ 51,915,473</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 888,491	\$ --	\$ 739,033	\$ --	\$ 1,627,524
Food service deposits	--	--	--	63,557	63,557
Accrued salaries and wages	2,206,634	--	--	--	2,206,634
Accrued payroll taxes and withholdings	1,206,512	--	--	--	1,206,512
Due to other funds	1,206,966	--	--	3,658	1,210,624
Total liabilities	<u>5,508,603</u>	<u>--</u>	<u>739,033</u>	<u>67,215</u>	<u>6,314,851</u>
Fund balances:					
Spendable:					
Restricted	--	1,563,714	25,619,331	3,429,024	30,612,069
Assigned	--	--	--	527,769	527,769
Unassigned	14,460,784	--	--	--	14,460,784
Total fund balances	<u>14,460,784</u>	<u>1,563,714</u>	<u>25,619,331</u>	<u>3,956,793</u>	<u>45,600,622</u>
Total liabilities and fund balances	<u>\$ 19,969,387</u>	<u>\$ 1,563,714</u>	<u>\$ 26,358,364</u>	<u>\$ 4,024,008</u>	<u>\$ 51,915,473</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2022

Total fund balances for governmental funds		\$ 45,600,622
Total net position reported for governmental activities in the statement of net position is different because:		
WRS net pension assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.		11,104,417
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets consisted of:		
Buildings, net of \$27,733,633 accumulated depreciation	38,930,162	
Furniture and equipment, net of \$6,145,039 accumulated depreciation	2,495,241	
Land	530,200	
Site improvements, net of \$911,638 accumulated depreciation	238,740	
Vehicles, net of \$4,589,726 accumulated depreciation	1,534,270	
Construction in progress	16,478,078	
Total capital assets		60,206,691
Deferred outflows of resources related to the pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.		20,932,393
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable on long-term debt was not included as a liability in the governmental funds balance sheet.		(584,963)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds but rather, is recognized as expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2022, are:		
Bonds payable	(54,195,000)	
Bond premium	(2,250,439)	
Net OPEB liability	(1,385,248)	
Net pension liability - supplemental pension	(34,850)	
Vested employee benefits	(94,006)	
Total long-term liabilities		(57,959,543)
Deferred inflows of resources related to the pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.		(26,146,073)
Total net position of governmental activities		\$ 53,153,544

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 14,998,395	\$ 6,810,405	\$ 134,382	\$ 1,208,442	\$ 23,151,624
Interdistrict sources	3,414,528	--	--	--	3,414,528
Intermediate sources	14,812	--	--	--	14,812
State sources	31,700,057	--	--	85,921	31,785,978
Federal sources	2,539,027	--	--	2,659,789	5,198,816
Other sources	147,784	--	--	--	147,784
Total revenues	<u>52,814,603</u>	<u>6,810,405</u>	<u>134,382</u>	<u>3,954,152</u>	<u>63,713,542</u>
Expenditures:					
Instruction:					
Undifferentiated curriculum	15,786,093	--	--	4,782	15,790,875
Regular curriculum	5,203,724	--	--	39,061	5,242,785
Special curriculum	4,318,840	--	--	--	4,318,840
Other instruction	4,307,334	--	--	8,871	4,316,205
Total instruction	<u>29,615,991</u>	<u>--</u>	<u>--</u>	<u>52,714</u>	<u>29,668,705</u>
Support services:					
Pupil services	2,539,926	--	--	--	2,539,926
Instructional staff services	1,842,845	--	--	--	1,842,845
General administration	529,530	--	--	--	529,530
School building administration	2,320,004	--	--	760,857	3,080,861
Business administration	7,872,710	--	16,259,769	--	24,132,479
Debt service	1,425	7,779,335	--	--	7,780,760
Other support services	2,494,191	--	218,309	--	2,712,500
Total support services	<u>17,600,631</u>	<u>7,779,335</u>	<u>16,478,078</u>	<u>760,857</u>	<u>42,618,901</u>
Nonprogram	4,081,167	--	--	9,500	4,090,667
Food service	--	--	--	2,014,327	2,014,327
Total expenditures	<u>51,297,789</u>	<u>7,779,335</u>	<u>16,478,078</u>	<u>2,837,398</u>	<u>78,392,600</u>
Excess of revenues over (under) expenditures	<u>1,516,814</u>	<u>(968,930)</u>	<u>(16,343,696)</u>	<u>1,116,754</u>	<u>(14,679,058)</u>
Other financing sources (uses):					
Operating transfers in (out)	<u>(1,040,000)</u>	<u>--</u>	<u>--</u>	<u>1,040,000</u>	<u>--</u>
Net change in fund balances	476,814	(968,930)	(16,343,696)	2,156,754	(14,679,058)
Fund balances, beginning of year	13,983,970	2,532,644	41,963,027	1,800,039	60,279,680
Fund balances, end of year	<u>\$ 14,460,784</u>	<u>\$ 1,563,714</u>	<u>\$ 25,619,331</u>	<u>\$ 3,956,793</u>	<u>\$ 45,600,622</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2022

Net change in fund balances-governmental funds	\$ (14,679,058)
The change in net position reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which capitalized outlays exceeds depreciaton in the current period.	16,023,496
Accrued interest expense on long-term debt is reported in the district-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds.	(316,509)
Other post employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned throughout the year. This is the amount by which other post employment benefits earned are more than the amounts paid.	15,985
Governmental funds report district supplemental pension contributions as expenditures. However, in the statement of activities and changes in net position, the cost of pension benefits earned net of employee contributions is reported as pension expense.	34,524
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount contributed by the District that exceeds the pension expense based on WRS calculations.	2,599,692
Governmental funds report unused vested employee benefits on a pay-as-you-go basis. The district-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which pay-as-you-go is more than the accrual basis in the current year.	65,964
Bond premiums are reported in the governmental funds as a revenue in the statement of activities, these transactions are capitalized and amortized over the life of the bonds.	197,416
Loan proceeds are reported as financing sources in governmental funds and thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which repayments exceed proceeds.	6,270,000
Changes in net position of governmental activities	<u>\$ 10,211,510</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

June 30, 2022

	<u>Employee Benefit Trust Fund</u>
ASSETS	
Cash and investments	<u>\$ 966,304</u>
LIABILITIES	
Accounts payable	<u> --</u>
NET POSITION	
Restricted for OPEB	<u>966,304</u>
Total net position	<u><u>\$ 966,304</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

For the Year Ended June 30, 2022

	<u>Employee Benefit Trust Fund</u>
ADDITIONS	
Contributions to trust	\$ 260,837
Plan member contributions	23,075
Interest income	<u>17,924</u>
Total additions	<u>301,836</u>
DEDUCTIONS	
Employee benefit payments	<u>437,032</u>
Change in net position	(135,196)
Net position, beginning of year	<u>1,101,500</u>
Net position, end of year	<u><u>\$ 966,304</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

The financial statements of Hortonville Area School District (District) have been prepared in conformity with U.S. 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.

A. Reporting Entity

Hortonville Area School District is a common school district. The District, governed by a seven member elected school board, operates grades K through 12 and is comprised of all or parts of nine taxing districts. The District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since it has decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and is primarily accountable for fiscal matters. In addition, there are no component units, as defined in GASB Statement No. 61 that are included in the District's reporting entity.

B. Fund Accounting

The accounts of the District are organized on the basis of funds, as prescribed by the Wisconsin Department of Public Instruction for elementary and secondary school districts, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District operates the following major governmental funds:

General fund - the general fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds.

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

Capital projects funds - capital projects funds are used to account for financial resources to be used for the acquisition or construction of capital facilities (other than those financed by trust funds).

The District operates the following nonmajor governmental funds:

Special revenue funds - special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or capital projects) that are legally restricted to expenditures for specified purposes. The District uses special revenue funds to account for its special revenue trust, other special projects, and food service.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

Fiduciary funds - fiduciary funds are used to account for assets held by the District in a trustee capacity. These currently include employee benefit trust funds. Employee benefit trust funds are set up to put aside monies for future post-retirement benefits. These trust funds are irrevocable and can only be dissolved after all the trust assets have been used for their intended purpose. The trust funds are accounted for in essentially the same manner as proprietary funds.

C. Basis of Presentation

District-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between governmental and business-type activities of the District. The District did not have any business-type activities in place at June 30, 2022.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation between the district-wide statements and the governmental fund statements.

The statement of net position presents the financial condition of the government-type activities of the District at year-end. The statement of activities presents a comparison between the direct expenses and program revenues for each function or program of the governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. Their focus is on major funds rather than reported funds by type. Each major governmental fund is presented in a single column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, tuition, grants, and student fees.

Expenditures

Under the accrual basis of accounting, expenditures are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Accounting

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

F. 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 the date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts.

All investments are stated at fair value. Determination of fair value for investment in the Local Government Investment Pool is based on information provided by the State of Wisconsin Investment Board. Determination of fair value for investment held for the employee benefit trust fund is based on information provided MidAmerica Administrative and Retirement Solutions, Inc.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

G. Property Taxes

The aggregate district tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31, and the final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. 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 that the taxes are levied as if they are due in the current year and available to pay current liabilities. The 2021 tax levy is used to finance operations of the District's fiscal year ended June 30, 2022. All property taxes are considered due on January 1, 2022, 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.

H. Receivables

Receivables at June 30, 2022, consisted of taxes, accounts, interest, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Accumulated Unpaid Sick Pay and Other Employee Benefit Amounts

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absence liability is reported on the district-wide financial statements. For governmental fund financial statements, the amount of accumulated sick leave has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available resources. The balance of the liability is not recorded.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

J. Capital Assets and Depreciation

General capital assets are reported in the district-wide statement of net position, but not in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirement during the year. Donated fixed assets are recorded at their fair value as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than one year, unless their exclusion as a group would make the financial statements materially misleading. The District does not possess any infrastructure. All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings	50 years
Site improvements	10-50 years
Furniture, equipment, and vehicles	5-7 years

K. Interfund Activity

Short-term interfund loans are classified as interfund receivables/payables in the fund financial statements. These amounts are eliminated in the statement of net position.

L. Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the district-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

M. Deferred Outflows / Inflows of Resources

The District has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In addition to assets, the statement of net position will report separate sections for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items in this category relating to its share of the WRS pension plan and its OPEB plan.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has items in this category relating to its share of the WRS pension plan.

N. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for the classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact. The District did not have a nonspendable fund balance at June 30, 2022.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - this classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions of enabling legislation.

Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education - the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District did not have a committed fund balance at June 30, 2022.

Assigned fund balance - this classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board and the Director of Business Services have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts in governmental funds, other than in the general fund that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - this fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

The Board has set a general fund minimum fund balance target of 24% of expenditures of the general fund or a balance sufficient to avoid cash flow borrowing, whichever is greater. The special education fund does not meet the definition of a special revenue fund as defined in GASB pronouncements and the activity in this fund is consolidated with the general fund in the fund financial statements.

O. Pensions

For purposes of measuring the net pension liability, 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 the District's supplemental pension plan and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported to the District. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Other Post Employment Benefits Plan

For purposes of measuring the net other post employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, and OPEB expense, information about the fiduciary net position of the District's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported to the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Use of Estimates

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

Note 2. Cash and Investments:

Debt service and capital projects funds account for its transactions through separate and distinct bank and investment accounts as required by state statutes. In addition, fiduciary funds use separate and distinct accounts. All other funds share in common bank and investment accounts.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

The District is required to invest its funds in accordance with Wisconsin Statute 66.0603(1m). The Board has adopted an investment policy pursuant to these statutes that allows the District to invest in the following:

Time deposits

Securities guaranteed by the U. S. Government

Securities of Wisconsin Municipal Units

Securities of Wisconsin Educational and Local Government Investment Pool

Bonds issued by a local exposition district

Bonds issued by a local professional baseball park district

Bonds issued by a local professional stadium district

Bonds issued by the University of Wisconsin Hospitals and Clinics Authority

Bonds issued by a local cultural arts district

Bonds issued by the Wisconsin Aerospace Authority

Securities which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired and received the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investors Service, or other similar nationally recognized rating agency

Securities of an open-ended management investment company or investment trust, if the investment company does not charge a sales load, is registered under the investment company act of 1940, and the portfolio is limited to bonds and securities issued by the federal government, bonds that are guaranteed by the federal government, or repurchase securities that are fully collateralized by bonds or securities

Under the 2005 Wisconsin Act 99, school districts are allowed to invest funds held in trust to provide for post employment health care benefits and other post employment benefits provided separately from a defined benefit pension plan in the same manner as authorized for investments under Wisconsin Statute 881.01 "Uniform Prudent Investor Act".

Under Wisconsin Statute 881.01, a trustee who invests and manages assets of the trust must comply with the prudent investor rule set forth in the statute. This rule requires the trustee of an employee benefit trust fund to exercise reasonable care, skill and caution when investing and managing the assets of the trust.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

The carrying amount of the District's cash and investments totaled \$44,884,008 on June 30, 2022, as summarized below:

Petty cash funds	\$ 250
Deposits with financial institutions	17,633,816
Investments:	
Local Government Investment Pool	326,043
Wisconsin Investment Series Cooperative	25,157,588
American Depository Management	800,005
OneAmerica (AUL) / MidAmerica	966,304
<u>Total</u>	<u>\$ 44,884,006</u>
Reconciliation to the basic financial statements:	
Statement of net position	\$ 43,917,702
Fiduciary funds:	
Employee benefit trust funds	966,304
<u>Total</u>	<u>\$ 44,884,006</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of specific risks and the District's policy related to each risk.

Custodial Credit Risk

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

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian for demand deposits and an additional \$250,000 for time and savings deposits. In addition, the State of Wisconsin has a State Guarantee Fund that provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

The Local Government Investment Pool (LGIP) does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2022 the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

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

A separate financial report for SIF is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Copies of the report can be obtained from <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>

On June 30, 2022, the carrying amount of the District's bank deposits was \$17,633,816, and the bank balance was \$20,131,564. Of the bank balance, \$250,000 was covered by FDIC insurance, and \$5,525,00 was collateralized by Wolf River Community Bank. This left \$14,356,564 uninsured and uncollateralized.

The District's investments in OneAmerica (AUL) / MidAmerica are held in an irrevocable trust and are registered in the name of the corporate trustee for the benefit of the District. The District's investments are not exposed to custodial credit risk because the assets are held in the irrevocable trust and cannot be assigned to the obligations of the custodian in the case of the custodian becoming insolvent.

The investment in the Local Government Investment Pool is insured against defaults in principal payments by Financial Security Assurance Incorporated.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations.

The District does not have a formal policy to address credit risk, but the risk is mitigated by the fact that the District is not invested in any individual securities and is invested in index funds, which allow for a more diversified portfolio.

Following is the distribution of the District's investments by each investment type:

<i>Investment Type</i>	Cost	Fair Value
WISC:		
Cash Management Series	\$ 1,266,826	\$ 1,266,826
Investment Management Series	7,296,101	7,296,101
Fixed income	16,594,661	16,594,661
Local Government Investment Pool	326,043	326,043
American Depository Management	800,005	800,005
Mid America:		
Money market funds	966,304	966,304
Totals	\$ 27,249,940	\$ 27,249,940

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

Presented below is the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Ranges from AAA-B</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Related</u>
WISC:					
Cash Management Series	\$ 1,266,826	\$ --	\$ 1,266,826	\$ --	\$ --
Investment Management Series	7,296,101		7,296,101	--	--
Fixed income	16,594,661	--	16,594,661	--	--
Local Government Investment Pool	326,043	--	--	--	326,043
American Depository Management	800,005	--	--	--	800,005
Mid America: Money market funds	966,304	--	--	--	966,304
Totals	<u>\$27,249,940</u>	<u>\$ --</u>	<u>\$ 25,157,588</u>	<u>\$ --</u>	<u>\$ 2,092,352</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 3. Pledges Receivable:

Included in pledges receivable are the following unconditional promises to give at June 30, 2022:

Unconditional promises to give	\$ 83,980
Less current portion	<u>83,980</u>
Net long-term unconditional promises to give	<u>\$ --</u>
Amounts due in:	
Less than one year	\$ 83,980
One to five years	<u>--</u>
Total unconditional promises to give	<u>\$ 83,980</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Changes in Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Buildings	\$ 66,099,050	\$ 564,745	\$ --	\$ 66,663,795
Furniture and equipment	8,442,299	411,640	213,659	8,640,280
Land	530,200	--	--	530,200
Site improvements	1,020,559	129,819	--	1,150,378
Vehicles	5,676,499	769,380	321,883	6,123,996
Construction in progress	--	16,478,078	--	16,478,078
Totals	<u>81,768,607</u>	<u>18,353,662</u>	<u>535,542</u>	<u>99,586,727</u>
Accumulated depreciation:				
Buildings	26,392,450	1,341,183	--	27,733,633
Furniture and equipment	5,649,614	656,811	161,386	6,145,039
Site improvements	887,669	23,969	--	911,638
Vehicles	<u>4,655,679</u>	<u>255,930</u>	<u>321,883</u>	<u>4,589,726</u>
Totals	<u>37,585,412</u>	<u>2,277,893</u>	<u>483,269</u>	<u>39,380,036</u>
Capital assets, net	<u>\$ 44,183,195</u>	<u>\$ 16,075,769</u>	<u>\$ 52,273</u>	<u>\$ 60,206,691</u>

All depreciation expense was charged to unallocated depreciation.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5. Long-term Obligations:

Long-term obligations of the District are as follows:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$60,465,000	\$ --	\$ 6,270,000	\$54,195,000	\$ 3,270,000
Bond premium	2,447,855	--	197,416	2,250,439	--
Net OPEB liability	1,546,928	--	161,680	1,385,248	--
Supplemental pension liability	69,374	--	34,524	34,850	--
Net pension liability - WRS	--	--	--	--	--
Vested employee benefits	159,970	--	65,964	94,006	--
Totals	<u>\$64,689,127</u>	<u>\$ --</u>	<u>\$ 6,729,584</u>	<u>\$57,959,543</u>	<u>\$ 3,270,000</u>

Total interest paid for the year ended June 30, 2022, was \$1,510,760 for general obligation debt.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2022, is comprised of the following issues:

<i>Description</i>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balances</u>
General obligation bonds	03/15/21	2.0%	04/01/27	\$ 7,330,000
General obligation bonds	03/03/14	3.5%	04/01/33	10,000,000
General obligation bonds	06/14/21	2.0 - 5.0%	04/01/41	<u>36,865,000</u>
Total bonds payable				<u>\$ 54,195,000</u>

The 2021 equalized valuation of the District as certified by Wisconsin Department of Revenue is \$3,084,668,781. The legal debt limit and margin of indebtedness as of June 30, 2022, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$3,084,668,781)	\$ 308,466,878
Deduct long-term debt applicable to debt margin	<u>54,195,000</u>
Margin of indebtedness	<u>\$ 254,271,878</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5. Long-term Obligations - Continued:

On April 22, 2022, the District advance refunded bonds of \$2,715,000 with an interest rate of 2.0%. The bonds are callable on April 1, 2028. The District paid \$15,650 in issuance costs. The District placed \$2,740,697 with an escrow agent to provide debt service payments until the requirements are met or the bonds are called. The transaction met the requirements of an in-substance debt defeasance and the bonds were removed from the District's financial statements.

At June 30, 2022, \$2,715,000 of outstanding general obligation bonds are considered defeased.

Aggregate cash flow requirements for the retirement of general obligation debt principal and interest on June 30, 2022, are as follows:

Year ending <i>June 30,</i>	Principal	Interest	Totals
2023	\$ 3,270,000	\$ 1,526,150	\$ 4,796,150
2024	3,405,000	1,403,750	4,808,750
2025	3,530,000	1,277,450	4,807,450
2026	2,310,000	1,145,650	3,455,650
2027	2,365,000	1,075,900	3,440,900
2028-2032	13,035,000	4,074,700	17,109,700
2033-2037	15,325,000	2,059,825	17,384,825
2038-2041	10,955,000	474,300	11,429,300
Totals	<u>\$ 54,195,000</u>	<u>\$ 13,037,725</u>	<u>\$ 67,232,725</u>

Note 6. Fund Balance Reporting:

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2022:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Restricted:					
Debt service	\$ --	\$ 1,563,714	\$ --	\$ --	\$ 1,563,714
Capital projects	--	--	25,619,331	--	25,619,331
Capital expansion	--	--	--	1,849,324	1,849,324
Food service	--	--	--	1,579,700	1,579,700
Assigned:					
Donations - special revenue trust	--	--	--	527,769	527,769
Unassigned	<u>14,460,784</u>	--	--	--	<u>14,460,784</u>
Total fund balances	<u>\$ 14,460,784</u>	<u>\$ 1,563,714</u>	<u>\$ 25,619,331</u>	<u>\$ 3,956,793</u>	<u>\$ 45,600,222</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 7. Excess of Actual Expenditures Over Budget in Individual Funds:

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2022:

General fund:

Regular curriculum	\$ 147,179
Physical curriculum	378,048
Co-curricular activities	563,089
Instructional staff services	69,753
Central services	141,793
Other support services	49,978

Special education fund:

Pupil services	48,125
Business administration	25,532
Nonprogram	189,006

Note 8. General Information About the WRS Pension Plan:

Plan Description

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

ETF issues a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

Vesting

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

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. General Information About the WRS Pension Plan - Continued:

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 are required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2012	(7.0)%	(7)%
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21
2021	5.1	13

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. General Information About the WRS Pension Plan - Continued:

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 \$1,622,765 in contributions from the employer.

Contribution rates as of December 31, 2021 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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

At June 30, 2022, the District reported a liability (asset) of \$(11,104,417) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020, rolled forward to December 31, 2021. 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, 2021, the District's proportion was 0.13776879%, which was an increase of 0.00039395% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$(963,258).

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. General Information About the WRS Pension Plan - Continued:

At June 30, 2022, 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	\$ 17,938,625	\$ 1,293,568
Changes in assumptions	2,071,703	--
Net differences between projected and actual earnings on pension plan investments	--	24,841,507
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,458	10,998
Employer contributions made subsequent to the measurement date	889,399	--
Totals	\$ 20,911,185	\$ 26,146,073

\$889,399 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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 <i>June 30,</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 10,105,101	\$ 10,624,433
2023	6,318,222	9,330,433
2024	4,586,059	5,910,405
2025	2,163,434	3,431,832
Thereafter	--	--

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. General Information About the WRS Pension Plan - Continued:

Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2020
Measurement date of net pension liability (asset)	December 31, 2021
Experience study	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial cost method	Entry age Normal
Asset valuation method	Fair value
Long-term expected rate of return	6.8%
Discount rate	6.8%
Salary increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	2020 WRS Experience Mortality Table
Post-retirement adjustments*	1.7%

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

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The total pension liability for December 31, 2021, is based upon a roll-forward of the liability calculated from the December 31, 2020, actuarial valuation.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. General Information About the WRS Pension Plan - Continued:

Long-term Expected Return on Plan Assets

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

**Asset Allocation Targets and Expected Returns
As of December 31, 2021**

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global equities	52	6.8	4.2
Fixed income	25	4.3	1.8
Inflation sensitive assets	19	2.7	0.2
Real estate	7	5.6	3
Private equity/debt	12	9.7	7
Total Core Fund	115	6.6	4
<u>Variable Fund Asset Class</u>			
U.S. equities	70	6.3	3.7
International equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. General Information About the WRS Pension Plan - Continued:

Single Discount Rate

A single discount rate of 6.8% was used to measure the total pension liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 municipal bond 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 6.8%, 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 (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	<u>1% Decrease to Discount Rate (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase to Discount Rate (7.8%)</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 7,879,371</u>	<u>\$ (11,104,417)</u>	<u>\$ (24,769,214)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>

Payable to WRS Pension Plan

The District reported a payable of \$486,131 for the outstanding amount of contributions in the Plan for the year ended June 30, 2022.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the OPEB Plan:

Plan Description and Benefits Provided

The District's post employment medical plan is a single-employer, defined benefit, healthcare plan administered by the District. The plan provides health insurance benefits to eligible retired teachers and their spouses. The plan also provides health and dental insurance benefits to eligible retired administrators and their spouses. The authority to establish and amend benefit provisions is with the school board. There is no financial report issued by the plan. The plan is closed to new employees.

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	32
Active plan members	20
Total	52

Contributions

The contribution requirements of the District are established and may be amended by the Board. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2022, the District's average contribution rate was 19.83% of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 %
Salary increases	3.0 %
Investment rate of return	2.5 %, net of OPEB plan investment expenses
Healthcare cost trend rates	Medical: initial rate of 5.9%, decreasing by 0.1% per year then leveling at 5.0%
	Dental: level at 5.0%

Mortality rates were based on the RP-2014 employee tables for male and female with generational projection using the MP-2015 scale.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the OPEB Plan - Continued:

Investment Policy

Funds for the OPEB plan, "Employee Benefit Trust", adheres to Wisconsin Statute 881.01 "Uniform Prudent Investor Act" which requires reasonable care, skill, and caution in the investment and managing of trust assets. The Employee Benefit Trust is managed by MidAmerica. The long-term expected rate of return was determined based on the guaranteed rate in the AUL fixed income fund. The following is the investment policy adopted by the Board as of June 30, 2022:

Asset class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	100 %	2.5 %

Discount Rate

The discount rate used to measure the total OPEB liability was 2.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at 6/30/2021	\$ 2,648,428	\$ 1,101,500	\$ 1,546,928
Changes for the year:			
Service cost	49,630	--	49,630
Interest	67,451	--	67,451
Difference between expected and actual experience	--	--	--
Contributions - District	--	260,837	(260,837)
Contributions - participants	--	--	--
Net investment income	--	17,924	(17,924)
Benefit payments	(413,957)	(413,957)	--
Net changes	(296,876)	(135,196)	(161,680)
Balances at 6/30/2022	\$ 2,351,552	\$ 966,304	\$ 1,385,248

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the OPEB Plan - Continued:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1%-point lower (1.5%) or 1%-point higher (3.5%) than the discount rate:

	1% Decrease (1.5%)	Discount Rate (2.5%)	1% Increase (3.5%)
Net OPEB liability	\$ 1,433,433	\$ 1,385,248	\$ 1,340,571

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1%-point lower or 1%-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 1,345,975	\$ 1,385,248	\$ 1,432,053

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$(15,985). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ --	\$ --
Net difference between projected and actual earnings on OPEB plan investments	21,208	--
Totals	\$ 21,208	\$ --

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the OPEB Plan - Continued:

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

Year ending		
<i>June 30,</i>		
2023	\$	9,086
2024		6,177
2025		4,023
2026		1,922

Note 10. General Information About the Supplemental Pension Plan:

Plan Description and Benefits Provided

The District provides a supplemental pension benefit to eligible retirees in the form of a cash stipend paid for a duration of three years. The supplemental pension plan is a single-employer defined benefit plan administered by the District. The amount of the stipend is based upon a percentage of the retiree's average annual salary over their last three years of service. The percentage contributed is a factor of both retirement age and years of service. The benefits paid to eligible retirees are accounted for under GASB Statement No. 68. The plan is administered by the District and does not issue a stand alone report. The plan is closed to new employees.

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	--
Total employees	2

Contributions

The District is required to provide contributions on a pay-as-you-go basis.

Net Pension Liability

The District's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0 %
Salary increases	3.0 %
Investment rate of return	2.5 %

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. General Information About the Supplemental Pension Plan - Continued:

Mortality rates were based on the RP-2014 employee tables for male and female with generational projection using the MP-2015 scale.

The long-term expected rate of return on pension plan investments was valued at 2.5%. The 20 year tax-exempt AA/Aa or higher Municipal bond rate as of the measurement date was used for the current year of benefit payments.

Discount Rate

The discount rate used to measure the total pension liability was 2.5% and is equal to the yield or index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2022.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/21	\$ 69,374	\$ --	\$ 69,374
Changes for the year:			
Service cost	--	--	--
Interest	1,251	--	1,251
Difference between expected and actual experience	--	--	--
Changes in assumptions	--	--	--
Benefits payments	(35,775)	--	(35,775)
Net changes	(34,524)	--	(34,524)
Balances at 6/30/22	\$ 34,850	\$ --	\$ 34,850

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 2.5%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.5%) or 1-percentage-point higher (3.5%) than the current rate:

	1% Decrease to Discount Rate (1.5%)	Current Discount Rate (2.5%)	1% Increase to Discount Rate (3.5%)
District's net pension liability	\$ 35,008	\$ 34,850	\$ 34,695

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. General Information About the Supplemental Pension Plan - Continued:

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

For the year ended June 30, 2022, the District recognized a reduction of pension expense of \$34,524. At June 30, 2022, the District did not report any deferred outflows of resources and deferred inflows of resources related to pensions.

Note 11. Self-funded Dental Insurance Program:

On September 1, 2006, the District established a self-funded dental benefit plan for its employees. The plan administrator, Delta Dental, is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30.

Accounting and budgeting requirements for the plan are established by Wisconsin Department of Public Instruction. Currently, the plan is accounted for in the general fund of the District.

At June 30, 2022, the District reported a liability of \$92,539, which represents reported and unreported claims that were incurred on or before June 30, 2022, but were not paid by the District as of that date. This amount consists of claims of \$47,000 reported to the District by the plan administrator, claims of \$29,380 reported to the plan administrator but not the District, and claims of \$16,159, which were not yet reported to either the plan administrator or the District. The amounts not reported to the District were determined by the plan administrator.

Note 12. Limitation on School District Revenues:

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

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

Note 13. Contingent Liabilities:

Risk management - the District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2022. No settlements exceeded insured amounts in the last three fiscal years.

Litigation - 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 counsel that the likelihood is remote, due in part to insurance coverage, that any other such claims or proceedings will have a material effect on the District's financial position.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 13. Contingent Liabilities - Continued:

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the District's operations and financial position cannot be determined.

Note 14. Fair Value Measurement:

The District's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 - Investments reflect prices quoted in active markets

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active

Level 3 - Investments reflect prices based upon unobservable sources

The categorization of investments with the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The fair values of the District's investments were classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
AUL fixed income	\$ 966,304	\$ --	\$ --	\$ 966,304
American Depository Management	800,005	--	--	800,005
Wisconsin Investment Series Cooperative	--	25,157,588	--	25,157,588
Local Government Investment Pool	--	326,043	--	326,043
Totals	<u>\$ 1,766,309</u>	<u>\$ 25,483,631</u>	<u>\$ --</u>	<u>\$ 27,249,940</u>

Investments classified in the Level 1 of the fair value hierarchy are valued using prices provided by MidAmerica for the District's employee benefit trust and American Depository Management..

Investments classified in the Level 2 of the fair value hierarchy represents the District's share of the Local Government Investment Pool as provided by the State of Wisconsin Investment Board and the Wisconsin Investment Series Cooperative.

Note 15. Subsequent Events:

The District has evaluated all subsequent events through January 12, 2023, the date on which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Other Post Employment Benefits Plan

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability:			
Service cost	\$ 49,630	\$ 69,721	\$ 67,691
Interest	67,451	63,708	75,850
Changes in benefit terms	--	--	--
Changes of assumptions or other input	--	--	--
Differences between expected and actual experience	--	627,327	--
Benefit payments	(413,957)	(590,939)	(631,241)
Net change in total OPEB liability	<u>(296,876)</u>	<u>169,817</u>	<u>(487,700)</u>
Total OPEB liability - beginning	<u>2,648,428</u>	<u>2,478,611</u>	<u>2,966,311</u>
Total OPEB liability - ending	<u>\$ 2,351,552</u>	<u>\$ 2,648,428</u>	<u>\$ 2,478,611</u>
Plan fiduciary net position:			
Contributions - employer	\$ 260,837	\$ 265,939	\$ 448,769
Contributions - employee	--	--	32,472
Net investment income	17,924	24,557	27,331
Benefit payments	(413,957)	(590,939)	(631,241)
Other/transfer to active benefit fund	<u>--</u>	<u>--</u>	<u>--</u>
Net change in plan fiduciary net position	<u>(135,196)</u>	<u>(300,443)</u>	<u>(122,669)</u>
Total fiduciary net position - beginning	<u>1,101,500</u>	<u>1,401,943</u>	<u>1,524,612</u>
Total fiduciary net position - ending	<u>\$ 966,304</u>	<u>\$ 1,101,500</u>	<u>\$ 1,401,943</u>
Net OPEB liability - ending	<u>\$ 1,385,248</u>	<u>\$ 1,546,928</u>	<u>\$ 1,076,668</u>
Plan fiduciary net position as a percentage of the total OPEB liability	41.09%	41.59%	56.56%
The District's covered employee payroll	\$ 1,136,921	\$ 1,341,203	\$ 1,689,879
Net OPEB liability as a percentage of covered employee payroll	121.84%	115.34%	63.71%

2016 is the first year that this information has been made available due to implementation of GASB 74 and 75.

2019	2018	2017	2016
\$ 65,719	\$ 140,734	\$ 135,321	\$ 130,116
88,027	89,577	90,380	97,994
--	--	--	(8,394,932)
--	(891)	--	269,539
--	(512,602)	--	--
(642,818)	(599,548)	(589,733)	(642,566)
(489,072)	(882,730)	(364,032)	(8,539,849)
3,455,383	4,338,113	4,702,145	13,241,994
<u>\$ 2,966,311</u>	<u>\$ 3,455,383</u>	<u>\$ 4,338,113</u>	<u>\$ 4,702,145</u>
\$ 612,868	\$ 719,134	\$ 755,423	\$ 732,230
29,950	30,414	29,310	35,499
23,000	19,374	25,039	71,332
(642,818)	(599,548)	(589,733)	(642,566)
--	--	(746,662)	(4,220,635)
23,000	169,374	(526,623)	(4,024,140)
1,501,612	1,332,238	1,858,861	5,883,001
<u>\$ 1,524,612</u>	<u>\$ 1,501,612</u>	<u>\$ 1,332,238</u>	<u>\$ 1,858,861</u>
<u>\$ 1,441,699</u>	<u>\$ 1,953,771</u>	<u>\$ 3,005,875</u>	<u>\$ 2,843,284</u>
51.40%	43.46%	30.71%	39.53%
\$ 1,785,542	\$ 1,888,399	\$ 2,663,213	\$ 2,790,588
80.74%	103.46%	112.87%	101.89%

SEE NOTES TO REQUIRED OPEB PLAN SCHEDULES.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Other Post Employment Benefits Plan

Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contributions	\$ 226,946	\$ 183,680	\$ 219,994
Contributions in relation to the actuarially determined contributions	<u>(260,837)</u>	<u>(265,939)</u>	<u>(448,769)</u>
Contribution deficiency (excess)	<u>\$ (33,891)</u>	<u>\$ (82,259)</u>	<u>\$ (228,775)</u>
District's covered employee payroll	\$ 1,136,921	\$ 1,341,203	\$ 1,689,879
Contributions as a percentage of covered employee payroll	22.94%	19.83%	26.56%

2016 is the first year that this information has been made available due to implementation of GASB 74 and 75.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 256,937	\$ 719,134	\$ 755,423	\$ 732,230
<u>(612,868)</u>	<u>(719,134)</u>	<u>(755,423)</u>	<u>(732,230)</u>
<u>\$ (355,931)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 1,785,542	\$ 1,888,399	\$ 2,663,213	\$ 2,790,588
34.32%	38.08%	28.37%	26.24%

SEE NOTES TO REQUIRED OPEB PLAN SCHEDULES.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO REQUIRED OPEB PLAN SCHEDULES
For the Year Ended June 30, 2022

Note 1. Change of Benefit Terms:

There were no changes of benefit terms for this benefit.

Note 2. Change of Assumptions:

There were no changes of assumptions for this benefit.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
Wisconsin Retirement System
Last 10 Fiscal Years***

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
06/30/15	0.13436464%	\$ (3,299,456)	\$ 18,619,765	102.74%
06/30/16	0.13395569%	2,176,754	19,033,250	98.20%
06/30/17	0.13366470%	1,101,716	19,360,164	99.12%
06/30/18	0.13522387%	(4,014,957)	20,428,781	102.93%
06/30/19	0.13666560%	4,862,133	21,263,507	96.45%
06/30/20	0.13783341%	(4,444,378)	22,025,652	102.96%
06/30/21	0.13737484%	(8,576,501)	22,757,318	105.26%
06/30/22	0.13776879%	(11,104,407)	24,040,962	106.02%

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

2015 was the first year that this information was made available due to implementation of GASB 68.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Wisconsin Retirement System
Last 10 Fiscal Years*

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
06/30/15	\$ 1,303,384	\$ 1,303,384	\$ --	\$ 18,619,765	7.00%
06/30/16	1,294,991	1,294,991	--	19,033,250	6.80%
06/30/17	1,277,771	1,277,771	--	19,360,164	6.60%
06/30/18	1,389,285	1,389,285	--	20,428,781	6.80%
06/30/19	1,424,654	1,424,654	--	21,263,507	6.70%
06/30/20	1,443,123	1,443,123	--	22,025,652	6.55%
06/30/21	1,536,118	1,536,118	--	22,757,318	6.75%
06/30/22	1,622,765	1,622,765	--	24,040,962	6.75%

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

2015 was the first year that this information was made available due to implementation of GASB 68.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**NOTES TO REQUIRED WRS SCHEDULES
For the Year Ended June 30, 2022**

Note 1. Change of Benefit Terms:

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

Note 2. Change of Assumptions:

Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Supplemental Pension Plan
Last 10 Fiscal Years

	2022	2021	2020
Total pension liability:			
Service cost	\$ --	\$ 5,037	\$ 4,891
Interest	1,251	2,720	3,457
Changes of assumptions or other input	--	--	--
Differences between expected and actual experience	--	(25,681)	--
Benefit payments	(35,775)	(35,775)	(40,506)
Net change in total pension liability	(34,524)	(53,699)	(32,158)
Total pension liability - beginning	69,374	123,073	155,231
Total pension liability - ending	\$ 34,850	\$ 69,374	\$ 123,073
Plan fiduciary net position:			
Contributions - employer	\$ --	\$ --	\$ --
Contributions - employee	--	--	--
Net investment income	--	--	--
Benefit payments	--	--	--
Net change in plan fiduciary net position	--	--	--
Total fiduciary net position - beginning	--	--	--
Total fiduciary net position - ending	\$ --	\$ --	\$ --
Net pension liability - ending	\$ 34,850	\$ 69,374	\$ 123,073
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%
The District's covered employee payroll	\$ --	\$ --	\$ 164,946
Net pension liability as a percentage of covered employee payroll	N/A	N/A	74.61%

2016 is the first year that this information has been made available due to implementation of GASB 68.

2019	2018	2017	2016
\$ 4,749	\$ 16,726	\$ 16,083	\$ 15,464
4,578	8,339	8,301	8,444
--	(847)	--	16,822
--	(84,913)	--	--
(70,496)	(32,625)	(13,052)	(49,507)
(61,169)	(93,320)	11,332	(8,777)
216,400	309,720	298,388	307,165
<u>\$ 155,231</u>	<u>\$ 216,400</u>	<u>\$ 309,720</u>	<u>\$ 298,388</u>
\$ --	\$ --	\$ --	\$ --
--	--	--	--
--	--	--	--
--	--	--	--
--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>\$ 155,231</u>	<u>\$ 216,400</u>	<u>\$ 309,720</u>	<u>\$ 298,388</u>
0.00%	0.00%	0.00%	0.00%
\$ 197,949	\$ 229,721	\$ 482,565	\$ 531,436
78.42%	94.20%	64.18%	56.15%

SEE NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Supplemental Pension Plan
Last 10 Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contributions	\$ 35,775	\$ 35,775	\$ 40,506
Contributions in relation to the actuarially determined contributions	<u>(35,775)</u>	<u>(35,775)</u>	<u>(40,506)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered employee payroll	\$ --	\$ --	\$ 164,946
Contributions as a percentage of covered employee payroll	N/A	N/A	24.56%

2016 is the first year that this information has been made available due to implementation of GASB 68.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 70,496	\$ 32,625	\$ 13,052	\$ 49,507
<u>(70,496)</u>	<u>(32,625)</u>	<u>(13,052)</u>	<u>(49,507)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 197,949	\$ 229,721	\$ 482,565	\$ 531,436
35.61%	14.20%	2.70%	9.32%

SEE NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES
For the Year Ended June 30, 2022

Note 1. Change of Benefit Terms:

There were no changes of benefit terms for this benefit.

Note 2. Change of Assumptions:

There were no changes of assumptions for this benefit.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -
GENERAL FUND**

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Local sources	\$ 14,897,561	\$ 14,897,561	\$ 14,998,395	\$ 100,834
Interdistrict sources	3,519,230	3,519,230	3,414,528	(104,702)
Intermediate sources	19,237	19,237	14,812	(4,425)
State sources	29,733,049	29,733,049	30,187,492	454,443
Federal sources	1,251,669	1,251,669	1,432,397	180,728
Other sources	45,000	45,000	147,784	102,784
Total revenues	<u>49,465,746</u>	<u>49,465,746</u>	<u>50,195,408</u>	<u>729,662</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	16,603,398	16,603,398	15,786,093	817,305
Regular curriculum	5,056,545	5,056,545	5,203,724	(147,179)
Vocational curriculum	1,223,188	1,223,188	1,134,341	88,847
Physical curriculum	1,153,775	1,153,775	1,531,823	(378,048)
Co-curricular activities	846,319	846,319	1,409,408	(563,089)
Special needs	367,682	367,682	231,762	135,920
Total instruction	<u>25,250,907</u>	<u>25,250,907</u>	<u>25,297,151</u>	<u>(46,244)</u>
Support services:				
Pupil services	1,565,760	1,565,760	1,548,180	17,580
Instructional staff services	1,445,257	1,445,257	1,515,010	(69,753)
General administration	566,766	566,766	529,530	37,236
School building administration	2,348,798	2,348,798	2,320,004	28,794
Business administration	7,755,038	7,755,038	7,700,696	54,342
Central services	19,341	19,341	161,137	(141,796)
Insurance	594,381	594,381	587,864	6,517
Debt service	2,200	2,200	1,425	775
Other support services	1,695,212	1,695,212	1,745,190	(49,978)
Total support services	<u>15,992,753</u>	<u>15,992,753</u>	<u>16,109,036</u>	<u>(116,283)</u>
Nonprogram	3,680,321	3,680,321	3,637,161	43,160
Total expenditures	<u>44,923,981</u>	<u>44,923,981</u>	<u>45,043,348</u>	<u>(119,367)</u>
Excess of revenues over expenditures	4,541,765	4,541,765	5,152,060	610,295
Other financing sources (uses):				
Operating transfers (out)	(3,874,057)	(3,874,057)	(4,675,246)	(801,189)
Net change in fund balances	667,708	667,708	476,814	(190,894)
Fund balances, beginning of year, as restated	13,983,970	13,983,970	13,983,970	--
Fund balances, end of year	<u>\$ 14,651,678</u>	<u>\$ 14,651,678</u>	<u>\$ 14,460,784</u>	<u>\$ (190,894)</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Interdistrict sources	\$ 30,000	\$ 30,000	\$ --	\$ (30,000)
State sources	1,533,653	1,533,653	1,512,565	(21,088)
Federal sources	1,064,633	1,064,633	1,106,630	41,997
Total revenues	<u>2,628,286</u>	<u>2,628,286</u>	<u>2,619,195</u>	<u>(9,091)</u>
Expenditures:				
Instruction:				
Special curriculum	<u>4,659,625</u>	<u>4,659,625</u>	<u>4,318,840</u>	<u>340,785</u>
Support services:				
Pupil services	943,621	943,621	991,746	(48,125)
Instructional staff services	497,615	497,615	327,835	169,780
Business administration	<u>146,482</u>	<u>146,482</u>	<u>172,014</u>	<u>(25,532)</u>
Total support services	1,587,718	1,587,718	1,491,595	96,123
Nonprogram	<u>255,000</u>	<u>255,000</u>	<u>444,006</u>	<u>(189,006)</u>
Total expenditures	<u>6,502,343</u>	<u>6,502,343</u>	<u>6,254,441</u>	<u>247,902</u>
Excess of revenues (under) expenditures	(3,874,057)	(3,874,057)	(3,635,246)	238,811
Other financing sources (uses):				
Operating transfers in	<u>3,874,057</u>	<u>3,874,057</u>	<u>3,635,246</u>	<u>(238,811)</u>
Net change in fund balances	--	--	--	--
Fund balances, beginning of year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

OTHER SUPPLEMENTARY INFORMATION

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2022

	<u>Special Revenue Funds</u>	<u>Capital Expansion Fund</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 2,171,026	\$ 802,507	\$ 2,973,533
Due from other funds	--	1,040,000	1,040,000
Interest receivable	--	6,817	6,817
Due from other governments	3,658	--	3,658
	<u>3,658</u>	<u>--</u>	<u>3,658</u>
 Total assets	 <u>\$ 2,174,684</u>	 <u>\$ 1,849,324</u>	 <u>\$ 4,024,008</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 3,658	\$ --	\$ 3,658
Deferred revenue	63,557	--	63,557
	<u>63,557</u>	<u>--</u>	<u>63,557</u>
 Total liabilities	 <u>67,215</u>	 <u>--</u>	 <u>67,215</u>
 Fund balances:			
Spendable:			
Restricted	1,579,700	1,849,324	3,429,024
Assigned	527,769	--	527,769
	<u>527,769</u>	<u>--</u>	<u>527,769</u>
 Total fund balances	 <u>2,107,469</u>	 <u>1,849,324</u>	 <u>3,956,793</u>
 Total liabilities and fund balances	 <u>\$ 2,174,684</u>	 <u>\$ 1,849,324</u>	 <u>\$ 4,024,008</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022**

	Special Revenue Funds	Capital Expansion Fund	Totals
Revenues:			
Local sources	\$ 1,201,618	\$ 6,824	\$ 1,208,442
State sources	85,921	--	85,921
Federal sources	2,659,789	--	2,659,789
Total revenues	3,947,328	6,824	3,954,152
Expenditures:			
Instruction:			
Undifferentiated curriculum	4,782	--	4,782
Regular curriculum	39,061	--	39,061
Other instruction	8,871	--	8,871
Total instruction	52,714	--	52,714
Support services:			
School building administration	760,857		760,857
Nonprogram	9,500		9,500
Food service	2,014,327	--	2,014,327
Total expenditures	2,837,398	--	2,837,398
Excess of revenues over (under) expenditures	1,109,930	6,824	1,116,754
Other financing sources (uses):			
Operating transfer in (out)	--	1,040,000	1,040,000
Net change in fund balances	1,109,930	1,046,824	2,156,754
Fund balance, beginning of year	997,539	802,500	1,800,039
Fund balance, end of year	\$ 2,107,469	\$ 1,849,324	\$ 3,956,793

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS**

June 30, 2022

	Special Revenue Trust	Other Special Projects	Food Service	Totals
ASSETS				
Cash and investments	\$ 527,769	\$ --	\$ 1,643,257	\$ 2,171,026
Due from other governments	--	3,658	--	3,658
Total assets	\$ 527,769	\$ 3,658	\$ 1,643,257	\$ 2,174,684
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Do to other funds	\$ --	\$ 3,658	\$ --	\$ 3,658
Food service deposits	--	--	63,557	63,557
Total liabilities	--	3,658	63,557	67,215
 Fund balances:				
Spendable:				
Restricted	--	--	1,579,700	1,579,700
Assigned	527,769	--	--	527,769
Total fund balances	527,769	--	1,579,700	2,107,469
 Total liabilities and fund balances	 \$ 527,769	 \$ 3,658	 \$ 1,643,257	 \$ 2,174,684

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2022

	Special Revenue Trust	Other Special Projects	Food Service	Totals
Revenues:				
Local sources	\$ 866,259	\$ --	\$ 335,359	\$ 1,201,618
State sources	--	7,323	78,598	85,921
Federal sources	--	--	2,659,789	2,659,789
	<u>866,259</u>	<u>7,323</u>	<u>3,073,746</u>	<u>3,947,328</u>
Total revenues				
	<u>866,259</u>	<u>7,323</u>	<u>3,073,746</u>	<u>3,947,328</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	4,782	--	--	4,782
Regular curriculum	39,061	--	--	39,061
Other instruction	1,548	7,323	--	8,871
Total instruction	<u>45,391</u>	<u>7,323</u>	<u>--</u>	<u>52,714</u>
Support services:				
School building administration	760,857	--	--	760,857
Nonprogram	9,500	--	--	9,500
Food service	--	--	2,014,327	2,014,327
	<u>815,748</u>	<u>7,323</u>	<u>2,014,327</u>	<u>2,837,398</u>
Total expenditures				
	<u>815,748</u>	<u>7,323</u>	<u>2,014,327</u>	<u>2,837,398</u>
Net change in fund balances	50,511	--	1,059,419	1,109,930
Fund balances, beginning of year	<u>477,258</u>	<u>--</u>	<u>520,281</u>	<u>997,539</u>
Fund balances, end of year	<u>\$ 527,769</u>	<u>\$ --</u>	<u>\$ 1,579,700</u>	<u>\$ 2,107,469</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING BALANCE SHEET -
GENERAL FUND
June 30, 2022**

	General Fund	Special Education Fund	Eliminations	Combined
ASSETS				
Cash and investments	\$ 13,106,071	\$ --	\$ --	\$ 13,106,071
Taxes receivable, net	5,288,276	--	--	5,288,276
Accounts receivable	23,586	--	--	23,586
Due from other funds	170,624	--	--	170,624
Due from other governments	784,518	596,312	--	1,380,830
	\$ 19,373,075	\$ 596,312	\$ --	\$ 19,969,387
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 887,627	\$ 864	\$ --	\$ 888,491
Accrued salaries and wages	1,788,970	417,664	--	2,206,634
Accrued payroll taxes and withholdings	1,195,694	10,818	--	1,206,512
Due to other funds	1,040,000	166,966	--	1,206,966
Total liabilities	4,912,291	596,312	--	5,508,603
Fund balances:				
Spendable:				
Unassigned	14,460,784	--	--	14,460,784
Total liabilities and fund balances	\$ 19,373,075	\$ 596,312	\$ --	\$ 19,969,387

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GENERAL FUND**

For the Year Ended June 30, 2022

	General Fund	Special Education Fund	Eliminations	Combined
Revenues:				
Local sources	\$ 14,998,395	\$ --	\$ --	\$ 14,998,395
Interdistrict sources	3,414,528	--	--	3,414,528
Intermediate sources	14,812	--	--	14,812
State sources	30,187,492	1,512,565	--	31,700,057
Federal sources	1,432,397	1,106,630	--	2,539,027
Other sources	147,784	--	--	147,784
Total revenues	<u>50,195,408</u>	<u>2,619,195</u>	<u>--</u>	<u>52,814,603</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	15,786,093	--	--	15,786,093
Regular curriculum	5,203,724	--	--	5,203,724
Special curriculum	--	4,318,840	--	4,318,840
Other instruction	4,307,334	--	--	4,307,334
Total instruction	<u>25,297,151</u>	<u>4,318,840</u>	<u>--</u>	<u>29,615,991</u>
Support services:				
Pupil services	1,548,180	991,746	--	2,539,926
Instructional staff services	1,515,010	327,835	--	1,842,845
General administration	529,530	--	--	529,530
School building administration	2,320,004	--	--	2,320,004
Business administration	7,700,696	172,014	--	7,872,710
Debt service	1,425	--	--	1,425
Other support services	2,494,191	--	--	2,494,191
Total support services	<u>16,109,036</u>	<u>1,491,595</u>	<u>--</u>	<u>17,600,631</u>
Nonprogram	3,637,161	444,006	--	4,081,167
Total expenditures	<u>45,043,348</u>	<u>6,254,441</u>	<u>--</u>	<u>51,297,789</u>
Excess of revenues over (under) expenditures	<u>5,152,060</u>	<u>(3,635,246)</u>	<u>--</u>	<u>1,516,814</u>
Other financing sources (uses):				
Operating transfers in	--	3,635,246	(3,635,246)	--
Operating transfers (out)	(4,675,246)	--	3,635,246	(1,040,000)
Net other financing sources (uses)	<u>(4,675,246)</u>	<u>3,635,246</u>	<u>--</u>	<u>(1,040,000)</u>
Net change in fund balances	476,814	--	--	476,814
Fund balances, beginning of year	13,983,970	--	--	13,983,970
Fund balances, end of year	<u>\$ 14,460,784</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,460,784</u>

Board of Education of the Hortonville Area School District (HASD)

Section VI

SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS

FISCAL YEAR ENDING JUNE 30, 2022

OPERATING ACTIVITY	WUFAR OBJECT CODE	COST
EMPLOYEE SALARIES	100	20,172.77
EMPLOYEE BENEFITS	200	5,780.63
PURCHASED SERVICES	300	
NON-CAPITAL OBJECTS	400	
CAPITAL OBJECTS	500	
INSURANCE & JUDGEMENTS	700	
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	
TOTAL		\$25,953.40

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 06/30/21
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Programs From:			
WI Department of Public Instruction:			
<i>Child Nutrition Cluster:</i>			
National School Breakfast	10.553	2022-442583-DPI-SB-546	\$ 19,397
National School Lunch - Noncash	10.555	2022-442583-DPI-NSL-001	--
National School Lunch - Cash Child Nutrition Cluster	10.555	2022-442583-DPI-NSL-547	<u>41,740</u>
Totals			<u>61,137</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Programs From:			
WI Department of Public Instruction:			
Title I-A Basic Grant	84.010	2022-442583-DPI-TIA-141	110,737
Title III-A English Language Acquisition Programs	84.365	2022-442583-DPI-T3-391	315
Title II-A Teacher/Principal Training	84.367	2022-442583-DPI-TIIA-365	28,870
Title IV-A Student Support and Academic Enrichment Grant	84.424	2022-442583-DPI-TIVA-381	19,240
Emergency and Secondary School Emergency Relief Fund	84.425D	2022-442583-DPI-ESSERF-160	1,794
Emergency and Secondary School Emergency Relief Fund	84.425D	2022-442583-DPI-ESSERFII-163	<u>--</u>
<i>Special Education Cluster:</i>			
IDEA-Flow Through	84.027	2022-442583-DPI-IDEA-F-341	139,261
IDEA-Preschool Entitlement	84.173	2022-442583-DPI-IDEA-P-347	<u>13,074</u>
Special Education Cluster Totals			<u>152,335</u>
CESA #6:			
Title 1-C Perkins	84.048	N/A	--
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
WI Department of Health Services:			
Medical Assistance Program	93.778	N/A	<u>18,865</u>
Total federal awards			<u><u>\$ 393,293</u></u>

<u>Expenditures</u>	<u>Grantor Reimbursement</u>	<u>Accrued Receivable 06/30/22</u>
\$ 611,540	\$ 630,937	\$ --
152,343	152,343	--
<u>1,895,906</u>	<u>1,937,646</u>	<u>--</u>
<u>2,659,789</u>	<u>2,720,926</u>	<u>--</u>
91,052	118,311	83,478
21,995	315	21,995
107,595	28,870	107,595
7,444	19,240	7,444
--	1,794	--
<u>537,180</u>	<u>299,689</u>	<u>237,491</u>
920,917	494,057	566,121
34,767	47,841	--
<u>955,684</u>	<u>541,898</u>	<u>566,121</u>
14,812	14,812	--
<u>235,614</u>	<u>224,287</u>	<u>30,192</u>
<u>\$ 4,631,165</u>	<u>\$ 3,970,142</u>	<u>\$ 1,054,316</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2022**

State Grantor/ Award Description	State ID Number	Pass-Through Identification Number	Accrued Receivable 06/30/21
WI DEPARTMENT OF PUBLIC INSTRUCTION			
Special Education and School			
Age Parents	255.101	442583-100	\$ --
State School Lunch Aid	255.102	442583-107	--
Common School Fund			
Library Aid	255.103	442583-104	--
General Transportation Aid	255.107	442583-102	--
Wisconsin School Day			
Milk Program	255.115	442583-109	--
General Equalization Aids	255.201	442583-116	377,281
High Cost Special Education Aid	255.210	442583-119	--
Aid for School Mental Health			
Programs	255.227	442583-176	--
Peer Review and Monitoring			
Grants	255.301	442583-141	10,100
State School Breakfast Aid	255.344	442583-108	--
Early College Credit Program	255.445	442583-178	--
Educator Effectiveness Grant	255.940	442583-154	24,160
Per Pupil Aid	255.945	442583-113	--
High Cost Transportation Aid	255.947	442583-114	--
Robotics League Participation			
Grants	255.959	442583-167	2,829
Aid for Special Education			
Transition Grant	255.960	442583-168	--
Total state awards			<u>\$ 414,370</u>

<u>Expenditures</u>	<u>Grantor Reimbursement</u>	<u>Accrued Receivable 06/30/22</u>
\$ 1,484,401	\$ 1,484,401	\$ --
50,079	50,079	--
226,149	226,149	--
136,216	136,216	--
4,786	4,786	--
25,954,599	26,331,880	--
7,123	7,123	--
134,706	134,706	--
--	10,100	--
23,733	23,733	--
3,000	3,000	--
26,764	24,160	26,764
2,945,740	2,945,740	--
404,474	404,474	--
--	2,829	--
21,041	21,041	--
<u>\$ 31,422,811</u>	<u>\$ 31,810,417</u>	<u>\$ 26,764</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

For the Year Ended June 30, 2022

Note 1. Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards (schedules) include the federal and state grant activity of Hortonville Area School District under programs of the federal and state governments for the year ended June 30, 2022. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of Hortonville Area School District, they are not intended to and do not present the financial position, changes in the net assets or cash flow of Hortonville Area School District.

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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Hortonville Area School District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance. Pass-through entity identifying numbers are presented where available.

Note 3. Special Education and School Age Parents Program:

The 2021-2022 eligible costs under the state special education program as reported by the District are \$5,330,936. The estimated aid reimbursement for 2022-2023 is \$1,322,072.

Note 4. Noncash Awards:

The federal donated commodities in the Child Nutrition Cluster administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2022.



Erickson & Associates, S.C.

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

Board of Education
Hortonville Area School District
Hortonville, 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 Hortonville Area School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 12, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 12, 2023



Erickson & Associates, S.C.

Certified Public Accountants

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

Board of Education
Hortonville Area School District
Hortonville, Wisconsin

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Hortonville Area School District's (District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2022. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

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 the *State Single Audit Guidelines*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and *State Single Audit Guidelines* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the *State Single Audit Guidelines*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

January 12, 2023

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report on financial statements:	Unmodified opinion
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report on compliance for major federal programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No
Identification of major federal programs:	

10.553
10.555

Child Nutrition Cluster:
National School Breakfast
National School Lunch

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

State Awards

Internal control over major state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report on compliance for major state programs:	Unmodified opinion

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2022

Summary of Auditor's Results - Continued:

Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ?		No
Identification of major state programs:		
	255.101	Special Education and School Age Parents
	255.201	General Equalization Aid
	255.945	Per Pupil Adjustment Aid
Dollar threshold used to distinguish between Type A and Type B programs		\$250,000

Financial Statement Findings:

2022-001 Financial Statement Preparation

Condition: The District has historically relied upon its auditors to assist in the preparation of the district-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the District's internal controls.

Criteria: We are required to report on whether the District is able to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting district-wide and fund financial statements, including the related footnotes.

Cause: The additional costs with hiring staff experienced in preparing financial statements, along with additional training time, outweigh the derived benefits.

Effect: Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

Identification of a Repeat Finding: This is a repeat finding from previous audits, see 2021-001.

Recommendation: The District should continue to evaluate the cost/benefit of outsourcing the task of preparing the financial statements to the external auditors.

Views of Responsible Officials: See District's corrective action plan.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2022

2022-002 Lack of Adequate Segregation of Duties in the System of Controls

Condition: The size of the District's office staff precludes an adequate segregation of accounting and reporting functions necessary to ensure an adequate internal control system.

Criteria: Management is responsible for establishing and maintaining effective internal controls over financial reporting, the selection and application for accounting principles and the safeguarding of assets. Proper segregation of duties provides a system of checks and balances on the accounting system and reduces the risk of errors and irregularities, both intentional and unintentional.

Cause: There are a limited number of office employees.

Effect: Proper segregation of duties in the system of controls is not accomplished.

Identification of a

Repeat Finding: This is a repeat finding from previous audits, see 2021-002.

Recommendation: The District should continue to evaluate the cost/benefit of hiring additional support staff to achieve complete segregation of duties. The District should also consider updating employee procedures to achieve additional segregation of duties, primarily related to cash receipts and cash disbursements. The Board of Education should remain involved with review of and oversight regarding the District's financial statements and budgets.

Views of
Responsible

Officials: See District's corrective action plan.

Federal and State Findings and Questioned Costs:

None reported

Other Issues:

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

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies agencies that require audits to be in accordance with the *State Single Audit Guidelines?*
Department of Public Instruction No

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

Signature of shareholder



Date of report

January 12, 2023

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022

Status of Prior Year Audit Findings:

The findings noted in the 2021 schedule of findings and questioned costs have been reported to the proper federal and state agencies.

Regarding finding 2021-001, management continues to believe that due to budget constraints, it is not practicable for the District to hire additional staff to correct this finding.

Regarding finding 2021-002, management updated employee procedures during the end of the current fiscal year in attempt to achieve proper segregation of duties. This finding will be reevaluated in the next fiscal year after the procedures have been in effect for an entire year and most likely the finding will be resolved at that time.

Hortonville Area School District

Christina Peterson, Director of Business Services
246 N. Olk Street, P.O. Box 70
Hortonville, WI 54944-0070
PH: 920/779-7907 FAX: 920/779-7908

CORRECTIVE ACTION PLAN For the Year Ended June 30, 2022

2022-001 Financial Statement Preparation

Corrective Action Plan: The District has evaluated the cost/benefit of outsourcing the task of preparing the financial statements to the auditors. The District has determined that it is in the best interest of the District to continue to do so. The District will carefully review the draft of the financial statements and notes prior to approving them and accept responsibility for their content and presentation.

Anticipated Completion Date: Ongoing

2022-002 Lack of Adequate Segregation of Duties

Corrective Action Plan: The District will review and update procedures as needed in attempt to achieve proper segregation of duties.

Anticipated Completion Date: June 30, 2023

The contact person responsible for the corrective action plan is Christina Peterson, Director of Business Services.



Christina Peterson
Director of Business Services
920-779-7907

HASD Mission Statement: *Our community ensures every student learns at the highest level.*

Pupil Nondiscrimination Statement: It is the policy of the Hortonville Area School District that no person may be denied admission to any public school or be denied participation in, be denied the benefits of, or be discriminated against in any curricular, extracurricular, pupil services, recreational or other program or activity because of the person's sex, color, race, religion, national origin, ancestry, creed, pregnancy, marital or parental status, sexual orientation or physical, mental, emotional or learning disability.