



DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2020

**DEFOREST AREA SCHOOL DISTRICT
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For the Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
DeForest Area School District
DeForest, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeForest Area School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the DeForest Area School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iv through xiv, and the Required Supplementary Information on pages 49 through 57 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 DeForest Area School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was 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 supplementary 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 will also issue a report on our consideration of the DeForest Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 DeForest Area School 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 DeForest Area School District's internal control over financial reporting and compliance.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
November 30, 2020

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

To the Board of Education
DeForest Area School District

The Management's Discussion and Analysis of the DeForest Area School District's 2019-2020 financial performance provides an overall review of financial activities for the fiscal year. The analysis focuses on school district financial performance as a whole. Efforts have been made to provide comparison to prior year data when such data is available. It should be read in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

The District's overall financial position, as reflected in total net position, increased by \$7,848,855.

Total District revenues on the Statement of Activities were \$61,879,899 including \$32,908,862 of property taxes and \$20,738,453 of federal and state aid not restricted for a specific purpose. Total District expenditures were \$54,031,044; including \$25,010,947 for direct instruction.

The following events took place during fiscal 2019-2020:

- At the end of the current fiscal year, fund balance for the general fund was approximately \$21 million. \$216,864 of that amount was restricted for self-funded insurance, \$49,665 was restricted for common school fund, \$1,580,972 of that amount was assigned for payroll and other accounts payable encumbrances, \$166,635 of that amount was assigned for the ACT 59 project (CTE certifications) and \$3,665,843 of that amount was assigned for COVID-19 budget related impacts. The fund balance of Total Governmental Funds was approximately \$136.8 million. The breakdown of the \$136.8 million is as follows:
 - \$ 21 million General Fund
 - \$ 103.7 million Capital Projects Fund
 - \$ 3.6 million Debt Service Fund
 - \$ 2.4 million Capital Expansion Fund
 - \$ 6.1 million Nonmajor Governmental Funds
- Total unassigned Governmental Funds fund balance as of the end of the fiscal year is 9.4% of total expenditures.
- The 2019 tax levy increased 24.3% from the prior year from a total levy of \$26,475,994 to \$32,908,862.
- The District continued to allocate funds for Other Post Employment Benefit (OPEB) during the 2019-2020 fiscal year. The District's 2019-2020 contribution was \$360,400.
- The District did not have a need to borrow short-term for cash-flow purposes due to the District's commitment to maintaining an appropriate fund balance. The District is able to avoid interest expense related to short-term borrowing.
- Instructional costs represent the single largest cost for the General Fund at 55% or \$24,525,369.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Overview of the Financial Statements

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

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

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

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

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

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

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Major Features of the District-wide and Fund Financial Statements

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

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

District-wide Statements

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

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

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

Fund Financial Statements

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

The District has two kinds of funds:

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

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Financial Analysis of the District as a Whole

Table 1 provides a summary of the District's net position for the years ended June 30, 2020 and 2019.

Table 1		
Condensed Statement of Net Position		
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 145,044,220	\$ 125,721,259
Capital assets (less depreciation)	94,807,745	83,486,735
Other assets	5,520,105	576,298
Total assets	<u>\$ 245,372,070</u>	<u>\$ 209,784,292</u>
Deferred outflows of resources	<u>\$ 12,146,507</u>	<u>\$ 14,646,633</u>
Liabilities		
Current liabilities	\$ 41,585,580	\$ 98,426,132
Non-current liabilities	123,327,279	48,298,655
Total liabilities	<u>\$ 164,912,859</u>	<u>\$ 146,724,787</u>
Deferred inflows of resources	<u>\$ 14,988,777</u>	<u>\$ 7,938,052</u>
Net Position		
Net investment in capital assets	\$ 48,582,137	\$ 40,354,936
Restricted	11,523,506	12,788,595
Unrestricted	17,511,298	16,624,555
Total net position	<u>\$ 77,616,941</u>	<u>\$ 69,768,086</u>

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Financial Analysis of the District as a Whole (Continued)

Table 2 provides summarized operating results and their impact on Net Position.

Table 2		
Change in Net Position from Operating Results		
	2020	2019
Revenues		
Program revenues:		
Charges for services	\$ 2,147,784	\$ 2,484,370
Operating grants and contributions	4,254,347	3,988,249
General revenues:		
Property taxes	32,908,862	26,475,994
State formula aid	20,738,453	19,908,928
Other	1,830,453	871,918
Special item	-	(45,746)
Total revenues	61,879,899	53,683,713
Expenses		
Instruction	25,010,947	24,945,423
Support Services:		
Pupil & instructional services	6,295,107	5,684,100
Building and general administration	3,108,560	3,102,612
Business administration and central services	8,524,220	9,454,221
Transportation and insurance	1,963,821	2,005,647
Food service	1,442,791	1,570,965
Debt service and other support services	5,036,508	1,389,424
Community services	127,257	199,458
Other	599,982	109,792
Non-program Services	1,921,851	1,492,135
Total expenses	54,031,044	49,953,777
Increase (decrease) in net position	\$ 7,848,855	\$ 3,729,936

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

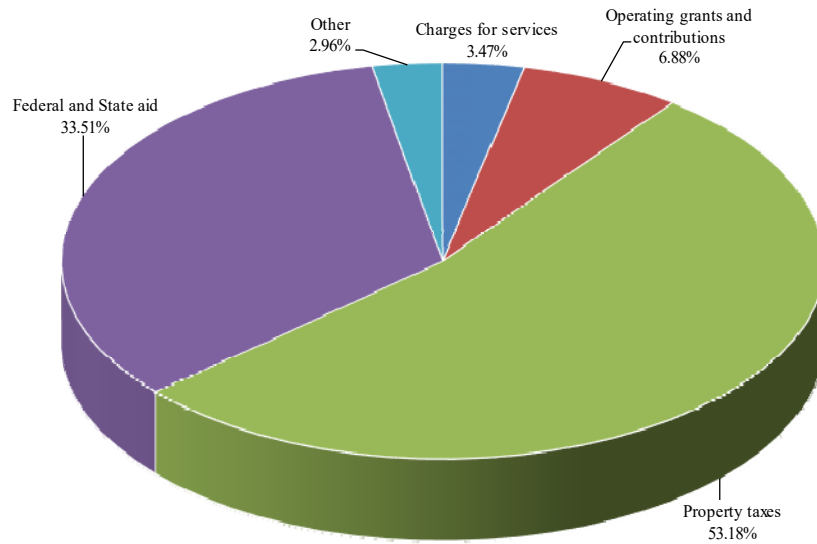
Financial Analysis of the District as a Whole (Continued)

The District relies primarily on property taxes and state formula aid to fund governmental activities. The District received \$61.9 million in revenue for fiscal year 2020 for Governmental Activities with 53.2% from property taxes and 33.5% from general federal and state aid. The remaining 13.3% of revenue came from charges for services, operating grants and contributions, and other.

The District received \$2.15 million in open enrollment, textbook and activity fees, admissions to athletic events, food service payments and building rental fees. This revenue came directly from individuals who participated or benefited from a specific program.

Federal and state government subsidized District programs with grants and contributions totaling \$4.25 million. The aid the District received for special education, transportation, and food service programs, as well as other instructional and support programs are included here.

Revenues by Source 2019-20



DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Financial Analysis of the District as a Whole (Continued)

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

Table 3
Net Cost of Governmental Activities

	Net Cost of Services 2020	Percent of Services 2020	Net Cost of Services 2019	Percent of Services 2019
Expenses				
Instruction	20,602,602	43.3%	20,847,014	47.9%
Support Services:				
Pupil & instructional services	5,753,371	12.1%	5,142,844	11.8%
Building and general administration	3,108,560	6.5%	3,102,612	7.1%
Business administration and central services	8,450,544	17.7%	9,369,355	21.5%
Transportation	1,429,217	3.0%	1,531,808	3.5%
Food services	250,294	0.5%	85,521	0.2%
Debt service and other support services	5,636,490	11.8%	1,499,216	3.4%
Community services	70,996	0.1%	111,134	0.3%
Other	404,988	0.9%	313,964	0.7%
Non-program Services	1,921,851	4.0%	1,477,690	3.4%
Total Expenses	<u>47,628,913</u>	<u>100.0%</u>	<u>43,481,158</u>	<u>100.0%</u>

The cost of all governmental activities this year was \$54,031,044. Individuals who directly participated or benefited from a program offering paid for \$2,147,784 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$4,254,347. The net cost of governmental activities \$47,628,913 was financed by general revenues of the District including in \$32,908,862 property taxes, \$20,738,453 state formula aid, and \$1,830,453 other.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Financial Aspects of the District's Funds

- The general fund had a total increase in fund balance of \$1,763,363 and as of June 30, 2020 has a balance of \$21,010,582. The unassigned fund balance decreased by \$3,539,938. Assigned fund balance increased by \$5,288,333. Restricted fund balance increased by \$143,463. Non-spendable fund balance decreased by \$128,495.
- The debt service fund had a decrease to fund balance of \$1,363,550 and as of June 30, 2020 has a balance of \$3,569,953.
- The capital projects fund had an increase to fund balance of \$14,699,509 and as of June 30, 2020 has a balance of \$103,738,430.
- The capital improvement trust fund had an increase to fund balance of \$1,080,333 and as of June 30, 2020 has a balance of \$5,827,700.
- The capital expansion fund had a decrease to fund balance of \$483,759 and as of June 30, 2020 has a balance of \$2,357,180.
- The food service fund balance for 2019-20 showed a decrease of \$272,894 and as of June 30, 2020 has a balance of \$8,384.
- The OPEB (Other Post Employee Benefits) Liability fund balance increased by \$335,650 and as of June 30, 2020 has a balance of \$4,084,322.
- The private purpose trust fund which holds scholarship balances decreased by \$2,834 and as of June 30, 2020 has a balance of \$363,762.

General Fund Budgetary Highlights

Consistent with current state statutes and regulations an *original* budget is adopted in October following determination of official enrollment and certification of states aids. Generally, the original budget is not significantly modified. The District modified its original budget in 2019-20 to reflect:

- The General Fund revenue budget saw a slight decrease of \$5,943. The Special Education revenue budget decreased by \$162,933.
- The General Fund expenditure budget saw a decrease of \$191,504. The Special Education expenditure budget increased by \$3,866.
- The rest of the funds budgets, fund 21, 39, 41, 46, 49, 50, 80, 72, 73, 96, and 97, revenue and expenditures budgets were not changed and remained at the original budget.

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Capital Assets

At the end of fiscal year 2020, the District had invested \$127,116,829 in capital assets; including buildings, sites and equipment (see Table 4). Total accumulated depreciation on assets was \$32,309,084. Asset acquisitions for governmental activities totaled \$13,587,256. The District recognized depreciation expense of \$2,266,246 for the year. (Detailed information about capital assets can be found in Note 6 to the financial statements.)

Table 4
Capital Assets
(Net of depreciation)

	2020	2019
Land	\$ 8,119,382	\$ 8,119,382
Buildings	97,710,719	96,424,689
Land improvements	2,532,214	2,532,214
Equipment and vehicles	5,752,525	5,428,129
Construction in progress	13,001,989	1,037,840
Accumulated depreciation	(32,309,084)	(30,055,519)
Net capital assets	\$ 94,807,745	\$ 83,486,735

Long-term Liabilities

At year-end the District had \$117,165,000 in general obligation bonds/notes, \$24,000,000 in bond anticipation note and other long-term debt outstanding. Payments were made for a total of \$94,215,000 to general obligations debt. The District issued new capital lease for \$187,800. Detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

Table 6
Outstanding Long-term Obligations

	2020	2019
General Obligation Bonds/Notes	\$ 117,165,000	\$ 39,805,000
Bond Anticipation Note	24,000,000	90,000,000
Compensated Absences	3,308,309	3,194,959
Capital Lease	405,325	383,076
Premium/Discount on Debt	8,581,472	2,258,300
Net Long Term Liabilities	\$ 153,460,106	\$ 135,641,335

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

DEFOREST AREA SCHOOL DISTRICT
DeForest, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Factors Bearing on the District's Future

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

- The referendum projects of 2020 are anticipated to be billed through the Fall of 2022.
- The District plans on using the assigned fund balance from 2019-20 to help offset the anticipated COVID-19 expenses.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, Kathleen Davis-Phillips, Director of Business & Auxiliary Services, DeForest Area School District, 520 East Holum Street, DeForest, Wisconsin.

BASIC FINANCIAL STATEMENTS

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF NET POSITION
June 30, 2020**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Investments	\$ 14,883,930
Restricted Cash and Investments	118,668,976
Receivables:	
Taxes	7,918,892
Accounts	461,703
Prepaid Expenses	308,545
Due from Fiduciary Funds	14,611
Due from Other Governments	2,743,349
Inventories	44,214
Total Current Assets	145,044,220
Noncurrent Assets:	
Land	8,119,382
Construction in Progress	13,001,989
Land Improvements	2,532,214
Buildings and Building Improvements	97,710,719
Equipment and Vehicles	5,752,525
Less: Accumulated Depreciation	(32,309,084)
Net Capital Assets	94,807,745
Restricted Assets:	
Net Pension Asset	4,756,731
Net OPEB Asset	763,374
Total Restricted Assets	5,520,105
Total Assets	245,372,070
DEFERRED OUTFLOWS OF RESOURCES	
Deferred OPEB Outflows	966,114
Deferred OPEB Outflows - Group Life Insurance Plan	709,280
Deferred Pension Outflows	10,471,113
Total Deferred Outflows of Resources	12,146,507
LIABILITIES	
Current Liabilities:	
Accounts Payable	4,698,244
Accrued Liabilities:	
Payroll and Related Items	3,719,205
Interest	1,132,294
Due to Student Organization	4,056
Food Service Deposits	108,306
Current Portion of Long-Term Obligations	31,923,475
Total Current Liabilities	41,585,580
Noncurrent Liabilities:	
Noncurrent Portion of Long-Term Obligations	121,536,631
OPEB Liability - Group Life Insurance Plan	1,790,648
Total Noncurrent Liabilities	123,327,279
Total Liabilities	164,912,859
DEFERRED INFLOWS OF RESOURCES	
Deferred OPEB Inflows	441,652
Deferred OPEB Inflows - Group Life Insurance Plan	282,554
Deferred Pension Inflows	14,264,571
Total Deferred Inflows of Resources	14,988,777
NET POSITION	
Net Investment in Capital Assets	48,582,137
Restricted:	
Capital Projects	8,184,880
Debt Service	2,437,659
Donations	284,742
Self-funded Insurance	216,864
Unspent Common School Fund	49,665
Restricted for OPEB	321,722
Community Service	27,974
Unrestricted	17,511,298
Total Net Position	\$ 77,616,941

See accompanying notes to the financial statements.

DEFOREST AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>
Governmental Activities				
Instruction				
Regular Instruction	\$ 16,106,455	\$ 1,176,118	\$ 434,741	\$ (14,495,596)
Vocational Instruction	1,142,562	-	8,320	(1,134,242)
Special Education Instruction	5,678,850	16,353	2,515,663	(3,146,834)
Other Instruction	2,083,080	178,117	79,033	(1,825,930)
Total Instruction	<u>25,010,947</u>	<u>1,370,588</u>	<u>3,037,757</u>	<u>(20,602,602)</u>
Support Services				
Pupil Services	2,441,194	250	197,070	(2,243,874)
Instructional Staff Services	3,853,913	-	344,416	(3,509,497)
General Administration Services	911,133	-	-	(911,133)
Building Administration Services	2,197,427	-	-	(2,197,427)
Business Administration	2,422,561	-	-	(2,422,561)
Operation and Maintenance	4,452,215	-	69,922	(4,382,293)
Pupil Transportation	1,558,833	23,907	105,709	(1,429,217)
Central Services	1,649,444	-	3,754	(1,645,690)
Insurance	404,988	-	-	(404,988)
Interest and Fiscal Charges on Debt	5,036,508	-	-	(5,036,508)
Other Support Services	599,982	-	-	(599,982)
Food Services	1,442,791	696,778	495,719	(250,294)
Community Services	127,257	56,261	-	(70,996)
Total Support Services	<u>27,098,246</u>	<u>777,196</u>	<u>1,216,590</u>	<u>(25,104,460)</u>
Non-program Services	<u>1,921,851</u>	<u>-</u>	<u>-</u>	<u>(1,921,851)</u>
Total Governmental Activities	<u>\$ 54,031,044</u>	<u>\$ 2,147,784</u>	<u>\$ 4,254,347</u>	<u>(47,628,913)</u>

General revenues:

Taxes:	
Property Taxes, Levied for General Purposes	23,706,883
Property Taxes, Levied for Debt Service	9,151,979
Property Taxes, Levied for Community Services	50,000
Federal and State Aid not Restricted to Specific Purpose	
General	20,738,453
Interest and Investment Earnings	1,735,379
Miscellaneous	95,074
Total General Revenues	<u>55,477,768</u>
Change in Net Position	<u>7,848,855</u>
Net Position - Beginning	<u>69,768,086</u>
Net Position - Ending	<u>\$ 77,616,941</u>

See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	<u>Capital Projects Funds</u>			<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Expansion Fund</u>			
ASSETS						
Cash and Investments	\$ 14,529,539	\$ -	\$ -	\$ -	\$ 354,391	\$ 14,883,930
Restricted Cash and Investments	-	106,431,699	3,448,798	2,960,779	5,827,700	118,668,976
Receivables:						
Taxes	7,309,718	-	-	609,174	-	7,918,892
Accounts	74,132	653,288	-	-	44,819	772,239
Due from Other Funds	19,040	-	-	-	-	19,040
Due from Fiduciary Funds	12,350	-	-	-	2,261	14,611
Due from Other Governments	2,724,525	-	-	-	18,824	2,743,349
Inventory	-	-	-	-	44,214	44,214
Prepaid Expenses	304,582	3,963	-	-	-	308,545
TOTAL ASSETS	\$ 24,973,886	\$ 107,088,950	\$ 3,448,798	\$ 3,569,953	\$ 6,292,209	\$ 145,373,796
LIABILITIES						
Accounts Payable	\$ 246,053	\$ 3,350,520	\$ 1,091,618	\$ -	\$ 10,053	\$ 4,698,244
Accrued Salaries and Wages	2,820,673	-	-	-	1,796	2,822,469
Payroll Taxes and Withholdings	896,578	-	-	-	158	896,736
Due to Other Funds	-	-	-	-	19,040	19,040
Due to Student Organization	-	-	-	-	4,056	4,056
Food Service Deposits	-	-	-	-	108,306	108,306
Total Liabilities	3,963,304	3,350,520	1,091,618	-	143,409	8,548,851
FUND BALANCES						
Nonspendable	304,582	-	-	-	44,214	348,796
Restricted	266,529	103,738,430	2,357,180	3,569,953	6,140,416	116,072,508
Assigned	5,413,450	-	-	-	-	5,413,450
Unassigned (Deficit)	15,026,021	-	-	-	(35,830)	14,990,191
Total Fund Balances	21,010,582	103,738,430	2,357,180	3,569,953	6,148,800	136,824,945
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,973,886	\$ 107,088,950	\$ 3,448,798	\$ 3,569,953	\$ 6,292,209	\$ 145,373,796

See accompanying notes to the basic financial statements

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
June 30, 2020**

Total fund balance, governmental funds	\$ 136,824,945
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities in the Statement of Net Position.</p>	94,807,745
<p>The net OPEB asset is not a current financial resource, and is therefore not reported in the fund statements.</p>	763,374
<p>The net pension asset is not a current financial resource, and is therefore not reported in the fund statements.</p>	4,756,731
<p>Pension and OPEB deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined pension plan and OPEB plan. These items are reflected in the Statement of Net Position and are being amortized with pension expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not current financial resources or obligations and therefore are not reported in the fund statements.</p>	
Net deferred outflows and inflows of resources	(2,842,270)
<p>Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.</p>	
General obligation debt	(141,165,000)
Capital leases payable	(405,325)
Net OPEB liability - Group Life Insurance Plan	(1,790,648)
Unamortized premium on debt	(8,581,472)
Accrued interest on long-term debt	(1,132,294)
Compensated absences	(3,308,309)
Impact fees liability	(310,536)
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 77,616,941</u></u>

See accompanying notes to the financial statements.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020**

	<u>Capital Projects Funds</u>			<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Capital Expansion Fund</u>			
REVENUES						
Property Taxes	\$ 21,706,883	\$ -	\$ 2,000,000	\$ 9,151,979	\$ 50,000	\$ 32,908,862
Other Local Sources	447,853	1,320,818	13,622	123,231	1,260,925	3,166,449
Interdistrict Sources	1,101,191	-	-	-	-	1,101,191
State Sources	22,802,118	-	-	-	23,478	22,825,596
Federal Sources	1,311,361	-	-	-	472,240	1,783,601
Other Sources	89,107	-	-	-	5,091	94,198
Total Revenues	47,458,513	1,320,818	2,013,622	9,275,210	1,811,734	61,879,897
EXPENDITURES						
Current:						
Instruction:						
Regular Instruction	15,846,611	-	-	-	47,756	15,894,367
Vocational Instruction	1,157,722	-	-	-	22,434	1,180,156
Special Instruction	5,711,638	-	-	-	-	5,711,638
Other Instruction	1,809,398	-	-	-	214,945	2,024,343
Total Instruction	24,525,369	-	-	-	285,135	24,810,504
Support Services:						
Pupil Services	2,413,774	-	-	-	-	2,413,774
Instructional Staff Services	3,802,656	-	-	-	-	3,802,656
General Administration Services	904,421	-	-	-	925	905,346
Building Administration Services	2,172,654	-	-	-	6,020	2,178,674
Business Administration	563,454	-	-	-	-	563,454
Operation and Maintenance	4,091,688	-	6,854	-	42,758	4,141,300
Pupil Transportation	1,542,123	-	-	-	12,932	1,555,055
Central Services	1,670,355	-	-	-	1,698	1,672,053
Insurance	396,598	8,390	-	-	-	404,988
Food Services	-	-	-	-	1,429,179	1,429,179
Community Services	-	-	-	-	122,790	122,790
Other Support Services	611,425	-	-	-	-	611,425
Total Support Services	18,169,148	8,390	6,854	-	1,616,302	19,800,694
Non-program Services	1,843,474	78,377	-	-	-	1,921,851
Capital Outlay	174,914	10,534,542	2,490,527	-	13,121	13,213,104
Debt Service	187,664	-	-	99,162,486	-	99,350,150
Total Expenditures	44,900,569	10,621,309	2,497,381	99,162,486	1,914,558	159,096,303
Excess (Deficiency) of Revenues over Expenditures	2,557,944	(9,300,491)	(483,759)	(89,887,276)	(102,824)	(97,216,406)
OTHER FINANCING SOURCES (USES)						
Capital Lease Proceeds	187,800	-	-	-	-	187,800
Proceeds on Long-Term Debt	-	24,000,000	-	81,575,000	-	105,575,000
Premium on Long-Term Debt	-	-	-	6,948,726	-	6,948,726
Transfer In	23,860	-	-	-	1,006,241	1,030,101
Transfer Out	(1,006,241)	-	-	-	(23,860)	(1,030,101)
Total Other Financing Sources (Uses)	(794,581)	24,000,000	-	88,523,726	982,381	112,711,526
Net Change in Fund Balances	1,763,363	14,699,509	(483,759)	(1,363,550)	879,557	15,495,120
FUND BALANCE - BEGINNING	19,247,219	89,038,921	2,840,939	4,933,503	5,269,243	121,329,825
FUND BALANCE - ENDING	\$ 21,010,582	\$ 103,738,430	\$ 2,357,180	\$ 3,569,953	\$ 6,148,800	\$ 136,824,945

See accompanying notes to the basic financial statements

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

Net change in fund balances - total governmental funds: \$ 15,495,120

Amounts reported for Governmental Activities in the Statement of Activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays \$13,587,256 were less than depreciation (\$2,266,246) in the current period. 11,321,010

Vested employee benefits and OPEB are reported in the government funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year.

Net (increase) decrease in net OPEB liability (asset), deferred outflows and deferred inflows 84,525
Net (increase) decrease in compensated absences (113,350)
Net (increase) decrease in OPEB liability, deferred outflows and deferred inflows - group life insurance plan (128,282)

In governmental funds impact fees payments are reported as an expenditures when paid. In the Statement of Activities, impact fees is reported as incurred. (310,536)

Proceeds from issuing long-term capital leases and long-term debt are reported as revenue in the governmental funds but increase long-term liabilities in the statement of net position.

The amount of capital leases in the current year is: (187,800)
The amount of long-term debt issued in the current year is: (105,575,000)
The amount of long-term debt premium issued in the current year is: (6,948,726)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Position and does not affect the Statement of Activities.

The amount of long-term debt principal payments in the current year is: 94,215,000
The amount of capital lease principal payments in the current year is: 165,551

Governmental funds report the effect of premiums when debt is first issued. However, the premium on long-term debt is shown as a liability in the Statement of Net Position and is amortized. 625,554

In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the Statement of Activities interest is reported as incurred.

Change in amount of accrued interest not reflected on Governmental Funds (692,463)

Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement of Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability (asset) from the prior year to the current year, with some adjustments.

Amount of current year required contributions into the defined benefit pension plan 1,568,472

Actuarially determined change in net pension liability (asset) between years, with some adjustments (1,670,221)

Rounding 1
Change in net position of governmental activities \$ 7,848,855

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020**

	<u>Private Purpose Fiduciary Funds</u>			<u>Agency Funds</u>
	<u>Scholarship Fund</u>	<u>Other Post- Employment Benefit Trust</u>	<u>Total</u>	<u>Pupil Activity Fund</u>
ASSETS				
Cash and Investments	\$ 363,762	\$ 4,100,272	\$ 4,464,034	\$ 150,466
Accounts Receivable	-	-	-	1,608
TOTAL ASSETS	<u>\$ 363,762</u>	<u>\$ 4,100,272</u>	<u>\$ 4,464,034</u>	<u>\$ 152,074</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 1,340	\$ 1,340	\$ 7,009
Due to Other Funds	-	14,610	14,610	-
Due to Student Organizations	-	-	-	145,065
Total Liabilities	<u>-</u>	<u>15,950</u>	<u>15,950</u>	<u>\$ 152,074</u>
NET POSITION				
Restricted	363,762	4,084,322	4,448,084	
Total Net Position	<u>363,762</u>	<u>4,084,322</u>	<u>4,448,084</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 363,762</u>	<u>\$ 4,100,272</u>	<u>\$ 4,464,034</u>	

See accompanying notes to the basic financial statements

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUNDS
For the Year Ended June 30, 2020**

	Private Purpose Fiduciary Funds		Total
	Scholarship Fund	Other Post- Employment Benefit Trust	
ADDITIONS			
Employer Contributions	\$ -	\$ 360,400	\$ 360,400
Employee Contributions	-	19,165	19,165
Other Contributions	5,808	300,000	305,808
Interest and Dividends	12,608	39,814	52,422
TOTAL ADDITIONS	18,416	719,379	737,795
DEDUCTIONS			
Scholarship Payments	21,250	-	21,250
Benefit Payments	-	383,729	383,729
TOTAL DEDUCTIONS	21,250	383,729	404,979
Change in Net Position	(2,834)	335,650	332,816
NET POSITION - BEGINNING	366,596	3,748,672	4,115,268
NET POSITION - ENDING	\$ 363,762	\$ 4,084,322	\$ 4,448,084

See accompanying notes to the basic financial statements

NOTES TO FINANCIAL STATEMENTS

DEFOREST AREA SCHOOL DISTRICT
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June 30, 2020

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**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies

The accounting policies of the DeForest Area School District (the “District”) conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

This report includes all of the funds of the District. The reporting entity for the District consists of: (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. This report does not contain any component units.

B. District-Wide and Fund Financial Statements

District-wide Statements

The Statement of Net Position and Statement of Activities present financial information about the District as a whole. These statements include the financial activities of the overall government in its entirety, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. The District does not report any business-type activities.

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

B. District-Wide and Fund Financial Statements (Continued)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Funds are organized as major funds or nonmajor funds within the governmental fund statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

The District reports the following major governmental funds:

General Fund - Accounts for the District's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund. The Special Education Fund, a subset of the General Fund, accounts for resources legally restricted to supporting expenditures for the special education program as required by the Wisconsin Department of Public Instruction.

Debt Service Fund - Used to account for the accumulation of resources for, and the payment of, general long-term debt principal (nonreferendum and referendum), interest, and related costs.

Capital Projects Fund - Accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Capital Expansion Fund - Accounts for financial resources to be used for current and future capital expenditures related to buildings and sites.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

B. District-Wide and Fund Financial Statements (Continued)

The District reports the following nonmajor governmental funds:

Special Revenue Funds - Used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or assigned to expenditures for specified purposes:

- Special Revenue Trust
- Food Service
- Community Service
- Packaged Services

Capital Projects Funds - These funds account for the resources restricted for specific capital projects:

- Capital Improvement Trust Fund

In addition, the District reports the following fund types:

Private Purpose Trust Funds - Used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Other Post-Employment Benefit Trust Fund - This trust is used to report resources that are required to be held in trust for the members and beneficiaries of the District's other post-employment benefit plan.

Agency Funds - Used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash transaction takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources. Interest cost on temporary borrowing is recognized as an expenditure of the fiscal period incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables.

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

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

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special education aid entitlements.

The District reports unearned revenues on its governmental funds balance sheet. For governmental fund financial statements, unearned revenues arise resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the deferred inflows for unearned revenue is removed from the combined balance sheet and revenue is recognized.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

All Financial Statements

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

D. Deposits and Investments

The District's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The District has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the District's individual major funds, and in the aggregate for nonmajor and agency funds.

See note 3 for additional information.

E. Receivables and Payables

Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to the 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 for which the taxes are levied. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

E. Receivables and Payables (Continued)

Interfunds

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Accounts Receivable

All accounts receivable are shown as gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance is not material.

F. Capital Assets

District-Wide Statements

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$5,000 for general capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Estimated Useful Life</u>
Land Improvements	10-20 years
Buildings	25-50 years
Equipment and Vehicles	5-20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

G. Other Assets

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as an expenditure would result in more than one year's cost being recorded. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed.

H. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as a liability in the district-wide statements. The long-term obligations consist primarily of notes, bonds or loans payable, capital leases, and accrued compensated absences. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premiums) is reported as other financing sources and payments of principal and interest are reported as expenditures. For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year-end for premiums/discounts is shown as an increase or decrease in the liability section of the Statement of Net Position. Gains or losses on refunding are reported as deferred inflows of resources or deferred outflows of resources, respectively.

I. Vested Employee Benefits

Termination Benefit

The District is providing certain employees with negotiated termination benefits upon separation from the District. No termination benefits were paid during the year and no remaining benefits are accrued in the district-wide financial statements.

Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits expected to be paid are considered vested and are disclosed in these statements.

The District's policy allows administrators to earn varying amounts of sick leave for each year employed. Accrued sick leave will be lost upon separation.

The District's policy allows teachers to earn varying amounts of sick leave for each year employed. Upon retirement these employees are entitled to convert the unused sick leave at 90% of their per diem rate at retirement to pay for health insurance until the vested amount is exhausted. The amount considered vested at June 30, 2020 is \$1,044,511 for retirees and \$1,945,775 for currently active teachers.

The District's policy allows support staff to earn varying amounts of sick leave for each year employed. Upon retirement, these employees are entitled to a payout of unused sick leave. The amount considered vested at June 30, 2020 is \$227,048.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

I. Vested Employee Benefits (Continued)

In certain circumstances, the District's policy allows employees to carryover up to 40 hours of vacation into the next year. The amount considered vested at June 30, 2020 is \$90,975.

All vested vacation and sick leave pay is accrued when incurred in the district-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2020 are determined on the basis of current salary rates and include salary related payments.

Other Post-Employment Benefits

As provided in applicable negotiated contracts, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits directly from the District. Employees that choose not to participate in the medical plan during their retirement will instead receive a cash benefit in lieu of such coverage. See Note 10 for additional information.

Other Post-Employment Benefits – Group Life Insurance Plan

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

J. Pensions

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

K. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The District has three items that qualify for reporting in this category.

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 represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District has three items that qualify for reporting in this category.

L. Equity Classifications

District-Wide Statements

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

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

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

Fund Statements

In the governmental fund financial statements, governmental funds report *nonspendable* fund balance for amounts that cannot be spent because they are either:

- a. Not in spendable form; or
- b. Legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

1. Summary of Significant Accounting Policies (Continued)

L. Equity Classifications (Continued)

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District board.

Assigned fund balance is reported for amounts that are constrained by the District management's intent to be used for specific purposes, but is neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund.

When committed, assigned, and unassigned amounts are available for use, it is the District's policy to use committed resources first, then assigned resources, then unassigned resources as they are needed.

Fiduciary fund equity is classified as held in trust for scholarships or retiree health benefits. Various donor restrictions apply, including authorizing and spending trust income, and the District believes it is in compliance with all significant restrictions.

M. Claims and Judgments

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

N. Estimates

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

2. Explanation of Certain Differences Between Governmental Fund Statements and District-wide Statements

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

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities fall into one of four broad categories:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the Statement of Activities.
- b. Capital related differences include the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- c. Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
- d. Payments to retired employees for post-employment benefits are recorded when paid in the fund financial statements. Expenses are recorded in the Statement of Activities when incurred. Payments to retired employees reduce the post-employment liabilities.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

3. Deposits and Investments

Investments Authorized by Wisconsin Statutes

Investment of District funds is restricted by State Statutes. Available investments are limited to:

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

The District has adopted an investment policy. That policy follows the State Statute for allowable investments. The investment policy does not address the following risks:

- Custodial Credit Risk
- Credit Risk
- Interest Rate Risk
- Concentration of Credit Risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of District funds is allocated to the General Fund. Amounts allocated to the General Fund but earned by other funds are not material.

The Wisconsin Investment Series Cooperative is an investment pool established by an intergovernmental agreement. The pool invests in investments legally permissible under Wisconsin law.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

3. Deposits and Investments (Continued)

For all the District's cash and investments shown below, the market value at the balance sheet date is substantially the same as the fair value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the District's deposits were higher than the June 30, 2020 balances, detailed below. This means that the District's risk and exposure could be higher at these times.

	Carrying Value	Fair Value	Associated Risks
Petty Cash	\$ 1,475	\$ 1,475	N/A
Deposits	28,109,382	28,203,074	Custodial Credit Risk
Investments			
Local Government Investment Pool	30,094,995	30,094,995	Credit/Interest Rate
WISC Savings Deposit Accounts	32,382,045	32,382,045	Custodial Credit
WISC Investment Series	8,580,942	8,580,942	Credit
Certificates of Deposit	38,829,080	38,829,080	Custodial Credit/Interest Rate
Mutual Fund	28,487	28,487	Credit
Stock	141,000	141,000	N/A
Total June 30, 2020	<u>\$ 138,167,406</u>	<u>\$ 138,261,098</u>	

A reconciliation of cash and investments as shown on the statements is as follows:

Statement of Net Position	
Cash and Investments	\$ 14,883,930
Restricted Cash and Investments	
Capital Projects Funds	115,708,197
Debt Service Fund	2,960,779
Statement of Fiduciary Net Position	
Trust Funds	4,464,034
Agency Fund	<u>150,466</u>
Total Cash and Investments	<u>\$ 138,167,406</u>

Restricted cash in the amount of \$2,960,779 in the Debt Service fund and \$115,708,197 in the Capital Projects funds include amounts set aside for future payment of G.O. debt and capital project expenditures. The restricted cash to pay for these requirements is offset in the restricted fund balance of the respected funds.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

3. Deposits and Investments (Continued)

The Wisconsin Local Government Investment Pool (“LGIP”) is part of the State Investment Fund (“SIF”), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool’s investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2020, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements. Information on derivatives was not available to the District.

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

Investment allocation in the local government investment pool as of June 30, 2020 was: 93.78% in U.S. Government Securities, 4.48% in Commercial Paper and Corporate Notes, and 1.74% in Certificates of Deposit, Bankers’ Acceptances and Time Deposits. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

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 sensitivity its fair value has to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity. The LGIP investments have an average maturity of 31 days.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Less Than 6 Months</u>	<u>6 Months to 1 Year</u>	<u>1 Year to 5 Years</u>
Certificates of Deposit	\$ 38,829,080	\$ 17,269,720	\$ 21,559,360	\$ -
Local Government Investment Pool	30,094,995	30,094,995	-	-
Total	<u>\$ 68,924,075</u>	<u>\$ 47,364,715</u>	<u>\$ 21,559,360</u>	<u>\$ -</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

3. Deposits and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. As of June 30, 2020, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Composite</u>
Mutual Fund - Columbia Total Return Bond CL A	\$ 28,487	Morningstar Rating-4 stars
WISC Investment Series	8,580,942	S&P Global Ratings-AAAm
Local Government Investment Pool	<u>30,094,995</u>	Not Rated
Total fair value of investments subject to credit risk	<u>\$ 38,704,424</u>	

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of its investment of collateral securities that are in the possession of another party. Wisconsin Statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts and \$250,000 for demand deposit accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. Due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities.

As of June 30, 2020, the District's deposits with financial institutions in excess of federal deposit insurance were exposed to custodial credit risk as follows:

Insured by FHLB with a letter of credit	<u>\$ 12,604,562</u>
Total	<u>\$ 12,604,562</u>

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

4. Fair Value Measurement

Financial assets required to be measured on a recurring basis are classified under a three-tier hierarchy for fair value investments. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurements date.

The District uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the District’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The District uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

Assets at Fair Value as of June 30, 2020				
	Fair Value	Level 1	Level 2	Level 3
Mutual Fund	\$ 28,487	\$ -	\$ 28,487	\$ -
Stock	141,000	-	-	141,000
Totals	\$ 169,487	\$ -	\$ 28,487	\$ 141,000

Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Stock classified in Level 3, due to lack of an independent pricing source, are valued by the investment manager.

5. Receivables and Customer Deposits

All receivables of the District are expected to be collected within one year. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported deposits of \$108,306 for food service payment card balances.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

6. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,119,382	\$ -	\$ -	\$ 8,119,382
Construction in progress	1,037,840	11,964,149	-	13,001,989
Total capital assets not being depreciated	<u>9,157,222</u>	<u>11,964,149</u>	<u>-</u>	<u>21,121,371</u>
Capital assets being depreciated				
Land improvements	2,532,214	-	-	2,532,214
Buildings	96,424,689	1,286,030	-	97,710,719
Equipment and vehicles	5,428,129	337,077	12,681	5,752,525
Total capital assets being depreciated	<u>104,385,032</u>	<u>1,623,107</u>	<u>12,681</u>	<u>105,995,458</u>
Accumulated depreciation				
Land improvements	(1,784,141)	(65,309)	-	(1,849,450)
Buildings	(25,068,778)	(1,937,195)	-	(27,005,973)
Equipment and vehicles	(3,202,600)	(263,742)	(12,681)	(3,453,661)
Total accumulated depreciation	<u>(30,055,519)</u>	<u>(2,266,246)</u>	<u>(12,681)</u>	<u>(32,309,084)</u>
Capital assets being depreciated, net of accumulated depreciation	<u>74,329,513</u>	<u>(643,139)</u>	<u>-</u>	<u>73,686,374</u>
Total capital assets, net of depreciation	<u>\$ 83,486,735</u>	<u>\$ 11,321,010</u>	<u>\$ -</u>	<u>\$ 94,807,745</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

6. Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 3,013
Vocational	4,682
Other instruction	29,197
Support services:	
Pupil services	2,588
Instructional support services	2,067
General administration services	526
Business administration	1,843,828
Operations and maintenance of plant services	311,901
Pupil transportation services	3,777
Central services	38,547
Other support service	15,576
Food service	5,381
Community services	1,593
	<u>2,266,246</u>
Total depreciation expense	<u>\$ 2,266,246</u>

7. Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<u>General Obligation Debt</u>					
Governmental Activities					
G.O. Bonds	\$ 37,920,000	\$ 81,575,000	\$ 4,215,000	\$ 115,280,000	\$ 6,380,000
G.O. Notes	1,885,000	-	-	1,885,000	-
Bond Anticipation Note	90,000,000	24,000,000	90,000,000	24,000,000	24,000,000
Total governmental activity long-term liabilities	129,805,000	105,575,000	94,215,000	141,165,000	30,380,000
Deferred Amounts for Premium	2,258,300	6,948,726	625,554	8,581,472	625,554
Capital Leases	383,076	187,800	165,551	405,325	148,439
Compensated Absences	3,194,959	323,678	210,328	3,308,309	769,482
	<u>\$ 135,641,335</u>	<u>\$ 113,035,204</u>	<u>\$ 95,216,433</u>	<u>\$ 153,460,106</u>	<u>\$ 31,923,475</u>

The compensated absences liability is typically being liquidated by the General Fund.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

7. Long-Term Obligations (Continued)

General Obligation Debt

Total interest paid and accrued during the year:

	Expense	Paid
Long-Term Debt	\$ 4,607,242	\$ 3,914,779

All general obligation bonds and notes payable are backed by the full faith and credit and unlimited taxing powers of the District. Notes and bonds in the governmental funds will be retired by future property tax levies of the Debt Service Fund. General Obligation Debt at June 30, 2020 is comprised of the following individual issues:

Description	Issue Dates	Interest Rate %	Dates of Maturity	Original Indebtedness	Balance 6/30/2020	Amount Due Within One Year
GO School Improvement Bonds	6/17/2015	3.375-5.0%	4/1/2035	\$ 26,000,000	\$ 25,325,000	\$ -
GO School Improvement Bonds	4/4/2016	2.0-3.0%	4/1/2036	10,000,000	10,000,000	-
GO Promissory Note	1/4/2017	1.99%	4/1/2021	5,000,000	1,885,000	1,885,000
GO Refunding Bonds	7/31/2019	3.0-5.0%	4/1/2039	81,575,000	79,955,000	4,495,000
Bond Anticipation Note	5/18/2020	1.50%	11/18/2020	24,000,000	24,000,000	24,000,000
Total General Obligation Debt					\$ 141,165,000	\$ 30,380,000

The 2019 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$3,043,114,338. The legal debt limit and margin of indebtedness as of June 30, 2020, in accordance with §67.03(1)(b) of the Wisconsin statutes follows:

Debt Limit (10% of \$3,043,114,338)	\$ 304,311,434
Deduct long-term debt applicable to debt margin	141,165,000
Margin of indebtedness	\$ 163,146,434

Aggregate cash flow requirements for the retirement of long-term principal and interest as of June 30, 2020 are as follows:

Year Ended June 30,	Principal	Interest
2021	\$ 30,380,000	\$ 4,439,174
2022	1,690,000	4,086,912
2023	1,890,000	4,053,112
2024	1,930,000	4,015,312
2025	2,860,000	3,976,732
2026-2030	36,355,000	15,925,563
2031-2035	34,365,000	8,268,063
2036-2039	31,695,000	2,412,900
Totals	\$ 141,165,000	\$ 47,177,768

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The District believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

7. Long-Term Obligations (Continued)

Subsequent to yearend, the District issued \$22,995,000 in General Obligation Refunding Bonds to refinance the Bond Anticipation Note with an interest rate ranging between 2.45% and 3.0%. Principal and interest are due annually in varying amounts with maturity on April 1, 2040.

Capital Leases

In current year, the District entered into three new capital leases for the of facilitating the acquisition of equipment. Equipment capitalized with leases has an original cost of \$343,563 and accumulated depreciation of \$64,572. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2020:

Year Ended June 30,	
2021	\$ 188,803
2022	188,353
2023	58,753
2024	4,218
2025	4,127
Total minimum lease payments	444,254
Less: Amount representing interest	(38,929)
Present value of net minimum lease payments	\$ 405,325

8. Defined Benefit 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, expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issued a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-andstudies/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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

8. Defined Benefit Pension Plan (Continued)

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

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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

The WRS also provides death and disability benefits for employees.

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

8. Defined Benefit Pension Plan (Continued)

During the reporting period, the WRS recognized \$1,568,472 in contributions from the employer.

Contribution rates as of June 30, 2020 are:

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the District reported an asset of \$4,756,731 for its proportionate share of the net pension 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 0.14752040%, which was an increase of 0.0021247% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,799,412.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,029,363	\$ (4,518,592)
Changes of assumptions	370,675	-
Net difference between projected and actual earnings on pension plan investments	-	(9,724,450)
Changes in proportion and difference between District contributions and proportionate share of contributions	21,042	(21,529)
District contributions subsequent to the measurement date	1,050,033	-
Total	\$ 10,471,113	\$ (14,264,571)

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

8. Defined Benefit Pension Plan (Continued)

\$1,050,033 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 (asset) in the year ended June 30, 2021. 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 Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (1,438,912)
2022	(1,074,909)
2023	168,137
2024	(2,497,807)
	\$ (4,843,491)

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 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. The total pension liability (asset) for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

8. Defined Benefit 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	<u>110</u>	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	<u>100</u>	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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

8. Defined Benefit Pension Plan (Continued)

Single Discount Rate. A single discount rate of 7.00% 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 7.00% 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 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the 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 7.00 percent, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 12,249,432	\$ (4,756,731)	\$ (17,470,794)

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>.

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan

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

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

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

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

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

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

Contribution rates as of June 30, 2020 are:

Coverage Type	Employer Contribution
25% Post Retirement Coverage	20% of employee contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2019 are as listed below:

Life Insurance		
Employee Contribution Rates *		
For the year ended December 31, 2019		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

* Disabled members under age 70 receive a waiver-of-premium benefit.

During the reporting period, the LRLIF recognized \$7,601 in contribution from the employer.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2020, the District reported a liability of \$1,790,648 for its proportionate share of the net OPEB liability. The net OPEB liability (asset) was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2019 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 OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.42051800%, which was an increase of .0021760% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$190,614.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (80,218)
Changes of assumptions	660,578	(196,958)
Net difference between projected and actual earnings on pension plan investments	33,778	-
Changes in proportion and difference between District contributions and proportionate share of contributions	10,545	(5,378)
District contributions subsequent to the measurement date	4,379	-
Total	<u>\$ 709,280</u>	<u>\$ (282,554)</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

\$4,379 reported as deferred outflows related to OPEB resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Net Outflows (Inflows) of Resources
2021	\$ 72,320
2022	72,320
2023	68,678
2024	64,927
2025	53,083
Thereafter	91,019
Total	\$ 422,347

Actuarial Assumptions. The total OPEB liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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. The Total OPEB Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

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

Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2019

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
US Credit Bonds	Barclays Credit	45%	2.12%
US Long Credit Bonds	Barclays Long Credit	5%	2.90%
US Mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-Term Expected Rate of Return			4.25%

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single Discount Rate. A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

9. Other Post-Employment Benefits – Multiple-Employer Life Insurance Plan (Continued)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate. The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using the discount rate of 2.87 percent, as well as what the District’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87 percent) or 1-percentage-point higher (3.87 percent) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
District's proportionate share of the net OPEB liability (asset)	\$ 2,472,584	\$ 1,790,648	\$ 1,271,826

OPEB Plan Fiduciary Net Position. Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

10. Post-Employment Benefits Other Than Pensions – Health Plan

At June 30, 2020, the District’s net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Plan Description. The District administers a single-employer defined benefit health care plan (the Retiree Health Plan). The plan provides health insurance contributions for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. There are 369 active members in the plan and 58 retired members in the plan. Benefit provisions are determined and may be amended by the Board of Education. Benefits are not negotiated through a collective bargaining agreement. The post-retirement plan does not issue stand-alone financial reports.

Funding Policy. The DeForest Area School District Post-Employment Benefits Trust was created by the District on November 8, 2008 to fund a portion of the costs of the OPEB liabilities (assets). Distributions from the Trust in any year are limited to the amount of contributions the District has made to the Trust for that year plus a portion of the investment gains of the assets of the Trust. The District has the authority to permit Trust assets to accumulate from year to year in order to reduce future District funding obligations, or the District may exercise its discretion to withdraw in any year an amount not to exceed the limitation specified above.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

10. Post-Employment Benefits Other Than Pensions – Health Plan (Continued)

Benefits Provided. For the DeForest Area School District, the other postemployment benefit liability consists of several interdependent pieces arising from the rules of the plan. The amounts paid by the District for continued health care for all classification that are entitled to a benefit are briefly outlined below:

Teachers: At least age 55 with a minimum of 15 years of service

Eligible retirees may use the monies resulting from unused sick leave, converted at 90% of the retiree's per diem rate at retirement, to continue coverage under the District's group medical, dental and/or life insurance plan until their exhaustion.

Teachers hired prior to July 1, 1995 may choose one of the following two options:

- **Sick Leave Conversion Benefit:** Eligible retirees may use the monies resulting from unused sick leave accumulated upon retirement, converted at 90% of the retiree's per diem rate at retirement) to continue coverage under the District's group medical, dental and/or life insurance coverage until their exhaustion.
- **Medical Insurance:** The District shall make contributions towards a retiree's medical at the exit rate. The District shall continue its contributions in this manner for a period of 5 years.

On March 23, 2020, the Board approved the revised teacher retirement benefit. Eligible retirees will receive a one-time contribution of \$37,500 into a retiree-only HRA and the accumulated sick day balance at retirement date, will be converted at \$250 per day, up to a maximum of 150 days. Retirees will have the ability to remain on the district-sponsored health insurance plan for the maximum COBRA continuation period.

Administrators (including current Superintendent): At least age 55 with a minimum of 10 years of service

Eligible retirees will receive a one-time contribution of \$75,000 into a Premium-Only HRA. The total contributions will not exceed a maximum of \$75,000.

Salaried District Specialist: At least age 55 with a minimum of 10 years of service

Eligible retirees will receive a one-time contribution of \$50,000 into a Premium-Only HRA. The total contributions will not exceed a maximum of \$50,000.

Hourly District Wide Administration Support: At least age 55 with a minimum of 10 years of service

The District will make a contribution to a Premium-Only HRA on behalf of eligible retirees. The total contribution amount will be based upon \$250 per year of service in a non-district office support position and \$1,000 per year of service in a district office administrative support position. The total amount, however, will not exceed a maximum of \$20,000.

Hourly Support Staff (Effective 7/1/2017): At least age 55 with a minimum of 15 years of service

Eligible retirees will receive a one-time contribution of \$10,000 into a Premium-Only HRA. The total contribution will not exceed a maximum of \$10,000.

Note: Prorated to FTE and only for those who qualify for benefits 75% FTE.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

10. Post-Employment Benefits Other Than Pensions – Health Plan (Continued)

Note: HRA funds may only be used on the District’s health plan only for the duration of COBRA. Any remaining balance would be for coverage with an outside provider – may not remain on the District health plan beyond COBRA. In addition, those noted eligible for a District provided benefit may self-pay to remain on the District’s health plan only for the duration of COBRA.

Employees Covered by Benefit Terms. Employees participating in the OPEB benefit consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	58
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	369
	427
	427

Net OPEB Liability (Asset). The District’s net OPEB asset of \$763,374 was measured at June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019. The discount rate was changed to be reflective of 20-year AA municipal bond rate (3.50%) as of the measurement date. All other assumptions and methods remained unchanged from the valuation performed as of June 30, 2018.

Actuarial Assumptions and Other Inputs. The net OPEB asset in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50	percent
Discount rate*	3.50	percent
Healthcare cost trend rates	7.50	decreasing by .050% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter

**Discount rate is based upon all years of projected payments discounted at a 3.50% long-term expected rate of return.*

Mortality rates were based on the Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale (multiplied 50%).

The actuarial assumptions used in the June 30, 2018 valuation were based on a study conducted in 2015 using the Wisconsin Retirement System (WRS) experience from 2012-2014.

Discount Rate. The discount rate used to measure the total net OPEB liability (asset) was 3.50%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the net OPEB liability (asset). The long-term expected rate of return is equal to the discount rate.

The discount rate is based upon all years of projected payments discounted at a 3.50% long-term expected rate of return.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

10. Post-Employment Benefits Other Than Pensions – Health Plan (Continued)

Assets Allocation. The current assets allocation of the District’s OPEB plan’s asset classes as of June 30, 2020 was as follows:

- 5.8% - Money Market Account
- 94.2% - ICS Account (Insured Cash Sweep Account)

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance at 6/30/2018	<u>\$ 3,146,734</u>	<u>\$ 3,723,032</u>	<u>\$ (576,298)</u>
Changes for the year:			
Service cost	171,103	-	171,103
Interest	112,359	-	112,359
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	27,219	-	27,219
Contributions - employer	-	422,813	(422,813)
Net investment income	-	74,944	(74,944)
Benefit payments	(472,117)	(472,117)	-
Net Changes	<u>(161,436)</u>	<u>25,640</u>	<u>(187,076)</u>
Balance at 6/30/2019	<u>\$ 2,985,298</u>	<u>\$ 3,748,672</u>	<u>\$ (763,374)</u>

The actuarial valuation was performed as of June 30, 2018. The discount rate was decreased from 3.75% to 3.5% when the information was rolled forward to June 30, 2019.

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

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

	1% Decrease	Current	1% Increase
	2.50%	Discount Rate 3.50%	4.50%
Net OPEB Liability (Asset)	<u>\$ (653,553)</u>	<u>\$ (763,374)</u>	<u>\$ (871,538)</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

10. Post-Employment Benefits Other Than Pensions – Health Plan (Continued)

Sensitivity of the Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates. The following represents the net OPEB liability (asset) of the District, as well as what the District’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Net OPEB Liability (Asset)	\$ (841,257)	\$ (763,374)	\$ (682,948)

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 OPEB expense of \$197,424. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB from the following sources:

Gain / Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 416,984	\$ -
Changes of assumptions or other inputs	24,745	(441,652)
Net difference between projected and actual earnings on OPEB plan investments	154,500	-
District contributions subsequent to the measurement date	369,885	-
Total	\$ 966,114	\$ (441,652)

\$369,885 reported as deferred outflows related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year Ended June 30:	
2021	\$ 52,651
2022	52,651
2023	33,398
2024	11,732
2025	(1,017)
Thereafter	5,162
	\$ 154,577

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

11. Fund Balances / Net Position

Fund Balances

The following is a detailed schedule of ending fund balances as reported in the fund financial statements by category:

Fund balances:	General Fund	Debt Service Fund	Special Revenue Funds	Capital Projects Funds	Total
<u>Nonspendable:</u>					
Inventory	\$ -	\$ -	\$ 44,214	\$ -	\$ 44,214
Prepays	304,582	-	-	-	304,582
Total Nonspendable	<u>304,582</u>	<u>-</u>	<u>44,214</u>	<u>-</u>	<u>348,796</u>
<u>Restricted for:</u>					
Self Insurance	216,864	-	-	-	216,864
Common School Fund	49,665	-	-	-	49,665
Debt Service Retirement	-	3,569,953	-	-	3,569,953
Capital Projects	-	-	-	111,923,310	111,923,310
Community Services	-	-	27,974	-	27,974
Special Revenue Trust	-	-	284,742	-	284,742
Total Restricted	<u>266,529</u>	<u>3,569,953</u>	<u>312,716</u>	<u>111,923,310</u>	<u>116,072,508</u>
<u>Assigned for:</u>					
Programs	<u>5,413,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,413,450</u>
<u>Unassigned:</u>	<u>15,026,021</u>	<u>-</u>	<u>(35,830)</u>	<u>-</u>	<u>14,990,191</u>
Total Fund Balances	<u>\$ 21,010,582</u>	<u>\$ 3,569,953</u>	<u>\$ 321,100</u>	<u>\$ 111,923,310</u>	<u>\$ 136,824,945</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

11. Fund Balances / Net Position (Continued)

Net Position

Net position reported on the district-wide Statement of Net Position at June 30, 2020 includes the following:

Net Investment in Capital Assets:	
Capital Assets Net of Depreciation	\$ 94,807,745
Less: Related Long-term Debt Outstanding	(141,382,566)
Less: Related Long-term Debt Premium	(8,581,472)
Plus: Unspent Bond Proceeds	<u>103,738,430</u>
Total Net Investment in Capital Assets	<u>48,582,137</u>
Restricted:	
Capital Projects	8,184,880
Debt Service	2,437,659
Community Service	27,974
Donations	284,742
Restricted OPEB	321,722
Unspent Common School Fund	49,665
Self-funded Insurance	<u>216,864</u>
Total Restricted	<u>11,523,506</u>
Unrestricted	<u>17,511,298</u>
Total Governmental Activities Net Position	<u><u>\$ 77,616,941</u></u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

12. Interfund Balances and Activity

Due to / Due from Other Funds

Interfund receivable and payable balances in the fund financial statements on June 30, 2020 are as follows:

Due To	Amount	Due From	Purpose
General Fund	\$ 12,350	Private Benefit Trust Fund	OPEB contribution
Food Service	2,081	Private Benefit Trust Fund	OPEB contribution
Community Service	180	Private Benefit Trust Fund	OPEB contribution
General Fund	19,040	Package Cooperative	Cash shortfall
Total-Fund Financial Statements			
	33,651		
Less: Fund Eliminations			
	(19,040)		
Total District-Wide Statement of Net Position			
	\$ 14,611		

All balances are expected to be paid within one year.

Transfers

The District had the following interfund transfers:

Purpose	Receivable Fund	Payable Fund	Amount
Capital Improvement Project	Capital Improvement Trust	General Fund	\$ 1,000,000
Operating Transfer	General Fund	Special Revenue Trust Fund	23,860
Operating Transfer	Package Cooperative	General Fund	6,241
			<u>\$ 1,030,101</u>

13. Self-Funded Insurance Program

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

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

13. Self-Funded Insurance Program (Continued)

At June 30, 2020, the District has reported a liability of \$29,373, which represents reported and unreported claims which were incurred on or before June 30, 2020, but were not paid by the District as of that date. This amount consists of claims reported to the District by the Plan administrator (\$0), claims reported to the Plan administrator but not the District (\$14,687) and claims which were not yet reported to either the Plan administrator or the District (\$14,686). The amounts not reported to the District were determined by the Plan administrator.

Change in the claims liability for the year ended June 30, 2020 is as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
Estimated claims outstanding July 1	\$ 28,758	\$ 21,814	\$ 19,479
Current year claims and changes in estimates	376,993	417,214	419,035
Claim payments	376,378	410,270	416,700
Estimated claims outstanding June 30	<u>\$ 29,373</u>	<u>\$ 28,758</u>	<u>\$ 21,814</u>

14. Limitation of 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.

15. Risk Management

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

16. Commitments and Contingencies

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

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

16. Commitments and Contingencies (Continued)

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

The recent spread of COVID-19 coronavirus created economic uncertainty domestically and internationally. In March 2020 and through the remainder of the 2019/2020 school year, the State of Wisconsin required the closing of schools and in person learning, and school instruction was shifted to virtual platforms.

The full financial impact on the District is unknown. It is anticipated that the impacts of COVID-19 will continue for some time. Future impacts may include changes to student enrollment. Student enrollment factor into calculations for certain state aid revenues and impacts revenue limits. Enrollment changes from COVID-19 could impact multiple school years as certain aid and revenue limit calculations use a three-year enrollment rolling average. Other impacts may include, but are not limited to, continued disruptions of in-person schooling and events, and restrictions on employees' ability to work. Changes to the operating environment are also expected to increase operating costs.

17. Construction Commitments

On April 2, 2019, the District passed a referendum in the amount of \$125,000,000 for the purpose of paying the cost of school building and improvement projects consisting of construction of a new intermediate school and maintenance building; renovation of Yahara Elementary School, DeForest Area Middle School; renovation and expansion of DeForest Area High School; site improvements, and acquisition of furniture, fixtures and equipment.

As of June 30, 2020, the District's facilities were undergoing remodeling and upgrades. The District has the following contract commitments related to construction projects:

	<u>Total Contract</u>	<u>Expenditures through June 30, 2020</u>	<u>Remaining Commitment</u>
High School Stadium Turf field project	\$ 410,000	\$ 229,918	\$ 180,082
Middle School Roof Project	1,144,571	915,660	228,911
Design and Construction Administration Services:			
New Intermediate School	2,606,300	2,281,895	324,405
High School Addition and Renovation	2,895,682	2,437,246	458,436
Yahara Elementary School Renovation	354,000	130,538	223,462
Middle School Addition and Renovation	493,600	362,907	130,693
Construction Services:			
High School Addition and Renovation	48,528,519	1,122,225	47,406,294
New Intermediate School	46,319,842	4,166,781	42,153,061
	<u>\$ 102,752,514</u>	<u>\$ 11,647,170</u>	<u>\$ 91,105,344</u>

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

18. Subsequent Events

In September 2020, the District approved the acquisition of technology equipment and lease purchase financing for such acquisition in an amount of \$178,800 with an interest rate of 2.9%.

19. Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has adopted GASB Statement No. 84, *Fiduciary Activities*, and GASB Statement No. 87, *Leases*. When these become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local Sources	\$ 22,204,733	\$ 22,134,733	\$ 22,154,736	\$ 20,003
Interdistrict Sources	1,150,000	1,110,931	1,084,838	(26,093)
State Sources	21,051,172	21,051,171	21,112,104	60,933
Federal Sources	409,392	409,392	366,932	(42,460)
Other Sources	31,008	44,235	89,107	44,872
Total Revenues	44,846,305	44,750,462	44,807,717	57,255
EXPENDITURES				
Current:				
Instruction:				
Regular Instruction	16,404,098	16,028,862	15,846,611	182,251
Vocational Instruction	1,313,595	1,229,758	1,157,722	72,036
Special Instruction	286,680	165,870	160,407	5,463
Other Instruction	1,877,760	1,836,199	1,809,398	26,801
Support Service:				
Pupil Services	1,443,303	1,391,056	1,380,766	10,290
Instructional Staff Services	3,647,594	3,641,655	3,482,589	159,066
General Administration Services	1,002,781	1,023,684	904,421	119,263
Building Administration Services	2,232,093	2,179,620	2,172,654	6,966
Business Administration	523,057	524,393	563,454	(39,061)
Operation and Maintenance	4,696,285	4,333,168	4,088,369	244,799
Pupil Transportation	1,376,788	1,318,323	1,271,819	46,504
Central Services	1,678,136	1,774,094	1,666,863	107,231
Insurance	311,625	311,625	396,598	(84,973)
Other Support Services	345,300	669,170	611,425	57,745
Non-program Services	1,378,090	1,413,723	1,435,237	(21,514)
Capital Outlay	141,959	626,440	174,914	451,526
Debt Service	203,950	203,950	187,664	16,286
Total Expenditures	38,863,094	38,671,590	37,310,911	1,360,679
Excess (Deficiency) of Revenues Over Expenditures	5,983,211	6,078,872	7,496,806	1,417,934
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds	-	89,900	187,800	97,900
Transfers In	-	-	23,860	23,860
Transfers Out	(6,010,711)	(5,947,149)	(5,945,103)	2,046
Total Other Financing Sources and Uses	(6,010,711)	(5,857,249)	(5,733,443)	123,806
Net Change in Fund Balances	(27,500)	221,623	1,763,363	1,541,740
Fund Balances - Beginning	19,247,219	19,247,219	19,247,219	-
Fund Balances - Ending	\$ 19,219,719	\$ 19,468,842	\$ 21,010,582	\$ 1,541,740

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL EDUCATION FUND
BUDGET AND ACTUAL**

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
	REVENUES			
Interdistrict Sources	\$ 4,600	\$ -	\$ 16,353	\$ 16,353
State Sources	1,550,000	1,701,291	1,690,014	(11,277)
Federal Sources	883,947	887,885	944,429	56,544
Other Sources	16,103	16,103	-	(16,103)
Total Revenues	<u>2,454,650</u>	<u>2,605,279</u>	<u>2,650,796</u>	<u>45,517</u>
EXPENDITURES				
Current:				
Instruction:				
Special Instruction	5,693,004	5,594,806	5,551,231	43,575
Support Service:				
Pupil Services	1,050,482	1,055,008	1,033,008	22,000
Instructional Staff Services	356,785	360,936	320,067	40,869
Operation and Maintenance	2,000	6,870	3,319	3,551
Pupil Transportation	294,450	258,799	270,304	(11,505)
Central Services	13,700	10,700	3,492	7,208
Non-program Services	299,440	426,608	408,237	18,371
Total Expenditures	<u>7,709,861</u>	<u>7,713,727</u>	<u>7,589,658</u>	<u>124,069</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,255,211)</u>	<u>(5,108,448)</u>	<u>(4,938,862)</u>	<u>169,586</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	5,255,211	4,941,649	4,938,862	(2,787)
Total Other Financing Sources and Uses	<u>5,255,211</u>	<u>4,941,649</u>	<u>4,938,862</u>	<u>(2,787)</u>
Net Change in Fund Balance	-	(166,799)	-	166,799
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ (166,799)</u>	<u>\$ -</u>	<u>\$ 166,799</u>

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**RECONCILIATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS
AND GAAP REVENUES AND EXPENDITURES
For the Year Ended June 30, 2020**

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 44,807,717	\$ 2,650,796
Reclassification: Special education fund revenues are reclassified to the general fund, required for GAAP reporting	<u>2,650,796</u>	<u>(2,650,796)</u>
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u><u>\$ 47,458,513</u></u>	<u><u>\$ -</u></u>
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 37,310,911	\$ 7,589,658
Reclassification: Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	<u>7,589,658</u>	<u>(7,589,658)</u>
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u><u>\$ 44,900,569</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**DISTRICT NET OPEB LIABILITY SCHEDULES - HEALTH PLAN
For the Year Ended June 30, 2020**

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability				
Service costs	\$ 171,103	\$ 206,558	\$ 220,646	\$ 220,646
Interest	112,359	112,808	108,025	118,053
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	509,646	-	-
Changes in assumptions or other inputs	27,219	(473,815)	(74,229)	-
Benefit payments	(472,117)	(656,565)	(593,686)	(752,293)
Net change in total OPEB	\$ (161,436)	\$ (301,368)	\$ (339,244)	\$ (413,594)
Total OPEB Liability-Beginning	3,146,734	3,448,102	3,787,346	4,200,940
Total OPEB Liability-Ending (a)	<u>\$ 2,985,298</u>	<u>\$ 3,146,734</u>	<u>\$ 3,448,102</u>	<u>\$ 3,787,346</u>
Fiduciary Net Position				
Contributions - employer	\$ 422,813	\$ 537,618	\$ 1,102,750	\$ 682,946
Net investment income	74,944	32,299	10,092	11,566
Benefit payments	(472,117)	(656,565)	(593,686)	(752,293)
Administrative expense	-	-	-	-
Net change in fiduciary net position	\$ 25,640	\$ (86,648)	\$ 519,156	\$ (57,781)
Fiduciary Net Position-Beginning	3,723,032	3,809,680	3,290,524	3,348,305
Fiduciary Net Position-Ending (b)	<u>\$ 3,748,672</u>	<u>\$ 3,723,032</u>	<u>\$ 3,809,680</u>	<u>\$ 3,290,524</u>
Net OPEB Liability				
Net OPEB Liability (Asset)- ending (a) - (b)	<u>\$ (763,374)</u>	<u>\$ (576,298)</u>	<u>\$ (361,578)</u>	<u>\$ 496,822</u>
Fiduciary net position as a percentage of the Total OPEB Liability	125.57%	118.31%	110.49%	86.88%
Covered Employee Payroll	\$ 21,714,025	\$ 21,714,025	\$ 15,874,637	\$ 15,874,637
Net OPEB Liability as a percentage of covered-employee payroll	-3.52%	-2.65%	-2.28%	3.13%

Data presented as of the measurement date.

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**DISTRICT NET OPEB LIABILITY SCHEDULES - HEALTH PLAN
For the Year Ended June 30, 2020**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution (ADC)	\$ 145,196	\$ 486,910	\$ 486,910	\$ 382,964
Contributions in Relation to the ADC	422,813	537,618	1,102,750	682,946
Contribution Deficiency/(Excess)	<u>\$ (277,617)</u>	<u>\$ (50,708)</u>	<u>\$ (615,840)</u>	<u>\$ (299,982)</u>
 Cover-Employee Payroll	 \$ 21,714,025	 \$ 21,714,025	 \$ 15,874,637	 \$ 15,874,637
 Contributions as a Percentage of Covered-Employee Payroll	 1.95%	 2.48%	 6.95%	 4.30%

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**LOCAL RETIREE LIFE INSURANCE FUND SCHEDULES
June 30, 2020**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
AS OF THE MEASUREMENT DATE
Last 10 Years***

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered-employee payroll	Collective net OPEB liability (asset) as a percentage of the District's covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2019	0.42051800%	\$ 1,790,648	\$ 23,051,000	7.77%	37.58%
2018	0.41834200%	1,079,464	21,746,000	4.96%	48.69%
2017	0.42108100%	1,266,856	17,707,661	7.15%	44.81%

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

**SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years****

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2020	\$ 8,758	\$ (8,758)	\$ -	\$ 18,959,180	0.05%
2019	8,166	(8,166)	-	21,598,779	0.04%
2018	7,614	(7,614)	-	20,796,072	0.04%

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

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**WISCONSIN RETIREMENT SYSTEM SCHEDULES
June 30, 2020**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
AS OF THE MEASUREMENT DATE
Last 10 Years***

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Collective net pension liability (asset) as a percentage of the District's covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2019	(0.14752040%)	\$ (4,756,731)	\$ 23,797,589	(19.99%)	102.96%
2018	0.14539570%	5,172,723	22,371,813	23.12%	96.45%
2017	(0.14320191%)	(4,251,834)	21,783,876	(19.52%)	(102.93%)
2016	0.14070700%	1,159,762	20,569,841	5.64%	99.12%
2015	0.14005602%	2,275,883	19,729,870	11.54%	98.20%
2014	(0.14141936%)	(3,472,691)	19,620,368	(17.70%)	(102.74%)

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

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE YEAR ENDED
Last 10 Fiscal Years****

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2020	\$ 1,684,975	\$ (1,684,975)	\$ -	\$ 25,249,850	6.67%
2019	1,515,483	(1,515,483)	-	22,934,875	6.61%
2018	1,490,158	(1,490,158)	-	22,113,210	6.74%
2017	1,431,910	(1,431,910)	-	21,295,250	6.72%
2016	1,353,424	(1,353,424)	-	20,270,397	6.68%
2015	1,350,898	(1,350,898)	-	19,639,708	6.88%

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

See accompanying notes to the required supplementary information

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020**

NOTE 1

BUDGET SCHEDULE

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

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

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the School Board may make alterations to the proposed budget.
- Once the School Board (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire School Board.
- Appropriations lapse at year-end unless authorized as a carryover by the School Board. The portion of fund balance representing carryover appropriations is reported as an assigned fund balance.

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

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

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

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following individual funds had functions that had an excess of actual expenditures over budget of \$5,000 or more for the year ended June 30, 2020.

Fund	Function	Amount
General Fund	Business Administration	\$ 39,061
General Fund	Insurance	84,973
General Fund	Non-program Services	21,514
Special Education Fund	Pupil Transportation	11,505

In each of the funds, the District had sufficient revenues, fund balance, other financial sources and/or expenditures less than the budget in other functions to support the amounts listed above. In total, General Fund expenditures were \$1,360,679 under budget and, in total, Special Education expenditures were \$124,069 under budget.

**DEFOREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020**

NOTE 3

DISTRICT NET OPEB LIABILITY SCHEDULES

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 6 preceding years.

Actuarial Assumptions. Key methods and assumptions used to calculate actuarially determined contributions (ADC) were as follows:

Valuation Date	6/30/2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Amortization Method	30 year Level \$
Discount Rate	3.50%
Inflation	2.50%

Changes of benefit terms. There were no changes of benefit terms during the year.

Changes of assumptions. The discount rate was decreased from 3.75% to 3.5% when the June 30, 2018 actuarial study was rolled forward to June 30, 2019.

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 4 preceding years.

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

Changes of assumptions. No significant changes in assumptions were noted from the prior year.

NOTE 5

LOCAL RETIREE LIFE INSURANCE SCHEDULES

Governmental Accounting Statements Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 7 preceding years.

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

Changes of assumptions. Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the Actuarial Assumptions section in Note 9 to the financial statements for additional details.

OTHER SUPPLEMENTARY INFORMATION

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020**

	<u>Special Revenue Funds</u>				<u>Nonmajor Special Revenue Funds</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Funds</u>
	<u>Special Revenue Trust</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Package Cooperative</u>		<u>Capital Improvement Trust</u>	
ASSETS							
Cash and Investments	\$ 287,821	\$ 47,123	\$ 19,447	\$ -	\$ 354,391	\$ -	\$ 354,391
Restricted Cash and Investments	-	-	-	-	-	5,827,700	5,827,700
Receivables:							
Accounts	2,500	11,525	8,347	22,447	44,819	-	44,819
Due from Fiduciary Funds	-	2,081	180	-	2,261	-	2,261
Due from Other Governments	-	14,917	-	3,907	18,824	-	18,824
Inventory	-	44,214	-	-	44,214	-	44,214
TOTAL ASSETS	<u>\$ 290,321</u>	<u>\$ 119,860</u>	<u>\$ 27,974</u>	<u>\$ 26,354</u>	<u>\$ 464,509</u>	<u>\$ 5,827,700</u>	<u>\$ 6,292,209</u>
LIABILITIES							
Accounts Payable	\$ 1,523	\$ 2,831	\$ -	\$ 5,699	\$ 10,053	\$ -	\$ 10,053
Accrued Salaries and Wages	-	296	-	1,500	1,796	-	1,796
Payroll Taxes and Withholdings	-	43	-	115	158	-	158
Due to Other Funds	-	-	-	19,040	19,040	-	19,040
Due to Student Organizations	4,056	-	-	-	4,056	-	4,056
Food Service Deposits	-	108,306	-	-	108,306	-	108,306
Total Liabilities	<u>5,579</u>	<u>111,476</u>	<u>-</u>	<u>26,354</u>	<u>143,409</u>	<u>-</u>	<u>143,409</u>
FUND BALANCES							
Nonspendable	-	44,214	-	-	44,214	-	44,214
Restricted	284,742	-	27,974	-	312,716	5,827,700	6,140,416
Unassigned (Deficit)	-	(35,830)	-	-	(35,830)	-	(35,830)
Total Fund Balances	<u>284,742</u>	<u>8,384</u>	<u>27,974</u>	<u>-</u>	<u>321,100</u>	<u>5,827,700</u>	<u>6,148,800</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 290,321</u>	<u>\$ 119,860</u>	<u>\$ 27,974</u>	<u>\$ 26,354</u>	<u>\$ 464,509</u>	<u>\$ 5,827,700</u>	<u>\$ 6,292,209</u>

**DEFOREST AREA SCHOOL DISTRICT
DEFOREST, WISCONSIN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020**

	<u>Special Revenue Funds</u>				Total Nonmajor Special Revenue Funds	<u>Capital Project Fund</u>	
	Special Revenue Trust	Food Service	Community Service	Package Cooperative		Capital Improvement Trust	Total Nonmajor Funds
REVENUES							
Property Taxes	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ 50,000
Other Local Sources	358,101	696,778	56,261	69,452	1,180,592	80,333	1,260,925
State Sources	-	23,478	-	-	23,478	-	23,478
Federal Sources	-	472,240	-	-	472,240	-	472,240
Other Sources	-	5,091	-	-	5,091	-	5,091
Total Revenue	358,101	1,197,587	106,261	69,452	1,731,401	80,333	1,811,734
EXPENDITURES							
Current:							
Instruction:							
Regular Instruction	47,756	-	-	-	47,756	-	47,756
Vocational Instruction	22,434	-	-	-	22,434	-	22,434
Other Instruction	157,512	-	-	57,433	214,945	-	214,945
Total Instruction	227,702	-	-	57,433	285,135	-	285,135
Support Services:							
General Administration Services	925	-	-	-	925	-	925
Building Administration Services	6,020	-	-	-	6,020	-	6,020
Operation and Maintenance	-	26,483	-	16,275	42,758	-	42,758
Pupil Transportation	10,947	-	-	1,985	12,932	-	12,932
Central Services	-	1,698	-	-	1,698	-	1,698
Food Services	-	1,429,179	-	-	1,429,179	-	1,429,179
Community Services	-	-	122,790	-	122,790	-	122,790
Total Support Services	17,892	1,457,360	122,790	18,260	1,616,302	-	1,616,302
Capital Outlay	-	13,121	-	-	13,121	-	13,121
Total Expenditures	245,594	1,470,481	122,790	75,693	1,901,437	-	1,914,558
Excess (Deficiency) of Revenues over Expenditures	112,507	(272,894)	(16,529)	(6,241)	(170,036)	80,333	(102,824)
OTHER FINANCING SOURCES (USES)							
Transfer In	-	-	-	6,241	6,241	1,000,000	1,006,241
Transfer Out	(23,860)	-	-	-	(23,860)	-	(23,860)
Total Other Financing Sources (Uses)	(23,860)	-	-	6,241	(17,619)	1,000,000	982,381
Net Change in Fund Balances	88,647	(272,894)	(16,529)	-	(187,655)	1,080,333	879,557
FUND BALANCE - BEGINNING	196,095	281,278	44,503	-	521,876	4,747,367	5,269,243
FUND BALANCE - ENDING	\$ 284,742	\$ 8,384	\$ 27,974	\$ -	\$ 334,221	\$ 5,827,700	\$ 6,148,800