

HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hortonville Area School District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The nonmajor governmental funds, nonmajor special revenue funds, general fund, and agency funds combining schedules and schedule of charter school authorizer operating costs, listed as other supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required 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*, and are also not a required part of the basic financial statements.

The nonmajor governmental funds, nonmajor special revenue funds, general fund, and agency funds combining schedules, schedule of charter school authorizer operating costs, and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 a report dated January 5, 2021, 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 5, 2021

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

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 \$4.54M.
- The General Fund (Fund 10) fund balance increased from \$11.6M to \$13.3M. The fund balance represents 30% 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, 2020

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, 2020

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. Student and other organizations that have funds on deposit with the District are reported here. The private purpose trust and 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, 2020

Table #2

Condensed Statement of Net Position			
	<u>2020</u>	<u>2019, as restated</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$18,812,973	\$16,592,996	13%
Noncurrent Assets	\$4,614,403	\$ -	100%
Capital Assets	\$45,037,449	\$45,726,649	-2%
Total Assets	\$68,464,825	\$62,319,645	10%
Deferred Outflows of Resources	\$19,094,680	\$19,888,905	-4%
<u>Liabilities</u>			
Current Liabilities	\$5,171,312	\$5,747,233	-10%
Noncurrent Liabilities	\$23,601,280	\$30,781,039	-23%
Total Liabilities	\$28,772,592	\$36,528,272	-21%
Deferred Inflows of Resources	\$22,771,441	\$14,207,740	60%
<u>Net Position</u>			
Net Investment in Capital Assets	\$21,672,449	\$19,671,649	10%
Restricted	\$2,052,947	\$1,655,868	24%
Unrestricted	\$12,290,076	\$10,145,021	21%
Total Net Position	\$36,015,472	\$31,472,538	14%

Statement of Net Position: (Table #2)

The District's overall financial status, as reflected in total net position, increased by \$4.54M to \$36.02M. The District reported total assets of \$68.47M of which \$45.04M are capital assets. The District reported deferred outflows of resources of \$19.10M. The District reported total liabilities of \$28.77M, of which \$23.60M are long-term liabilities. The District reported deferred inflows of resources of \$22.77M.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2020

Table #3

Changes in Net Position from Operating Results For Governmental Activities					
	<u>2019-20</u>	<u>%</u>	<u>2018-19</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program:					
Charges for Services	\$3,615,288	7%	\$3,616,907	7%	0%
Operating Grants & Cont.	\$3,562,254	7%	\$3,651,187	7%	-2%
General:					
Property Taxes	\$19,072,739	37%	\$17,997,284	36%	6%
General State Aids	\$25,579,319	48%	\$23,698,359	48%	8%
Other	\$377,290	1%	\$712,941	2%	-47%
Total Revenues	<u>\$52,206,890</u>	<u>100%</u>	<u>\$49,676,678</u>	<u>100%</u>	5%
Expenses:					
Instruction	\$25,146,810	53%	\$25,631,874	53%	-2%
Support Services	\$14,714,793	31%	\$16,251,935	33%	-9%
Nonprogram	\$2,903,433	6%	\$2,682,277	5%	8%
Food Service	\$1,402,637	3%	\$1,595,093	3%	-12%
Community Service	\$ -	0%	\$8,513	0%	-100%
Interest and Fiscal Charges	\$882,561	2%	\$1,013,637	2%	-13%
Unallocated Depreciation	\$2,613,722	5%	\$2,004,008	4%	30%
Total Expenses	<u>\$47,663,956</u>	<u>100%</u>	<u>\$49,187,337</u>	<u>100%</u>	-3%
Change in Net Position	<u>\$4,542,934</u>		<u>\$489,341</u>		828%

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Revenues: (Table #3)

- For FY19-20, the District received \$52.21M in revenue. This is an increase of 5% or \$2.53M from the previous year. Property taxes increased from the prior year by \$1.08M to \$19.1M and general state aids increased by \$1.88M to \$25.58M. For FY19-20, 37% of total revenue came from local school property taxes, and 48% of the total came in the form of general state aids. The District received approximately 14% 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 \$3.62M of the cost, a decrease of \$1,619 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 \$3.56M, which is a decrease of \$88,933 from the prior year. Special education aid, transportation and food service aids are included here.

Expenses: (Table #3)

- For FY19-20, the District's total expenditure amount was \$47.66M. This is a decrease of \$1.5M from the prior year. For FY19-20, 53% was directed to instruction, 31% to support services, and 6% to nonprogram services. The food service program represented 3% and costs for debt service represented 2% of total expenditures.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2020

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u> <u>2020</u>	<u>Net Cost of Services</u> <u>2020</u>
Instruction	\$25,146,810	\$20,648,271
Support Services	\$14,714,793	\$13,695,327
Nonprogram Services	\$2,903,433	\$2,611,369
Food Service	\$1,402,637	\$35,164
Interest and Fiscal Charges	\$882,561	\$882,561
Unallocated Depreciation	\$2,613,722	\$2,613,722
Totals	\$47,663,956	\$40,486,414

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$47.66M.
- The net cost of governmental activities, \$40.49M, was financed by general revenues, which are primarily made up of property taxes, \$19.1M, and general state aids, \$25.58M. Miscellaneous and investment earnings accounted for \$377,290. In addition, District operations were subsidized by \$7.18M, 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 2019 to reflect the actual revenue cap and state aid certification.

Actual revenues were \$241,072 higher than budgeted. Actual expenditures were \$1.30M lower than budgeted.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Fund Balances:

- The District shows a total for all fund balances of \$15.46M as of June 30, 2020.
- \$13.28M 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 30% 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.
- \$1.37M 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 \$45.04M in capital assets. Further detail can be found in Note 4 to the financial statements.

Long-term Obligations

- Long-term obligations decreased by \$7.99M to \$25.03M. Long-term obligations include \$23.37M in general obligation debt benefits, \$308,030 in unamortized bond premium, \$1.08M in other post-employment benefits, \$123,073 in pension liabilities, and \$158,509 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 \$235.02M, leaving the District the ability to borrow an additional \$211.65M (margin of indebtedness).

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2020

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 and there have been a number of additions to Hortonville High School. Based on current enrollment projections, facility space for students should be set until the year 2020.
- 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, 2020

ASSETS

Current assets:

Cash and investments	\$ 13,071,197
Taxes receivable	4,901,357
Pledges receivable, current portion	167,538
Due from other governments	672,881
Total current assets	<u>18,812,973</u>

Noncurrent assets:

Pledges receivable	170,025
Net pension asset - WRS	4,444,378
Total noncurrent assets	<u>4,614,403</u>

Capital assets:

Land, buildings, and equipment	80,725,708
Less accumulated depreciation	35,688,259
Total capital assets	<u>45,037,449</u>

Total assets	<u>68,464,825</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	21,200
Deferred outflows related to WRS pension	19,073,480
Total deferred outflows of resources	<u>19,094,680</u>

LIABILITIES

Current liabilities:

Current portion of bonds payable	1,430,000
Accounts payable	269,308
Food service deposits	97,802
Accrued salaries and wages	2,027,294
Accrued payroll taxes and withholdings	1,125,758
Accrued interest payable	221,150
Total current liabilities	<u>5,171,312</u>

Long-term liabilities:

Bonds payable	21,935,000
Bond premium	308,030
Net OPEB liability	1,076,668
Net pension liability - supplemental pension	123,073
Vested employee benefits	158,509
Total long-term liabilities	<u>23,601,280</u>

Total liabilities 28,772,592

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to WRS pension 22,771,441

NET POSITION

Net investment in capital assets	21,672,449
Restricted	2,052,947
Unrestricted	<u>12,290,076</u>
Total net position	<u>\$ 36,015,472</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

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	\$ 13,544,497	\$ 1,390,872	\$ 29,713	\$ (12,123,912)
Regular curriculum	4,484,119	1,390,872	127,381	(2,965,866)
Special curriculum	4,006,746	--	1,558,222	(2,448,524)
Other instruction	3,111,448	--	1,479	(3,109,969)
Total instruction	25,146,810	2,781,744	1,716,795	(20,648,271)
Support services:				
Pupil services	2,304,942	--	129,726	(2,175,216)
Instructional staff services	1,577,074	--	325,692	(1,251,382)
General administration	484,932	--	--	(484,932)
School building administration	2,274,124	--	76,327	(2,197,797)
Business administration	6,470,262	--	482,945	(5,987,317)
Other support services	1,603,459	--	4,776	(1,598,683)
Total support services	14,714,793	--	1,019,466	(13,695,327)
Nonprogram	2,903,433	--	292,064	(2,611,369)
Food service	1,402,637	833,544	533,929	(35,164)
Interest and fiscal charges	882,561	--	--	(882,561)
Unallocated depreciation	2,613,722	--	--	(2,613,722)
Totals	\$ 47,663,956	\$ 3,615,288	\$ 3,562,254	(40,486,414)

General revenues:

General state aids	25,579,319
Property taxes levied for:	
General purposes	15,024,814
Debt service	4,047,925
Interest income	21,366
Donations	164,808
Miscellaneous	191,116
Total general revenues	45,029,348
Change in net position	4,542,934
Net position, beginning of year, as restated	31,472,538
Net position, end of year	\$ 36,015,472

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, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 11,131,849	\$ 1,365,415	\$ 573,933	\$ 13,071,197
Taxes receivable, net	4,901,357	--	--	4,901,357
Pledges receivable	--	--	337,563	337,563
Due from other governments	672,881	--	--	672,881
Total assets	<u>\$ 16,706,087</u>	<u>\$ 1,365,415</u>	<u>\$ 911,496</u>	<u>\$ 18,982,998</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 269,308	\$ --	\$ --	\$ 269,308
Food service deposits	--	--	97,802	97,802
Accrued salaries and wages	2,027,294	--	--	2,027,294
Accrued payroll taxes and withholdings	1,125,758	--	--	1,125,758
Total liabilities	<u>3,422,360</u>	<u>--</u>	<u>97,802</u>	<u>3,520,162</u>
Fund balances:				
Spendable:				
Restricted	--	1,365,415	687,532	2,052,947
Assigned	--	--	126,162	126,162
Unassigned	13,283,727	--	--	13,283,727
Total fund balances	<u>13,283,727</u>	<u>1,365,415</u>	<u>813,694</u>	<u>15,462,836</u>
 Total liabilities and fund balances	 <u>\$ 16,706,087</u>	 <u>\$ 1,365,415</u>	 <u>\$ 911,496</u>	 <u>\$ 18,982,998</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

June 30, 2020

Total fund balances for governmental funds		\$ 15,462,836
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.		4,444,378
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 \$25,079,002 accumulated depreciation	41,020,048	
Furniture and equipment, net of \$5,226,101 accumulated depreciation	2,057,299	
Land	530,200	
Site improvements, net of \$868,776 accumulated depreciation	151,783	
Vehicles, net of \$4,514,380 accumulated depreciation	1,278,119	
Total capital assets		45,037,449
Deferred outflows of resources related to the pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.		19,094,680
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.		(221,150)
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, 2020, are:		
Bonds payable	(23,365,000)	
Bond premium	(308,030)	
Net OPEB liability	(1,076,668)	
Net pension liability - supplemental pension	(123,073)	
Vested employee benefits	(158,509)	
Total long-term liabilities		(25,031,280)
Deferred inflows of resources related to the pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.		(22,771,441)
Total net position of governmental activities		\$ 36,015,472

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local sources	\$ 15,297,191	\$ 4,050,029	\$ 997,415	\$ 20,344,635
Interdistrict sources	2,466,472	--	--	2,466,472
Intermediate sources	12,088	--	--	12,088
State sources	27,656,224	--	29,678	27,685,902
Federal sources	1,005,595	--	511,605	1,517,200
Other sources	179,656	--	937	180,593
Total revenues	<u>46,617,226</u>	<u>4,050,029</u>	<u>1,539,635</u>	<u>52,206,890</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	13,879,148	--	41,522	13,920,670
Regular curriculum	4,751,340	--	27,783	4,779,123
Special curriculum	4,048,537	--	--	4,048,537
Other instruction	3,171,820	--	9,510	3,181,330
Total instruction	<u>25,850,845</u>	<u>--</u>	<u>78,815</u>	<u>25,929,660</u>
Support services:				
Pupil services	2,325,117	--	--	2,325,117
Instructional staff services	1,591,193	--	--	1,591,193
General administration	488,501	--	--	488,501
School building administration	2,297,355	--	--	2,297,355
Business administration	7,217,885	--	868	7,218,753
Debt service	950	3,649,849	--	3,650,799
Other support services	2,252,958	--	--	2,252,958
Total support services	<u>16,173,959</u>	<u>3,649,849</u>	<u>868</u>	<u>19,824,676</u>
Nonprogram	2,903,433	--	--	2,903,433
Food service	--	--	1,415,098	1,415,098
Total expenditures	<u>44,928,237</u>	<u>3,649,849</u>	<u>1,494,781</u>	<u>50,072,867</u>
Net change in fund balances	1,688,989	400,180	44,854	2,134,023
Fund balances, beginning of year, as restated	11,594,738	965,235	768,840	13,328,813
Fund balances, end of year	<u>\$ 13,283,727</u>	<u>\$ 1,365,415</u>	<u>\$ 813,694</u>	<u>\$ 15,462,836</u>

**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, 2020**

Net change in fund balances-governmental funds	\$ 2,134,023
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 depreciation exceeds capitalized outlays in the current period.	(689,200)
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.	26,900
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 paid are less than the amounts earned.	500,614
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.	32,158
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.	(186,998)
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 the accrual basis is more than the pay-as-you-go in the current year.	(15,901)
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.	51,338
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.	2,690,000
Changes in net position of governmental activities	<u>\$ 4,542,934</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

June 30, 2020

	<u>Agency Funds</u>	<u>Private Purpose Trust Fund</u>	<u>Employee Benefit Trust Fund</u>
ASSETS			
Cash and investments	\$ 380,864	\$ 54,723	\$ 1,401,943
LIABILITIES			
Due to student organizations	380,864	--	--
NET POSITION			
Restricted for OPEB	--	--	1,401,943
Restricted for scholarships	--	54,723	--
Total net position	<u>\$ --</u>	<u>\$ 54,723</u>	<u>\$ 1,401,943</u>

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

For the Year Ended June 30, 2020

	<u>Private Purpose Trust Fund</u>	<u>Employee Benefit Trust Fund</u>
ADDITIONS		
Contributions to trust	\$ --	\$ 448,769
Plan member contributions	--	32,472
Gifts	8,000	--
Interest income	19	27,331
Total additions	<u>8,019</u>	<u>508,572</u>
DEDUCTIONS		
Scholarships	13,804	--
Employee benefit payments	--	631,241
Total deductions	<u>13,804</u>	<u>631,241</u>
Change in net position	(5,785)	(122,669)
Net position, beginning of year	<u>60,508</u>	<u>1,524,612</u>
Net position, end of year	<u>\$ 54,723</u>	<u>\$ 1,401,943</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 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.

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.

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).

**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 or as an agent for individuals, private organizations, other governments, and/or other funds. These include employee benefit trust, private-purpose trust, and agency funds. Employee benefit trust funds are set up to put aside monies for future post retirement benefits. Donations for scholarships and other bequests are accounted for in private-purpose trust funds. 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. Activities of student organizations are accounted for in an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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, 2020.

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 2019 tax levy is used to finance operations of the District's fiscal year ended June 30, 2020. All property taxes are considered due on January 1, 2020, 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, 2020, 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 Vacation, Sick Pay, and Other Employee Benefit Amounts

Vacation benefits are accrued as a liability if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. 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 vacation and 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 vacation and 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, 2020.

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, 2020.

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:

The debt service fund accounts 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 \$14,908,727 on June 30, 2020, as summarized below:

Petty cash funds	\$ 250
Deposits with financial institutions	13,181,467
Investments:	
Local Government Investment Pool	325,067
OneAmerica (AUL) / MidAmerica	1,401,943
Total	\$ 14,908,727

Reconciliation to the basic financial statements:

Statement of net position	\$ 13,071,197
Fiduciary funds:	
Agency funds	380,864
Private-purpose trust funds	54,723
Employee benefit trust funds	1,401,943
Total	\$ 14,908,727

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.

On June 30, 2020, the carrying amount of the District's bank deposits was \$13,181,467 and the bank balance was \$13,913,125. Of the bank balance, \$354,892 was covered by FDIC insurance, and \$3,000,000 was covered by Federal Home Loan Bank of Chicago through Wolf River Community Bank. In addition, \$3,563,703 was collateralized by Wolf River Community Bank. This left \$6,994,530 uninsured and uncollateralized.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

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.

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. Investments in OneAmerica (AUL) / MidAmerica received a Standard & Poor's rating of A+ according to the most recent report dated July 29, 2020.

The District does not have a formal policy to address credit risk since the investment in the Local Government Investment Pool is insured against defaults in principal payments by Financial Security Assurance Incorporated.

Following is the distribution of the District's investments:

	Cost	Fair Value
Local Government Investment Pool	\$ 325,067	\$ 325,067
OneAmerica (AUL) fixed income	1,401,943	1,401,943
Totals	\$ 1,727,010	\$ 1,727,010

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 to address interest rate risk.

Note 3. Pledges Receivable:

Included in pledges receivable are the following unconditional promises to give at June 30, 2020:

Unconditional promises to give	\$ 337,563
Less current portion	167,538
Net long-term unconditional promises to give	\$ 170,025
Amounts due in:	
Less than one year	\$ 167,538
One to five years	170,025
Total unconditional promises to give	\$ 337,563

**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	\$ --	\$ --	\$ 66,099,050
Furniture and equipment	5,622,532	1,921,640	260,772	7,283,400
Land	530,200	--	--	530,200
Site improvements	1,017,677	2,882	--	1,020,559
Vehicles	5,792,499	--	--	5,792,499
Totals	<u>79,061,958</u>	<u>1,924,522</u>	<u>260,772</u>	<u>80,725,708</u>
Accumulated depreciation:				
Buildings	23,765,554	1,313,448	--	25,079,002
Furniture and equipment	4,550,858	897,485	222,242	5,226,101
Site improvements	849,907	18,869	--	868,776
Vehicles	4,168,990	345,390	--	4,514,380
Totals	<u>33,335,309</u>	<u>2,575,192</u>	<u>222,242</u>	<u>35,688,259</u>
Capital assets, net	<u>\$ 45,726,649</u>	<u>\$ (650,670)</u>	<u>\$ 38,530</u>	<u>\$ 45,037,449</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	\$26,055,000	\$ --	\$ 2,690,000	\$23,365,000	\$ 1,430,000
Bond premium	359,368	--	51,338	308,030	--
Net OPEB liability	1,441,699	--	365,031	1,076,668	--
Supplemental pension liability	155,231	--	32,158	123,073	--
Net pension liability - WRS	4,862,133	--	4,862,133	--	--
Vested employee benefits	142,608	15,901	--	158,509	--
Totals	<u>\$33,016,039</u>	<u>\$ 15,901</u>	<u>\$ 8,000,660</u>	<u>\$25,031,280</u>	<u>\$ 1,430,000</u>

Total interest paid for the year ended June 30, 2020, was \$959,849 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, 2020, 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	08/05/13	2.0 - 4.0%	04/01/27	\$ 12,680,000
General obligation bonds	03/03/14	3.5%	04/01/33	10,000,000
General obligation bonds	02/19/08	3.0 - 4.0%	04/01/21	685,000
Total bonds payable				<u>\$ 23,365,000</u>

The 2019 equalized valuation of the District as certified by Wisconsin Department of Revenue is \$2,350,173,752. The legal debt limit and margin of indebtedness as of June 30, 2020, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$2,350,173,752)	\$ 235,017,375
Deduct long-term debt applicable to debt margin	<u>23,365,000</u>
Margin of indebtedness	<u>\$ 211,652,375</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5. Long-term Obligations - Continued:

Aggregate cash flow requirements for the retirement of general obligation debt principal and interest on June 30, 2020, are as follows:

Year ending June 30,	Principal	Interest	Totals
2021	\$ 1,430,000	\$ 850,025	\$ 2,280,025
2022	1,950,000	792,825	2,742,825
2023	2,010,000	734,325	2,744,325
2024	2,085,000	669,000	2,754,000
2025	2,170,000	585,600	2,755,600
2026-2030	8,460,000	1,795,150	10,255,150
2031-2033	5,260,000	372,575	5,632,575
Totals	\$ 23,365,000	\$ 5,799,500	\$ 29,164,500

Note 6. Fund Balance Reporting:

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2020:

Description	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Restricted:				
Food service fund activities	\$ --	\$ --	\$ 222,878	\$ 222,878
Debt service fund	--	1,365,415	--	1,365,415
Capital projects fund	--	--	464,654	464,654
Assigned:				
Donations - special revenue trust fund	--	--	126,162	126,162
Unassigned	13,283,727	--	--	13,283,727
Total fund balances	\$ 13,283,727	\$ 1,365,415	\$ 813,694	\$ 15,462,836

**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, 2020:

General fund:		
Central services	\$	25,752
Insurance		9,320
Other support services		22,721
Special Education fund:		
Pupil services		14,016
Nonprogram		92,631

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.

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.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

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

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)

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.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

During the reporting period, the WRS recognized \$1,443,123 in contributions from the employer. Contribution rates as of June 30, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives and elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At June 30, 2020, the District reported a liability (asset) of (\$4,444,378) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. 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, 2019, the District's proportion was 0.13783341%, which was an increase of 0.00116781% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,677,654.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,436,446	\$ 4,221,876
Changes in assumptions	346,335	--
Net differences between projected and actual earnings on pension plan investments	9,457,526	18,543,416
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,933	6,149
Employer contributions made subsequent to the measurement date	829,240	--
Totals	\$ 19,073,480	\$ 22,771,441

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

\$829,240 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, 2020.

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
2020	\$ 6,190,249	\$ 7,533,573
2021	6,098,544	7,102,738
2022	4,872,051	4,714,868
2023	1,083,396	3,420,262
Thereafter	--	--

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2018
Measurement date of net pension liability (asset)	December 31, 2019
Actuarial cost method	Entry age normal
Asset valuation method	Fair market value
Long-term expected rate of return	7.0%
Discount rate	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience, actuarial assumptions used to measure the total pension liability changed from the prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2019, is based upon a roll-forward of the liability calculated from the December 31, 2018 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, 2019**

<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	49	8.0	5.1
Fixed income	24.5	4.9	2.1
Inflation sensitive assets	15.5	4.0	1.2
Real estate	9	6.3	3.5
Private equity/debt	8	10.6	7.6
Multi-asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
<u>Variable Fund Asset Class</u>			
U.S. equities	70	7.5	4.6
International equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

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

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

**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 7.0% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.0% and a municipal bond rate of 2.75% (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, 2019. 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 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the 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 7.0%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
District's proportionate share of the net pension liability (asset)	\$11,445,068	\$(4,444,378)	\$(16,323,567)

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 \$388,196 for the outstanding amount of contributions in the Plan for the year ended June 30, 2020.

**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, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	36
Active plan members	29
Total	65

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, 2020, the District's average contribution rate was 26.56% 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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 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 6.2%, 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, 2020:

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 (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2019	\$ 2,966,311	\$ 1,524,612	\$ 1,441,699
Changes for the year:			
Service cost	67,691	--	67,691
Interest	75,850	--	75,850
Contributions - District	--	448,769	(448,769)
Contributions - participants	--	32,472	(32,472)
Net investment income	--	27,331	(27,331)
Benefit payments	(631,241)	(631,241)	--
Net changes	(487,700)	(122,669)	(365,031)
Balances at 6/30/2020	\$ 2,478,611	\$ 1,401,943	\$ 1,076,668

**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	\$ 1,131,443	\$ 1,076,668	\$ 1,029,978

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	\$ 1,028,803	\$ 1,076,668	\$ 1,136,590

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

For the year ended June 30, 2020, the District recognized a reduction of OPEB expense of \$500,614. At June 30, 2020, 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
Net difference between projected and actual earnings on OPEB plan investments	\$ 21,200	\$ --

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>			
2021		\$	7,459
2022			6,520
2023			5,065
2024			2,156

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Active employees	<u>2</u>
Total employees	<u>5</u>

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
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, 2020.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/19	\$ 155,231	\$ --	\$ 155,231
Changes for the year:			
Service cost	4,891	--	4,891
Interest	3,457	--	3,457
Difference between expected and actual experience	--	--	--
Changes in assumptions	--	--	--
Benefits payments	(40,506)	--	(40,506)
Net changes	(32,158)	--	(32,158)
Balances at 6/30/20	<u>\$ 123,073</u>	<u>\$ --</u>	<u>\$ 123,073</u>

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	<u>\$ 127,383</u>	<u>\$ 123,073</u>	<u>\$ 118,890</u>

**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, 2020, the District recognized a reduction of pension expense of \$32,158. At June 30, 2020, 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, 2020, the District reported a liability of \$70,124, which represents reported and unreported claims that were incurred on or before June 30, 2020, but were not paid by the District as of that date. This amount consists of claims of \$33,284 reported to the District by the plan administrator, claims of \$24,390 reported to the plan administrator but not the District, and claims of \$12,450, 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, 2020. 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 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:

	Level 1	Level 2	Level 3	Totals
AUL fixed income	\$ 1,401,943	\$ --	\$ --	\$ 1,401,943
Local Government Investment Pool	--	325,067	--	325,067
Totals	\$ 1,401,943	\$ 325,067	\$ --	\$ 1,727,010

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.

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.

Note 15. Prior Period Adjustments:

The effect of the District making a prior period adjustment due to a correction to the food service deposits balance resulted in the restatement of the District's net position as of June 30, 2019, as follows:

Total net position as previously reported in the governmental statement of activities	\$ 31,440,666
Correction related to food service deposits	31,872
Total net position at June 30, 2019	\$ 31,472,538

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 15. Prior Period Adjustments - Continued:

The effect of the District making a prior period adjustment due to a correction to the food service deposits balance resulted in the restatement of the food service's fund balances as of June 30, 2019, as follows:

Total fund balance as previously reported in the combining schedule of revenues, expenditures, and changes in fund balances - nonmajor special revenue funds	\$ 238,631
Correction related to food service deposits	<u>31,872</u>
Total food service fund balance at June 30, 2019	<u>\$ 270,503</u>

Note 16. Subsequent Events:

The District has evaluated all subsequent events through January 5, 2021, 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

	2020	2019
Total OPEB liability:		
Service cost	\$ 67,691	\$ 65,719
Interest	75,850	88,027
Changes in benefit terms	--	--
Changes of assumptions or other input	--	--
Differences between expected and actual experience	--	--
Benefit payments	(631,241)	(642,818)
Net change in total OPEB liability	(487,700)	(489,072)
Total OPEB liability - beginning	2,966,311	3,455,383
Total OPEB liability - ending	\$ 2,478,611	\$ 2,966,311
Plan fiduciary net position:		
Contributions - employer	\$ 448,769	\$ 612,868
Contributions - employee	32,472	29,950
Net investment income	27,331	23,000
Benefit payments	(631,241)	(642,818)
Other/transfer to active benefit fund	--	--
Net change in plan fiduciary net position	(122,669)	23,000
Total fiduciary net position - beginning	1,524,612	1,501,612
Total fiduciary net position - ending	\$ 1,401,943	\$ 1,524,612
Net OPEB liability - ending	\$ 1,076,668	\$ 1,441,699
Plan fiduciary net position as a percentage of the total OPEB liability	56.56%	51.40%
The District's covered employee payroll	\$ 1,689,879	\$ 1,785,542
Net OPEB liability as a percentage of covered employee payroll	63.71%	80.74%

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

2018	2017	2016
\$ 140,734	\$ 135,321	\$ 130,116
89,577	90,380	97,994
--	--	(8,394,932)
(891)	--	269,539
(512,602)	--	--
(599,548)	(589,733)	(642,566)
(882,730)	(364,032)	(8,539,849)
4,338,113	4,702,145	13,241,994
<u>\$ 3,455,383</u>	<u>\$ 4,338,113</u>	<u>\$ 4,702,145</u>
\$ 719,134	\$ 755,423	\$ 732,230
30,414	29,310	35,499
19,374	25,039	71,332
(599,548)	(589,733)	(642,566)
--	(746,662)	(4,220,635)
169,374	(526,623)	(4,024,140)
1,332,238	1,858,861	5,883,001
<u>\$ 1,501,612</u>	<u>\$ 1,332,238</u>	<u>\$ 1,858,861</u>
<u>\$ 1,953,771</u>	<u>\$ 3,005,875</u>	<u>\$ 2,843,284</u>
43.46%	30.71%	39.53%
\$ 1,888,399	\$ 2,663,213	\$ 2,790,588
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>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 219,994	\$ 256,937
Contributions in relation to the actuarially determined contributions	<u>(448,769)</u>	<u>(612,868)</u>
Contribution deficiency (excess)	<u>\$ (228,775)</u>	<u>\$ (355,931)</u>
District's covered employee payroll	\$ 1,689,879	\$ 1,785,542
Contributions as a percentage of covered employee payroll	26.56%	34.32%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 719,134	\$ 755,423	\$ 732,230
<u>(719,134)</u>	<u>(755,423)</u>	<u>(732,230)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 1,888,399	\$ 2,663,213	\$ 2,790,588
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, 2020**

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%

* 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***

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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%

* 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, 2020**

Note 1. Change of Benefit Terms:

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

Note 2. Change of Assumptions:

No significant change in assumptions were noted from the prior year.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Supplemental Pension Plan

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability:			
Service cost	\$ 4,891	\$ 4,749	\$ 16,726
Interest	3,457	4,578	8,339
Changes of assumptions or other input	--	--	(847)
Differences between expected and actual experience	--	--	(84,913)
Benefit payments	(40,506)	(70,496)	(32,625)
Net change in total pension liability	<u>(32,158)</u>	<u>(61,169)</u>	<u>(93,320)</u>
Total pension liability - beginning	155,231	216,400	309,720
Total pension liability - ending	<u>\$ 123,073</u>	<u>\$ 155,231</u>	<u>\$ 216,400</u>
Plan fiduciary net position:			
Contributions - employer	\$ --	\$ --	\$ --
Contributions - employee	--	--	--
Net investment income	--	--	--
Benefit payments	--	--	--
Net change in plan fiduciary net position	<u>--</u>	<u>--</u>	<u>--</u>
Total fiduciary net position - beginning	--	--	--
Total fiduciary net position - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Net pension liability - ending	<u>\$ 123,073</u>	<u>\$ 155,231</u>	<u>\$ 216,400</u>
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	\$ 197,949	\$ 229,721
Net pension liability as a percentage of covered employee payroll	74.61%	78.42%	94.20%

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

<u>2017</u>	<u>2016</u>
\$ 16,083	\$ 15,464
8,301	8,444
--	16,822
--	--
(13,052)	(49,507)
<u>11,332</u>	<u>(8,777)</u>
298,388	307,165
<u>\$ 309,720</u>	<u>\$ 298,388</u>

\$ --	\$ --
--	--
--	--
--	--
--	--
--	--
<u>\$ --</u>	<u>\$ --</u>
<u>\$ 309,720</u>	<u>\$ 298,388</u>

0.00%	0.00%
\$ 482,565	\$ 531,436
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>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 40,506	\$ 70,496	\$ 32,625
Contributions in relation to the actuarially determined contributions	<u>(40,506)</u>	<u>(70,496)</u>	<u>(32,625)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered employee payroll	\$ 164,946	\$ 197,949	\$ 229,721
Contributions as a percentage of covered employee payroll	24.56%	35.61%	14.20%

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

<u>2017</u>	<u>2016</u>
\$ 13,052	\$ 49,507
<u>(13,052)</u>	<u>(49,507)</u>
<u>\$ --</u>	<u>\$ --</u>
\$ 482,565	\$ 531,436
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, 2020**

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, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Local sources	\$ 15,238,898	\$ 15,238,898	\$ 15,297,191	\$ 58,293
Interdistrict sources	2,502,027	2,502,027	2,466,472	(35,555)
Intermediate sources	19,000	19,000	12,088	(6,912)
State sources	26,339,367	26,339,367	26,457,934	118,567
Federal sources	172,708	172,708	157,731	(14,977)
Other sources	58,000	58,000	179,656	121,656
Total revenues	<u>44,330,000</u>	<u>44,330,000</u>	<u>44,571,072</u>	<u>241,072</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	14,326,268	14,326,268	13,879,148	447,120
Regular curriculum	4,711,316	4,831,316	4,751,340	79,976
Vocational curriculum	1,013,243	1,013,243	987,883	25,360
Physical curriculum	1,104,849	1,104,849	1,094,199	10,650
Co-curricular activities	819,481	819,481	755,122	64,359
Special needs	336,530	336,530	334,616	1,914
Total instruction	<u>22,311,687</u>	<u>22,431,687</u>	<u>21,802,308</u>	<u>629,379</u>
Support services:				
Pupil services	1,397,775	1,397,775	1,371,941	25,834
Instructional staff services	1,349,977	1,349,977	1,263,317	86,660
General administration	544,031	544,031	488,501	55,530
School building administration	2,349,590	2,349,590	2,297,355	52,235
Business administration	7,660,049	7,540,049	7,096,506	443,543
Central services	125,180	125,180	150,932	(25,752)
Insurance	498,042	498,042	507,362	(9,320)
Debt service	1,600	1,600	950	650
Other support services	1,571,944	1,571,944	1,594,665	(22,721)
Total support services	<u>15,498,188</u>	<u>15,378,188</u>	<u>14,771,529</u>	<u>606,659</u>
Nonprogram	2,571,386	2,571,386	2,511,996	59,390
Total expenditures	<u>40,381,261</u>	<u>40,381,261</u>	<u>39,085,833</u>	<u>1,295,428</u>
Excess of revenues over expenditures	3,948,739	3,948,739	5,485,239	1,536,500
Other financing sources (uses):				
Operating transfers (out)	(3,948,739)	(3,948,739)	(3,796,250)	152,489
Net change in fund balances	--	--	1,688,989	1,688,989
Fund balances, beginning of year	11,594,738	11,594,738	11,594,738	--
Fund balances, end of year	<u>\$ 11,594,738</u>	<u>\$ 11,594,738</u>	<u>\$ 13,283,727</u>	<u>\$ 1,688,989</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, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Intermediate sources	\$ 1,000	\$ 1,000	\$ --	\$ (1,000)
State sources	1,160,370	1,160,370	1,198,290	37,920
Federal sources	868,346	868,346	847,864	(20,482)
Total revenues	2,029,716	2,029,716	2,046,154	16,438
Expenditures:				
Instruction:				
Special curriculum	4,235,543	4,235,543	4,048,537	187,006
Support services:				
Pupil services	939,160	939,160	953,176	(14,016)
Instructional staff services	346,302	346,302	327,876	18,426
Business administration	158,645	158,645	121,379	37,266
Total support services	1,444,107	1,444,107	1,402,431	41,676
Nonprogram	298,805	298,805	391,436	(92,631)
Total expenditures	5,978,455	5,978,455	5,842,404	136,051
Excess of revenues (under) expenditures	(3,948,739)	(3,948,739)	(3,796,250)	152,489
Other financing sources (uses):				
Operating transfers in	3,948,739	3,948,739	3,796,250	(152,489)
Net change in fund balances	--	--	--	--
Fund balances, beginning of year	--	--	--	--
Fund balances, end of year	\$ --	\$ --	\$ --	\$ --

OTHER SUPPLEMENTARY INFORMATION

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2020

	<u>Special Revenue</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 446,842	\$ 127,091	\$ 573,933
Pledges receivable	-	337,563	337,563
Total assets	<u>\$ 446,842</u>	<u>\$ 464,654</u>	<u>\$ 911,496</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	\$ 97,802	-	\$ 97,802
Fund balances:			
Spendable:			
Restricted	<u>349,040</u>	<u>464,654</u>	<u>813,694</u>
Total liabilities and fund balances	<u>\$ 446,842</u>	<u>\$ 464,654</u>	<u>\$ 911,496</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, 2020**

	Special Revenue	Capital Projects Fund	Totals
Revenues:			
Local sources	\$ 952,023	\$ 45,392	\$ 997,415
State sources	29,678	--	29,678
Federal sources	511,605	--	511,605
Other sources	937	--	937
Total revenues	1,494,243	45,392	1,539,635
Expenditures:			
Instruction:			
Undifferentiated curriculum	41,522	--	41,522
Regular curriculum	27,783	--	27,783
Other instruction	9,510	--	9,510
Total instruction	78,815	--	78,815
Support services:			
Business administration	--	868	868
Food service	1,415,098	--	1,415,098
Total expenditures	1,493,913	868	1,494,781
Net change in fund balances	330	44,524	44,854
Fund balance, beginning of year, as restated	348,710	420,130	768,840
Fund balance, end of year	\$ 349,040	\$ 464,654	\$ 813,694

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

June 30, 2020

	<u>Special Revenue Trust</u>	<u>Other Special Projects</u>	<u>Food Service</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 126,162	\$ --	\$ 320,680	\$ 446,842
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Food service deposits	\$ --	\$ --	\$ 97,802	\$ 97,802
 Fund balances:				
Spendable:				
Restricted	--	--	222,878	222,878
Assigned	126,162	--	--	126,162
 Total fund balances	 126,162	 --	 222,878	 349,040
 Total liabilities and fund balances	 \$ 126,162	 \$ --	 \$ 320,680	 \$ 446,842

**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, 2020**

	<u>Special Revenue Trust</u>	<u>Other Special Projects</u>	<u>Food Service</u>	<u>Totals</u>
Revenues:				
Local sources	\$ 119,416	\$ --	\$ 832,607	\$ 952,023
State sources	--	7,354	22,324	29,678
Federal sources	--	--	511,605	511,605
Other sources	--	--	937	937
Total revenues	<u>119,416</u>	<u>7,354</u>	<u>1,367,473</u>	<u>1,494,243</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	41,522	--	--	41,522
Regular curriculum	27,783	--	--	27,783
Other instruction	2,156	7,354	--	9,510
Total instruction	<u>71,461</u>	<u>7,354</u>	<u>--</u>	<u>78,815</u>
Food service	--	--	1,415,098	1,415,098
Community service	--	--	--	--
Total expenditures	<u>71,461</u>	<u>7,354</u>	<u>1,415,098</u>	<u>1,493,913</u>
Net change in fund balances	47,955	--	(47,625)	330
Fund balances, beginning of year, as restated	<u>78,207</u>	<u>--</u>	<u>270,503</u>	<u>348,710</u>
Fund balances, end of year	<u>\$ 126,162</u>	<u>\$ --</u>	<u>\$ 222,878</u>	<u>\$ 349,040</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING BALANCE SHEET -
GENERAL FUND**

June 30, 2020

	General Fund	Special Education Fund	Eliminations	General Fund Combined
ASSETS				
Cash and investments	\$ 11,012,256	\$ 119,593	\$ --	\$ 11,131,849
Taxes receivable, net	4,901,357	--	--	4,901,357
Due from other governments	593,844	79,037	--	672,881
	\$ 16,507,457	\$ 198,630	\$ --	\$ 16,706,087
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 268,902	\$ 406	\$ --	\$ 269,308
Accrued salaries and wages	1,829,070	198,224	--	2,027,294
Accrued payroll taxes and withholdings	1,125,758	--	--	1,125,758
Total liabilities	3,223,730	198,630	--	3,422,360
 Fund balances:				
Spendable:				
Unassigned	13,283,727	--	--	13,283,727
	\$ 16,507,457	\$ 198,630	\$ --	\$ 16,706,087

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

For the Year Ended June 30, 2020

	General Fund	Special Education Fund	Eliminations	General Fund Combined
Revenues:				
Local sources	\$ 15,297,191	\$ --	\$ --	\$ 15,297,191
Interdistrict sources	2,466,472	--	--	2,466,472
Intermediate sources	12,088	--	--	12,088
State sources	26,457,934	1,198,290	--	27,656,224
Federal sources	157,731	847,864	--	1,005,595
Other sources	179,656	--	--	179,656
Total revenues	44,571,072	2,046,154	--	46,617,226
Expenditures:				
Instruction:				
Undifferentiated curriculum	13,879,148	--	--	13,879,148
Regular curriculum	4,751,340	--	--	4,751,340
Special curriculum	--	4,048,537	--	4,048,537
Other instruction	3,171,820	--	--	3,171,820
Total instruction	21,802,308	4,048,537	--	25,850,845
Support services:				
Pupil services	1,371,941	953,176	--	2,325,117
Instructional staff services	1,263,317	327,876	--	1,591,193
General administration	488,501	--	--	488,501
School building administration	2,297,355	--	--	2,297,355
Business administration	7,096,506	121,379	--	7,217,885
Debt service	950	--	--	950
Other support services	2,252,958	--	--	2,252,958
Total support services	14,771,528	1,402,431	--	16,173,959
Nonprogram	2,511,997	391,436	--	2,903,433
Total expenditures	39,085,833	5,842,404	--	44,928,237
Excess of revenues over (under) expenditures	5,485,239	(3,796,250)	--	1,688,989
Other financing sources (uses):				
Operating transfers in	--	3,796,250	(3,796,250)	--
Operating transfers (out)	(3,796,250)	--	3,796,250	--
Net other financing sources (uses)	(3,796,250)	3,796,250	--	--
Net change in fund balances	1,688,989	--	--	1,688,989
Fund balances, beginning of year	11,594,738	--	--	11,594,738
Fund balances, end of year	\$ 13,283,727	\$ --	\$ --	\$ 13,283,727

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING BALANCE SHEET -
AGENCY FUNDS**

June 30, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
ASSETS				
Cash and investments	<u>\$ 269,542</u>	<u>\$ 1,324,944</u>	<u>\$ 1,213,622</u>	<u>\$ 380,864</u>
LIABILITIES				
Due to student organizations:				
Hortonville High School	\$ 199,686	\$ 1,207,185	\$ 1,088,928	\$ 317,943
Hortonville Middle School	13,518	64,853	49,984	28,387
Greenville Middle School	28,673	44,621	50,002	23,292
Hortonville Elementary School	6,659	1,059	3,847	3,871
North Greenville Elementary School	20,190	3,095	16,821	6,464
Greenville Elementary School	<u>816</u>	<u>4,131</u>	<u>4,040</u>	<u>907</u>
Total liabilities	<u>\$ 269,542</u>	<u>\$ 1,324,944</u>	<u>\$ 1,213,622</u>	<u>\$ 380,864</u>

Hortonville Area School District

Section VI

SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS

FISCAL YEAR ENDING JUNE 30, 2020

As per the authorized charter agreement, the Hortonville Area School District is to provide administration services to support all school district employees and all enrolled pupils at FWA in the same manner as other HASD schools. The costs noted below are for administration oversight relating to monitoring performance and compliance.

OPERATING ACTIVITY	WUFAR OBJECT CODE	COST
EMPLOYEE SALARIES	100	18,263.30
EMPLOYEE BENEFITS	200	6,462.16
PURCHASED SERVICES	300	0.00
NON-CAPITAL OBJECTS	400	0.00
CAPITAL OBJECTS	500	0.00
INSURANCE & JUDGEMENTS	700	0.00
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	0.00
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	0.00
TOTAL		\$24,725.46

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020**

Federal Grantor/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 06/30/19	Expenditures	Grantor Reimbursement	Accrued Receivable 06/30/20
U.S. DEPARTMENT OF AGRICULTURE						
Pass-Through Programs From:						
WI Department of Public Instruction:						
<i>Child Nutrition Cluster:</i>						
National School Breakfast	10.553	2020-442583-DPI-SB-546	\$ 1,114	\$ 21,379	\$ 22,493	\$ --
National School Breakfast - COVID-19	10.553	2020-442583-DPI-SB-546	--	56,651	56,651	--
National School Lunch - Noncash	10.555	2020-442583-DPI-NSL-001	--	112,469	112,469	--
National School Lunch - Cash	10.555	2020-442583-DPI-NSL-547	7,552	199,782	207,334	--
National School Lunch - Cash - COVID-19	10.555	2020-442583-DPI-NSL-547	--	121,324	121,324	--
Child Nutrition Cluster Totals			<u>8,666</u>	<u>511,605</u>	<u>520,271</u>	<u>--</u>
U.S. DEPARTMENT OF EDUCATION						
Pass-Through Programs From:						
WI Department of Public Instruction:						
Title I-A Basic Grant	84.010	2020-442583-DPI-TIA-141	30,229	102,376	108,144	24,461
Title III-A English Language Acquisition Programs	84.365	2020-442583-DPI-T3-391	947	8,064	9,011	--
Title II-A Teacher/Principal Training	84.367	2020-442583-DPI-TIIA-365	56,399	23,280	74,903	4,776
Title IV-A Student Support and Academic Enrichment Grant	84.424	2020-442583-DPI-TIVA-381	2,511	300	2,511	300
<i>Special Education Cluster:</i>						
IDEA-Flow Through	84.027	2020-442583-DPI-IDEA-F-341	100,155	662,583	683,902	78,836
IDEA-Preschool Entitlement Special Education Cluster	84.173	2020-442583-DPI-IDEA-P-347	--	12,802	12,802	--
Totals			<u>100,155</u>	<u>675,385</u>	<u>696,704</u>	<u>78,836</u>
CESA #6:						
Title 1-C Perkins	84.048	N/A	--	12,088	12,088	--
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Pass-Through Programs From:						
WI Department of Health Services:						
Medical Assistance Program	93.778	N/A	5,961	142,226	147,986	201
Totals			<u>\$ 204,868</u>	<u>\$ 1,475,324</u>	<u>\$ 1,571,618</u>	<u>\$ 108,574</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, 2020**

State Grantor/ Award Description	State ID Number	Pass-Through Identification Number	Accrued Receivable 06/30/19	Expenditures	Grantor Reimbursement	Accrued Receivable 06/30/20
WI DEPARTMENT OF PUBLIC INSTRUCTION						
Special Education and School						
Age Parents	255.101	442583-100	\$ --	\$ 1,159,500	\$ 1,159,500	\$ --
State School Lunch Aid	255.102	442583-107	--	15,428	15,428	--
Common School Fund						
Library Aid	255.103	442583-104	--	206,477	206,477	--
General Transportation Aid	255.107	442583-102	--	134,784	134,784	--
Wisconsin School Day						
Milk Program	255.115	442583-109	--	3,938	3,938	--
General Equalization Aids	255.201	442583-116	354,814	22,706,295	22,689,219	371,890
High Cost Special Education Aid	255.210	442583-119	--	18,790	18,790	--
Aid for School Mental Health						
Programs	255.227	442583-176	--	45,799	45,799	--
Supplemental Per Pupil Aid	255.245	442583-181	--	12,998	12,998	--
Personal Electronic Computing						
Device	255.296	442583-175	37,526	--	37,526	--
Peer Review and Monitoring						
Grants	255.301	442583-141	2,008	--	2,008	--
State School Breakfast Aid	255.344	442583-108	--	2,959	2,959	--
Early College Credit Program	255.445	442583-178	--	7,465	7,465	--
Educator Effectiveness Grant	255.940	442583-154	--	20,800	20,800	--
Per Pupil Aid	255.945	442583-113	--	2,873,024	2,873,024	--
Career and Technical Education						
Incentive Grants	255.950	442583-152	--	20,925	20,925	--
Robotics League Participation						
Grants	255.959	442583-167	--	5,613	5,613	--
Aid for Special Education						
Transition Grant	255.960	442583-168	--	20,000	20,000	--
WI DEPARTMENT OF JUSTICE						
Safety Updates and Mental						
Health Training	455.206	N/A	97,457	752	98,209	--
Safety Initiative	455.206	N/A	76,957	75,575	141,307	11,225
Totals			\$ 568,762	\$ 27,331,122	\$ 27,516,769	\$ 383,115

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

For the Year Ended June 30, 2020

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, 2020. 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 2019-2020 eligible costs under the state special education program as reported by the District are \$4,972,983. The estimated aid reimbursement for 2020-2021 is \$1,233,300.



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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, 2020, 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 5, 2021.

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 2020-001 and 2020-002 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 5, 2021



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

We have audited Hortonville Area School District's (District) compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *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 5, 2021



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

Board of Education
Hortonville Area School District
Hortonville, Wisconsin

Report on Compliance for Each State Program

We have audited the Hortonville Area School District's (District) compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that are required to be conducted on each of the District's state programs with limited required procedures for the year ended June 30, 2020. The District's state programs that have limited required procedures are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the limited compliance requirements for each of the District's state programs with limited required procedures based on our audit of the limited procedures required. We conducted our audit of compliance in accordance with the audit requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. An audit includes examining, on a test basis, evidence about the District's compliance with those limited requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each State Program

In our opinion, the District complied, in all material respects, with the limited requirements referred to above for each of its state programs with limited required procedures for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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 *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
January 5, 2021

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020**

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 not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements?	No

Federal Awards

Internal control over major 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 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:

84.027
84.173

Special Education Cluster:
IDEA-Flow Through
IDEA-Preschool Entitlement

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 not considered to be material weaknesses?	No
Type of auditor's report on compliance for major state programs:	Unmodified opinion
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:

255.201

General Equalization Aid

Dollar threshold used to distinguish between Type A and Type B programs	\$250,000
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**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2020

Summary of Auditor's Results - Continued:

Other Programs with Limited Required Procedures

Internal control over programs with required procedures:

Material weakness(es) identified? No

Significant deficiency(ies) identified
not considered to be material weaknesses? No

Any audit findings disclosed that are required to be
reported in accordance with the *Wisconsin Public*
School District Audit Manual? No

Identification of state program with required procedures:
255.101 Special Education and
School Age Parents

Financial Statement Findings:

2020-001 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 2019-001.

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, 2020

2020-002 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 2019-002.

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2020

Status of Prior Year Audit Findings:

The findings noted in the 2019 schedule of findings and questioned costs have been reported to the proper federal and state agencies.

Regarding finding 2019-001, 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 2019-002, 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. Oak 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, 2020

2020-001 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

2020-002 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, 2021

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.