

HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Hortonville Area School District
Hortonville, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hortonville Area School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hortonville Area School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended June 30, 2021, the District has implemented GASB Statement No. 84, *Fiduciary Activities* for classifying the District's fiduciary activities.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The nonmajor governmental funds, nonmajor special revenue funds, general fund, and schedule of charter school authorizer operating costs, listed as other supplementary information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines*, and are also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
January 4, 2022

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

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

FINANCIAL HIGHLIGHTS

- The District's overall financial status, as reflected in total net position, increased by \$6.49M.
- The General Fund (Fund 10) fund balance increased from \$13.3M to \$14.0M. The fund balance represents 29% of Fund 10 expenditures.
- The Employer Benefit Trust Fund (Fund 73) - This fund is used to account for resources held in trust, which will be used to pay for benefits contractually owed to retirees of the District. With the establishment of this Fund in 2005, the District addressed the need to fund other post employment benefits due retirees, which was initially in the form of paid health insurance premium for up to eight years. During the 2014-15 school year, the previous benefit was replaced by a tax sheltered account (TSA) benefit, which will be funded in the year earned. This transition was made as the previous benefit was deemed too expensive to maintain with limited new resources funding public education, and will save the District an estimated \$9.9 million over the years to come. A small set of teachers were grandfathered into the previous benefit, with the majority of teachers converted to the new benefit, which has a maximum capped value. Within the General Fund, funds are budgeted as necessary to contribute to Fund 73 for the old benefit as well as pay directly for the new benefit. The last payment for the old benefit is projected to be in the 2030-31 school year. By then, if not sooner, the trust balance will be depleted and a trust fund will no longer be necessary.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

District-Wide Financial Statements

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

Fund Financial Statements

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

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

Required Supplementary Information further explains and supports the financial statements.

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

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

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

Table #1

		-----Fund Financial Statements-----		
	District-wide Statements	Governmental	Proprietary	Fiduciary
Scope	Entire District (except fiduciary funds).	The activity of the District that is not proprietary or fiduciary, such as instructional, support services, food service and community services.	Activities the District operates similar to private business. <u>The District does not report any program for this designation.</u>	Assets held by the District on behalf of someone else. The employee benefit trust funds are also reported here.
Required financial statements	Statement of net position and statement of activities.	Balance sheet, and statement of revenues, expenditures and changes in fund balance.	Statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.	Statement of fiduciary net position, and statement of changes in fiduciary net position.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting. Economic resources focus.	Accrual accounting. Economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both financial and capital, short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received or paid.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

Table #2

Condensed Statement of Net Position			
	<u>2021</u>	<u>2020, As Restated</u>	<u>% Change</u>
<u>Assets</u>			
Current Assets	\$63,840,439	\$19,248,559	232%
Noncurrent Assets	\$8,678,256	\$4,614,403	88%
Capital Assets	\$44,183,195	\$45,037,449	-2%
Total Assets	\$116,701,890	\$68,900,411	69%
Deferred Outflows of Resources	\$13,653,458	\$19,094,680	-28%
<u>Liabilities</u>			
Current Liabilities	\$7,485,968	\$5,171,312	45%
Noncurrent Liabilities	\$61,134,127	\$23,601,280	159%
Total Liabilities	\$68,620,095	\$28,772,592	138%
Deferred Inflows of Resources	\$18,793,219	\$22,771,441	-17%
<u>Net Position</u>			
Net Investment in Capital Assets	\$25,518,195	\$21,672,449	18%
Restricted	\$45,818,452	\$2,488,533	1,741%
Unrestricted	(\$28,394,613)	\$12,290,076	-331%
Total Net Position	\$42,942,034	\$36,451,058	18%

Statement of Net Position: (Table #2)

The District's overall financial status, as reflected in total net position, increased by \$6.49M to \$42.94M. The District reported total assets of \$116.70M of which \$44.18M are capital assets. The District reported deferred outflows of resources of \$13.65M. The District reported total liabilities of \$68.62M, of which \$61.13M are long-term liabilities. The District reported deferred inflows of resources of \$18.79M.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

Table #3

Changes in Net Position from Operating Results For Governmental Activities					
	<u>2020-21</u>	<u>%</u>	<u>2019-20</u>	<u>%</u>	<u>% Change</u>
Revenues:					
Program:					
Charges for Services	\$3,627,690	6%	\$3,615,288	7%	0%
Operating Grants & Cont.	\$5,011,744	9%	\$3,562,254	7%	41%
General:					
Property Taxes	\$20,486,193	36%	\$19,072,739	37%	7%
General State Aids	\$26,813,435	47%	\$25,579,319	49%	5%
Other	\$844,807	2%	\$377,290	0%	124%
Total Revenues	<u>\$56,783,869</u>	<u>100%</u>	<u>\$52,206,890</u>	<u>100%</u>	<u>9%</u>
Expenses:					
Instruction	\$24,875,771	49%	\$25,146,810	53%	-1%
Support Services	\$15,161,278	30%	\$14,714,793	31%	3%
Nonprogram	\$5,522,820	11%	\$2,903,433	6%	90%
Food Service	\$1,427,808	3%	\$1,402,637	3%	2%
Interest and Fiscal Charges	\$938,631	2%	\$882,561	2%	6%
Unallocated Depreciation	\$2,366,585	5%	\$2,613,722	5%	-9%
Total Expenses	<u>\$50,292,893</u>	<u>100%</u>	<u>\$47,663,956</u>	<u>100%</u>	<u>6%</u>
Change in Net Position	<u>\$6,490,976</u>		<u>\$4,542,934</u>		<u>43%</u>

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

Revenues: (Table #3)

- For FY20-21, the District received \$56.78M in revenue. This is an increase of 9% or \$7.11M from the previous year. Property taxes increased from the prior year by \$1.41M to \$20.49M and general state aids increased by \$1.23M to \$26.81M. For FY20-21, 36% of total revenue came from local school property taxes, and 47% of the total came in the form of general state aids. The District received approximately 15% of all revenue in the form of specific use state aid, federal grants, and direct fees for services.
- Individuals who directly participated or received benefits from a program offering contributed \$3.63M of the cost, a increase of \$12,402 from the prior year. Book and activity fees, admissions to athletic events, school lunch fees, open enrollment tuition, and building rental fees are included here.
- Federal and state government subsidized certain programs with grants and contributions of \$5.01M, which is a increase of \$1,449,490 from the prior year. Special education aid, transportation and food service aids are included here.

Expenses: (Table #3)

- For FY20-21, the District's total expenditure amount was \$50.29M. This is an increase of \$2.63M from the prior year. For FY20-21, 49% was directed to instruction, 30% to support services, and 11% to nonprogram expenses. The food service program represented 3% and costs for debt service represented 2% of total expenditures.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

Table #4

Net Cost of Governmental Activities		
	<u>Total Cost of Services</u> <u>2021</u>	<u>Net Cost of Services</u> <u>2021</u>
Instruction	\$24,875,771	\$19,500,338
Support Services	\$15,161,278	\$13,865,283
Nonprogram Expenses	\$5,522,820	\$5,280,025
Food Service	\$1,427,808	(\$297,403)
Interest and Fiscal Charges	\$938,631	\$938,631
Unallocated Depreciation	\$2,366,585	\$2,366,585
Totals	\$50,292,893	\$41,653,459

Net Cost of Governmental Activities: (Table #4)

- Total cost of all governmental activities was \$50.29M.
- The net cost of governmental activities, \$41.65M, was financed by general revenues, which are primarily made up of property taxes, \$20.49M, and general state aids, \$26.81M. Miscellaneous and investment earnings accounted for \$91,731. In addition, District operations were subsidized by \$8.64M, which was collected through direct fees, operating grants, and contributions.

General Fund Budgetary Comparison:

Consistent with current state statutes and regulations, an original budget was adopted in October 2020 to reflect the actual revenue cap and state aid certification.

Actual revenues were \$215,619 higher than budgeted. Actual expenditures were \$323,578 lower than budgeted.

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

Fund Balances:

- The District shows a total for all fund balances of \$60.28M as of June 30, 2021.
- \$13.98M is in the general fund (Fund 10). The District utilizes this fund balance for on going cash flow needs as most tax and state aid revenue is received in the later part of the fiscal year. The Fund 10 fund balance represents 23% of operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating, and allows the District to respond to non-recurring economic needs.
- \$2.53M in the debt service fund (Fund 39) is restricted to make future payments on long-term debt.
- Other funds include: capital projects, special revenue trust and a county sponsored alcohol and other drug awareness project.
- Fund balance in the food service fund will be used for continuing operations in that fund.

Governmental Activities:

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

Capital Asset and Debt Administration:

Capital Assets

- At year-end, the District had \$44.18M in capital assets. Further detail can be found in Note 4 to the financial statements.

Long-term Obligations

- Long-term obligations increased by \$39.66M to \$64.69M. Long-term obligations include \$60.47M in general obligation debt benefits, \$2.45M in unamortized bond premium, \$1.55M in other post-employment benefits, \$69,374 in pension liabilities, and \$159,970 in vested employee benefits. Further detail can be found in Note 5 to the financial statements.
- The District's most recent bond rating was Aa2. The current debt limit is \$271.02M, leaving the District the ability to borrow an additional \$210.56M (margin of indebtedness).

HORTONVILLE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2021

Long-term Obligations (Continued)

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

Decisions that will Impact the Future of the District

- Starting in 1993, school districts in Wisconsin have been operating under a “revenue limit cap”. The revenue limit cap is a state imposed method of controlling the growth of school district budgets. As a school district which has experienced a steady growing enrollment since 1993 (excluding the economic downturn period of 2008), we have been able to meet our financial requirements, add additional staff and programming as necessary, and steadily increase our fund balance. As we move forward, enrollment increases are expected to continue due to our close proximity to the Fox Valley, and the amount of undeveloped land that is available for both commercial and residential development within the School District.
- Student enrollment growth has led to six successful referendums over the past thirty years. The community approved additional building space in the form of three elementary schools, two middle schools, and a District Transportation Facility. In addition, classroom space has been added on to Greenville Elementary, Greenville Middle School, Hortonville Middle School and there have been a number of additions to Hortonville High School. Based on current enrollment projections, facility space for students should be set until the year 2025.
- The Other Post Employment Benefit (OPEB) outstanding liability continues to decrease. Between currently allocated General Fund budget funds and the balance available within the OPEB trust, the District is well positioned to meet and fund this liability into the near future. By approximately 2031, the OPEB liability will no longer exist. Current funds used to pay for this liability, can then be reallocated to other areas of need.

Contacting the District's Financial Management:

This Financial Report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Christina Peterson, Director of Business Services, Hortonville Area School District, 246 North Olk Street, Hortonville, WI 54944.

BASIC FINANCIAL STATEMENTS

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

STATEMENT OF NET POSITION

June 30, 2021

ASSETS

Current assets:

Cash and investments	\$ 57,153,985
Taxes receivable	5,000,665
Accounts receivable	604,238
Pledges receivable, current portion	123,975
Due from other governments	957,576
Total current assets	<u>63,840,439</u>

Noncurrent assets:

Pledges receivable	101,755
Net pension asset - WRS	8,576,501
Total noncurrent assets	<u>8,678,256</u>

Capital assets:

Land, buildings, and equipment	81,768,607
Less accumulated depreciation	37,585,412
Total capital assets	<u>44,183,195</u>

Total assets	<u>116,701,890</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to OPEB	166,903
Deferred outflows related to WRS pension	13,486,555
Total deferred outflows of resources	<u>13,653,458</u>

LIABILITIES

Current liabilities:

Current portion of bonds payable	3,555,000
Accounts payable	306,763
Food service deposits	71,378
Accrued salaries and wages	2,081,042
Accrued payroll taxes and withholdings	1,203,331
Accrued interest payable	268,454
Total current liabilities	<u>7,485,968</u>

Long-term liabilities:

Bonds payable	56,910,000
Bond premium	2,447,855
Net OPEB liability	1,546,928
Net pension liability - supplemental pension	69,374
Vested employee benefits	159,970
Total long-term liabilities	<u>61,134,127</u>
Total liabilities	<u>68,620,095</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to WRS pension	<u>18,793,219</u>
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NET POSITION

Net investment in capital assets	25,518,195
Restricted	45,818,452
Unrestricted	<u>(28,394,613)</u>
Total net position	<u>\$ 42,942,034</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Instruction:				
Undifferentiated curriculum	\$ 13,929,929	\$ 1,673,563	\$ 106,047	\$ (12,150,319)
Regular curriculum	4,095,128	1,673,562	175,246	(2,246,320)
Special curriculum	3,796,013	--	1,746,436	(2,049,577)
Other instruction	3,054,701	--	579	(3,054,122)
Total instruction	24,875,771	3,347,125	2,028,308	(19,500,338)
Support services:				
Pupil services	2,237,196	--	140,525	(2,096,671)
Instructional staff services	1,451,188	--	507,416	(943,772)
General administration	497,808	--	--	(497,808)
School building administration	2,839,549	--	157,004	(2,682,545)
Business administration	7,330,995	--	488,564	(6,842,431)
Other support services	2,622,518	--	2,486	(2,620,032)
Total support services	16,979,254	--	1,295,995	(15,683,259)
Nonprogram	3,704,844	--	242,795	(3,462,049)
Food service	1,427,808	280,565	1,444,646	297,403
Interest and fiscal charges	938,631	--	--	(938,631)
Unallocated depreciation	2,366,585	--	--	(2,366,585)
Totals	\$ 50,292,893	\$ 3,627,690	\$ 5,011,744	(41,653,459)
General revenues:				
General state aids				26,813,435
Property taxes levied for:				
General purposes				15,870,668
Debt service				4,615,525
Interest income				7,600
Donations				753,076
Miscellaneous				84,131
Total general revenues				48,144,435
Change in net position				6,490,976
Net position, beginning of year, as restated				36,451,058
Net position, end of year				\$ 42,942,034

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 11,752,736	\$ 2,532,643	\$ 41,860,588	\$ 1,008,018	\$ 57,153,985
Taxes receivable, net	5,000,664	1	--	--	5,000,665
Accounts receivable	604,238	--	--	--	604,238
Pledges receivable	--	--	225,730	--	225,730
Due from other funds	--	--	--	800,000	800,000
Due from other governments	892,707	--	--	64,869	957,576
Total assets	<u>\$ 18,250,345</u>	<u>\$ 2,532,644</u>	<u>\$ 42,086,318</u>	<u>\$ 1,872,887</u>	<u>\$ 64,742,194</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 182,002	\$ --	\$ 123,291	\$ 1,470	\$ 306,763
Food service deposits	--	--	--	71,378	71,378
Accrued salaries and wages	2,081,042	--	--	--	2,081,042
Accrued payroll taxes and withholdings	1,203,331	--	--	--	1,203,331
Due to other funds	800,000	--	--	--	800,000
Total liabilities	<u>4,266,375</u>	<u>--</u>	<u>123,291</u>	<u>72,848</u>	<u>4,462,514</u>
Fund balances:					
Spendable:					
Restricted	--	2,532,644	41,963,027	1,322,781	45,818,452
Assigned	--	--	--	477,258	477,258
Unassigned	13,983,970	--	--	--	13,983,970
Total fund balances	<u>13,983,970</u>	<u>2,532,644</u>	<u>41,963,027</u>	<u>1,800,039</u>	<u>60,279,680</u>
Total liabilities and fund balances	<u>\$ 18,250,345</u>	<u>\$ 2,532,644</u>	<u>\$ 42,086,318</u>	<u>\$ 1,872,887</u>	<u>\$ 64,742,194</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

June 30, 2021

Total fund balances for governmental funds		\$ 60,279,680
Total net position reported for governmental activities in the statement of net position is different because:		
WRS net pension assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.		
		8,576,501
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets consisted of:		
Buildings, net of \$26,392,450 accumulated depreciation	39,706,600	
Furniture and equipment, net of \$5,649,614 accumulated depreciation	2,792,685	
Land	530,200	
Site improvements, net of \$887,669 accumulated depreciation	132,890	
Vehicles, net of \$4,655,679 accumulated depreciation	<u>1,020,820</u>	
Total capital assets		44,183,195
Deferred outflows of resources related to the pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.		
		13,653,458
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable on long-term debt was not included as a liability in the governmental funds balance sheet.		
		(268,454)
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds but rather, is recognized as expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2021, are:		
Bonds payable	(60,465,000)	
Bond premium	(2,447,855)	
Net OPEB liability	(1,546,928)	
Net pension liability - supplemental pension	(69,374)	
Vested employee benefits	<u>(159,970)</u>	
Total long-term liabilities		(64,689,127)
Deferred inflows of resources related to the pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.		
		<u>(18,793,219)</u>
Total net position of governmental activities		<u>\$ 42,942,034</u>

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

For the Year Ended June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 16,098,803	\$ 4,616,556	\$ 1,108	\$ 959,937	\$ 21,676,404
Interdistrict sources	3,123,792	--	--	--	3,123,792
Intermediate sources	13,250	--	--	--	13,250
State sources	29,228,907	--	--	32,546	29,261,453
Federal sources	1,214,741	--	--	1,419,505	2,634,246
Other sources	73,224	--	--	1,500	74,724
Total revenues	<u>49,752,717</u>	<u>4,616,556</u>	<u>1,108</u>	<u>2,413,488</u>	<u>56,783,869</u>
Expenditures:					
Instruction:					
Undifferentiated curriculum	15,201,461	--	--	18,858	15,220,319
Regular curriculum	4,711,333	--	--	25,156	4,736,489
Special curriculum	4,050,632	--	--	--	4,050,632
Other instruction	3,275,001	--	--	34,197	3,309,198
Total instruction	<u>27,238,427</u>	<u>--</u>	<u>--</u>	<u>78,211</u>	<u>27,316,638</u>
Support services:					
Pupil services	2,368,357	--	--	--	2,368,357
Instructional staff services	1,526,509	--	--	--	1,526,509
General administration	520,242	--	--	--	520,242
School building administration	2,298,123	--	--	683,806	2,981,929
Business administration	7,980,990	--	302,735	--	8,283,725
Debt service	2,175	14,305,490	--	--	14,307,665
Other support services	2,621,057	--	--	--	2,621,057
Total support services	<u>17,317,453</u>	<u>14,305,490</u>	<u>302,735</u>	<u>683,806</u>	<u>32,609,484</u>
Nonprogram	3,694,094	--	--	10,750	3,704,844
Food service	--	--	--	1,427,808	1,427,808
Total expenditures	<u>48,249,974</u>	<u>14,305,490</u>	<u>302,735</u>	<u>2,200,575</u>	<u>65,058,774</u>
Excess of revenues over (under) expenditures	<u>1,502,743</u>	<u>(9,688,934)</u>	<u>(301,627)</u>	<u>212,913</u>	<u>(8,274,905)</u>
Other financing sources (uses):					
Loan proceeds	--	10,856,163	41,800,000	--	52,656,163
Operating transfers in (out)	<u>(802,500)</u>	<u>--</u>	<u>--</u>	<u>802,500</u>	<u>--</u>
Net other financing sources (uses)	<u>(802,500)</u>	<u>10,856,163</u>	<u>41,800,000</u>	<u>802,500</u>	<u>52,656,163</u>
Net change in fund balances	700,243	1,167,229	41,498,373	1,015,413	44,381,258
Fund balances, beginning of year, as restated	13,283,727	1,365,415	464,654	784,626	15,898,422
Fund balances, end of year	<u>\$ 13,983,970</u>	<u>\$ 2,532,644</u>	<u>\$ 41,963,027</u>	<u>\$ 1,800,039</u>	<u>\$ 60,279,680</u>

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

For the Year Ended June 30, 2021

Net change in fund balances-governmental funds	\$ 44,381,258
The change in net position reported for governmental activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which depreciation exceeds capitalized outlays in the current period.	(854,254)
Accrued interest expense on long-term debt is reported in the district-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds.	(47,304)
Other post employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned throughout the year. This is the amount by which other post employment benefits paid are more than the amounts earned.	(324,557)
Governmental funds report district supplemental pension contributions as expenditures. However, in the statement of activities and changes in net position, the cost of pension benefits earned net of employee contributions is reported as pension expense.	53,699
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount contributed by the District that exceeds the pension expense based on WRS calculations.	2,523,420
Governmental funds report unused vested employee benefits on a pay-as-you-go basis. The district-wide statement of activities includes unused vested employee benefits expense on an accrual basis. This is the amount by which the accrual basis is more than the pay-as-you-go in the current year.	(1,461)
Bond premiums are reported in the governmental funds as a revenue in the statement of activities, these transactions are capitalized and amortized over the life of the bonds.	(2,139,825)
Loan proceeds are reported as financing sources in governmental funds and thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which proceeds exceed repayments.	(37,100,000)
Changes in net position of governmental activities	<u>\$ 6,490,976</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

June 30, 2021

	<u>Employee Benefit Trust Fund</u>
ASSETS	
Cash and investments	<u>\$ 1,101,500</u>
LIABILITIES	
Accounts payable	<u> --</u>
NET POSITION	
Restricted for OPEB	<u>1,101,500</u>
Total net position	<u><u>\$ 1,101,500</u></u>

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

For the Year Ended June 30, 2021

	<u>Employee Benefit Trust Fund</u>
ADDITIONS	
Contributions to trust	\$ 265,938
Plan member contributions	35,552
Interest income	24,557
Total additions	<u>326,047</u>
DEDUCTIONS	
Employee benefit payments	<u>626,490</u>
Change in net position	(300,443)
Net position, beginning of year	<u>1,401,943</u>
Net position, end of year	<u><u>\$ 1,101,500</u></u>

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

B. Fund Accounting

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

The District operates the following major governmental funds:

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

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

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

The District operates the following nonmajor governmental funds:

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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

C. Basis of Presentation

District-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements distinguish between governmental and business-type activities of the District. The District did not have any business-type activities in place at June 30, 2021.

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

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

Fund Financial Statements

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Expenditures

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

E. Budgetary Accounting

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

F. Cash and Investments

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

G. Property Taxes

The aggregate district tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31, and the final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period that the taxes are levied as if they are due in the current year and available to pay current liabilities. The 2020 tax levy is used to finance operations of the District's fiscal year ended June 30, 2021. All property taxes are considered due on January 1, 2021, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

H. Receivables

Receivables at June 30, 2021, consisted of taxes, accounts, interest, and governmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of federal and state programs.

I. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Vacation benefits are accrued as a liability if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

J. Capital Assets and Depreciation

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

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

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

K. Interfund Activity

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

L. Accrued Liabilities and Long-term Debt

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

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

M. Deferred Outflows / Inflows of Resources

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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

N. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for the classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact. The District did not have a nonspendable fund balance at June 30, 2021.

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

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

Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education - the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District did not have a committed fund balance at June 30, 2021.

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1. Summary of Significant Accounting Policies - Continued:

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

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

O. Pensions

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

P. Other Post Employment Benefits Plan

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

Q. Use of Estimates

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

R. Implementation of GASB Standard

As of July 1, 2020, the District elected to early implement GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes new criteria for identifying fiduciary activities that are reported in the fiduciary funds. This Statement also revised the definition and terminology used for activities that were previously classified as agency funds. The District has reclassified agency and scholarship funds to the special revenue trust fund using the GASB Statement No. 84 definitions. Note 15 outlines this restatement.

Note 2. Cash and Investments:

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

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

Time deposits

Securities guaranteed by the U. S. Government

Securities of Wisconsin Municipal Units

Securities of Wisconsin Educational and Local Government Investment Pool

Bonds issued by a local exposition district

Bonds issued by a local professional baseball park district

Bonds issued by a local professional stadium district

Bonds issued by the University of Wisconsin Hospitals and Clinics Authority

Bonds issued by a local cultural arts district

Bonds issued by the Wisconsin Aerospace Authority

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

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

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

The carrying amount of the District's cash and investments totaled \$58,255,485 on June 30, 2021, as summarized below:

Petty cash funds	\$ 250
Deposits with financial institutions	13,674,853
Investments:	
Local Government Investment Pool	325,364
Wisconsin Investment Series Cooperative	43,153,518
OneAmerica (AUL) / MidAmerica	1,101,500
Total	\$ 58,255,485
Reconciliation to the basic financial statements:	
Statement of net position	\$ 57,153,985
Fiduciary funds:	
Employee benefit trust funds	1,101,500
Total	\$ 58,255,485

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

Custodial Credit Risk

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

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

The Local Government Investment Pool (LGIP) does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2021 the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

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

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

On June 30, 2021, the carrying amount of the District's bank deposits was \$13,674,853 and the bank balance was \$17,101,866. Of the bank balance, \$301,639 was covered by FDIC insurance, and \$3,430,000 was collateralized by Wolf River Community Bank. This left \$13,370,227 uninsured and uncollateralized.

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

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

Credit Risk

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

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

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

<i>Investment Type</i>	<u>Cost</u>	<u>Fair Value</u>
WISC:		
Cash Management Series	\$ 20,158,859	\$ 20,158,859
Fixed income	22,994,659	22,994,659
Local Government Investment Pool	325,364	325,364
Mid America:		
Money market funds	<u>1,101,500</u>	<u>1,101,500</u>
Totals	<u>\$ 44,580,382</u>	<u>\$ 44,580,382</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 2. Cash and Investments - Continued:

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

<u>Investment Type</u>	<u>Amount</u>	<u>Ranges from AAA-B</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Related</u>
<i>WISC:</i>					
Cash Management					
Series	\$ 20,158,859	\$ --	\$ 20,158,859	\$ --	\$ --
Fixed income	22,994,659	--	22,994,659	--	--
<i>Local Government</i>					
Investment Pool	325,364	--	--	--	325,364
<i>Mid America:</i>					
Money market funds	1,101,500	--	--	--	1,101,500
Totals	<u>\$ 44,580,382</u>	<u>\$ --</u>	<u>\$ 43,153,518</u>	<u>\$ --</u>	<u>\$ 1,426,864</u>

Interest Rate Risk

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

Note 3. Pledges Receivable:

Included in pledges receivable are the following unconditional promises to give at June 30, 2021:

Unconditional promises to give	\$ 225,730
Less current portion	<u>123,975</u>
Net long-term unconditional promises to give	<u>\$ 101,755</u>
<i>Amounts due in:</i>	
Less than one year	\$ 123,975
One to five years	<u>101,755</u>
Total unconditional promises to give	<u>\$ 225,730</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 4. Changes in Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Buildings	\$ 66,099,050	\$ --	\$ --	\$ 66,099,050
Furniture and equipment	7,283,400	1,512,331	353,432	8,442,299
Land	530,200	--	--	530,200
Site improvements	1,020,559	--	--	1,020,559
Vehicles	5,792,499	--	116,000	5,676,499
Totals	<u>80,725,708</u>	<u>1,512,331</u>	<u>469,432</u>	<u>81,768,607</u>
Accumulated depreciation:				
Buildings	25,079,002	1,313,448	--	26,392,450
Furniture and equipment	5,226,101	698,690	275,177	5,649,614
Site improvements	868,776	18,893	--	887,669
Vehicles	4,514,380	257,299	116,000	4,655,679
Totals	<u>35,688,259</u>	<u>2,288,330</u>	<u>391,177</u>	<u>37,585,412</u>
Capital assets, net	<u>\$ 45,037,449</u>	<u>\$ (775,999)</u>	<u>\$ 78,255</u>	<u>\$ 44,183,195</u>

All depreciation expense was charged to unallocated depreciation.

Note 5. Long-term Obligations:

Long-term obligations of the District are as follows:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$23,365,000	\$50,465,000	\$ 13,365,000	\$60,465,000	\$ 3,555,000
Bond premium	308,030	2,191,163	51,338	2,447,855	--
Net OPEB liability	1,076,668	470,260	--	1,546,928	--
Supplemental pension liability	123,073	--	53,699	69,374	--
Net pension liability - WRS	--	--	--	--	--
Vested employee benefits	158,509	1,461	--	159,970	--
Totals	<u>\$25,031,280</u>	<u>\$ 53,127,884</u>	<u>\$ 13,470,037</u>	<u>\$64,689,127</u>	<u>\$ 3,555,000</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5. Long-term Obligations - Continued:

Total interest paid for the year ended June 30, 2021, was \$850,025 for general obligation debt.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2021, is comprised of the following issues:

<i>Description</i>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balances</u>
General obligation bonds	03/15/21	2.0%	04/01/27	\$ 8,665,000
General obligation bonds	03/03/14	3.5%	04/01/33	10,000,000
General obligation bonds	06/14/21	2.0 - 5.0%	04/01/41	<u>41,800,000</u>
Total bonds payable				<u>\$ 60,465,000</u>

The 2020 equalized valuation of the District as certified by Wisconsin Department of Revenue is \$2,710,247,643. The legal debt limit and margin of indebtedness as of June 30, 2021, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$2,710,247,643)	\$ 271,024,764
Deduct long-term debt applicable to debt margin	<u>60,465,000</u>
Margin of indebtedness	<u>\$ 210,559,764</u>

Aggregate cash flow requirements for the retirement of general obligation debt principal and interest on June 30, 2021, are as follows:

<i>Year ending June 30,</i>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 3,555,000	\$ 1,483,563	\$ 5,038,563
2023	3,270,000	1,580,450	4,850,450
2024	3,405,000	1,458,050	4,863,050
2025	3,530,000	1,331,750	4,861,750
2026	2,310,000	1,199,950	3,509,950
2027-2031	12,615,000	4,787,250	17,402,250
2032-2036	14,880,000	2,682,475	17,562,475
2037-2041	<u>16,900,000</u>	<u>1,029,500</u>	<u>17,929,500</u>
Totals	<u>\$ 60,465,000</u>	<u>\$ 15,552,988</u>	<u>\$ 76,017,988</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 6. Fund Balance Reporting:

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2021:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:					
Restricted:					
Debt service	\$ --	\$ 2,532,644	\$ --	\$ --	\$ 2,532,644
Capital projects	--	--	41,963,027	--	41,963,027
Capital expansion	--	--	--	802,500	802,500
Food service	--	--	--	520,281	520,281
Assigned:					
Donations - special revenue trust	--	--	--	477,258	477,258
Unassigned	<u>13,983,970</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>13,983,970</u>
Total fund balances	<u>\$ 13,983,970</u>	<u>\$ 2,532,644</u>	<u>\$ 41,963,027</u>	<u>\$ 1,800,039</u>	<u>\$ 60,279,680</u>

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

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2021:

General fund:	
Business administration	\$ 296,031
Central services	63,121
Insurance	19,618
Debt service	575
Other support services	204,728
Special education fund:	
Nonprogram	125,009

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 8. General Information About the WRS Pension Plan:

Plan Description

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

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

Vesting

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

Benefits Provided

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

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

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.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

Post-Retirement Adjustments

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

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

Year	Core Fund Adjustment	Variable Fund Adjustment
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)
2020	1.7	21

Contributions

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

During the reporting period, the WRS recognized \$1,536,118 in contributions from the employer.

Contribution rates as of December 31, 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%

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

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

At June 30, 2021, the District reported a liability (asset) of \$(8,576,501) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2019, rolled forward to December 31, 2020. 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, 2020, the District's proportion was 0.13737484%, which was a decrease of 0.00045857% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$(935,831)

At June 30, 2021, 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	\$ 12,412,829	\$ 2,673,701
Changes in assumptions	194,531	--
Net differences between projected and actual earnings on pension plan investments	--	16,101,682
Changes in proportion and differences between employer contributions and proportionate share of contributions	997	17,836
Employer contributions made subsequent to the measurement date	878,198	--
Totals	\$ 13,486,555	\$ 18,793,219

\$878,198 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending <i>June 30,</i>	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	\$ 7,959,738	\$ 9,551,979
2022	6,737,325	7,172,045
2023	2,961,274	5,881,745
2024	1,234,061	2,471,491
Thereafter	--	--

Actuarial Assumptions

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2019
Measurement date of net pension liability (asset)	December 31, 2020
Actuarial cost method	Entry age normal
Asset valuation method	Fair market value
Long-term expected rate of return	7.0%
Discount rate	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2020, is based upon a roll-forward of the liability calculated from the December 31, 2019, actuarial valuation.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

Long-term Expected Return on Plan Assets

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

**Asset Allocation Targets and Expected Returns
As of December 31, 2020**

<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	51	7.2	4.7
Fixed income	25	3.2	0.8
Inflation sensitive assets	16	2.0	(0.4)
Real estate	8	5.6	3.1
Private equity/debt	11	10.2	7.6
Multi-asset	4	5.8	3.3
Total Core Fund	115	6.6	4.1
<u>Variable Fund Asset Class</u>			
U.S. equities	70	6.6	4.1
International equities	30	7.4	4.9
Total Variable Fund	100	7.1	4.6

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4%

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

Single Discount Rate

A single discount rate of 7.0% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.0% (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, 2020. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease to Discount Rate (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase to Discount Rate (8.0%)</u>
District's proportionate share of the net pension liability (asset)	<u>\$8,163,641</u>	<u>\$(8,576,501)</u>	<u>\$(20,872,012)</u>

Pension Plan Fiduciary Net Position

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

Payable to WRS Pension Plan

The District reported a payable of \$547,256 for the outstanding amount of contributions in the Plan for the year ended June 30, 2021.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9. General Information About the OPEB Plan:

Plan Description and Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

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

Contributions

The contribution requirements of the District are established and may be amended by the Board. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2021, the District's average contribution rate was 19.83% of covered-employee payroll. Employees are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

Investment Policy

Funds for the OPEB plan, "Employee Benefit Trust", adheres to Wisconsin Statute 881.01 "Uniform Prudent Investor Act" which requires reasonable care, skill, and caution in the investment and managing of trust assets. The Employee Benefit Trust is managed by MidAmerica. The long-term expected rate of return was determined based on the guaranteed rate in the AUL fixed income fund. The following is the investment policy adopted by the Board as of June 30, 2021:

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

Discount Rate

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 6/30/2020	\$ 2,478,611	\$ 1,401,943	\$ 1,076,668
Changes for the year:			
Service cost	69,721	--	69,721
Interest	63,708	--	63,708
Difference between expected and actual experience	627,327	--	627,327
Contributions - District	--	265,939	(265,939)
Contributions - participants	--	--	--
Net investment income	--	24,557	(24,557)
Benefit payments	(590,939)	(590,939)	--
Net changes	169,817	(300,443)	470,260
Balances at 6/30/2021	\$ 2,648,428	\$ 1,101,500	\$ 1,546,928

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

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

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

	1% Decrease (1.5%)	Discount Rate (2.5%)	1% Increase (3.5%)
Net OPEB liability	\$ 1,611,348	\$ 1,546,928	\$ 1,483,404

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 1,515,270	\$ 1,546,928	\$ 1,585,023

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$324,557. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 144,768	\$ --
Net difference between projected and actual earnings on OPEB plan investments	21,135	--
Totals	\$ 166,903	\$ --

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

Year ending	
<i>June 30,</i>	
2022	\$ 153,386
2023	7,163
2024	4,254
2025	2,100

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 10. General Information About the Supplemental Pension Plan:

Plan Description and Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	--
Total employees	<hr style="width: 100%;"/> 2

Contributions

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

Net Pension Liability

The District's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 2.5% and is equal to the yield or index rate for 20 year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2021.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at 6/30/20	\$ 123,073	\$ --	\$ 123,073
Changes for the year:			
Service cost	5,037	--	5,037
Interest	2,720	--	2,720
Difference between expected and actual experience	(25,681)	--	(25,681)
Changes in assumptions	--	--	--
Benefits payments	(35,775)	--	(35,775)
Net changes	(53,699)	--	(53,699)
Balances at 6/30/21	\$ 69,374	\$ --	\$ 69,374

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

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

	1% Decrease to Discount Rate (1.5%)	Current Discount Rate (2.5%)	1% Increase to Discount Rate (3.5%)
District's net pension liability	\$ 70,023	\$ 69,374	\$ 68,379

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

For the year ended June 30, 2021, the District recognized a reduction of pension expense of \$53,699. At June 30, 2021, the District did not report any deferred outflows of resources and deferred inflows of resources related to pensions.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 11. Self-funded Dental Insurance Program:

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

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

At June 30, 2021, the District reported a liability of \$65,932, which represents reported and unreported claims that were incurred on or before June 30, 2021, but were not paid by the District as of that date. This amount consists of claims of \$34,800 reported to the District by the plan administrator, claims of \$20,925 reported to the plan administrator but not the District, and claims of \$10,207, which were not yet reported to either the plan administrator or the District. The amounts not reported to the District were determined by the plan administrator.

Note 12. Limitation on School District Revenues:

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

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

Note 13. Contingent Liabilities:

Risk management - the District is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2021. No settlements exceeded insured amounts in the last three fiscal years.

Litigation - from time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and counsel that the likelihood is remote, due in part to insurance coverage, that any other such claims or proceedings will have a material effect on the District's financial position.

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 14. Fair Value Measurement:

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

Level 1 - Investments reflect prices quoted in active markets

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

Level 3 - Investments reflect prices based upon unobservable sources

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Mid America: money market funds	\$ 1,101,500	\$ --	\$ --	\$ 1,101,500
Wisconsin Investment Series Cooperative	--	43,153,518		43,153,518
Local Government Investment Pool	<u>--</u>	<u>325,364</u>	<u>--</u>	<u>325,364</u>
Totals	<u>\$ 1,101,500</u>	<u>\$ 43,478,882</u>	<u>\$ --</u>	<u>\$ 44,580,382</u>

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

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

Note 15. Prior Period Adjustment:

The government-wide net position and fund balances were restated as a result of the implementation of GASB Statement No. 84.

	<u>Agency Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Special Revenue Trust Fund</u>
Net position/fund balance as previously reported at June 30, 2020	\$ 380,864	\$ 54,722	\$ 126,162
To reclassify funds as a result of the implementation of GASB Statement No. 84:			
Scholarship funds	--	(54,722)	54,722
Agency funds	<u>(380,864)</u>	<u>--</u>	<u>380,864</u>
Net position/fund balance as restated July 1, 2020	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 561,748</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 15. Prior Period Adjustment - Continued:

The effect of the District making a prior period adjustment due to the implementation of GASB Statement No. 84 resulted in the restatement of the District's net position as of July 1, 2020, as follows:

Total net position as previously reported in the statement of activities	\$ 36,015,472
Scholarship funds reclassified	54,722
Agency funds reclassified	<u>380,864</u>
Total net position as restated July 1, 2020	<u>\$ 36,451,058</u>

Note 16. Subsequent Events:

The District has evaluated all subsequent events through January 4, 2022, the date on which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Other Post Employment Benefits Plan

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability:			
Service cost	\$ 69,721	\$ 67,691	\$ 65,719
Interest	63,708	75,850	88,027
Changes in benefit terms	--	--	--
Changes of assumptions or other input	--	--	--
Differences between expected and actual experience	627,327	--	--
Benefit payments	<u>(590,939)</u>	<u>(631,241)</u>	<u>(642,818)</u>
Net change in total OPEB liability	169,817	(487,700)	(489,072)
Total OPEB liability - beginning	<u>2,478,611</u>	<u>2,966,311</u>	<u>3,455,383</u>
Total OPEB liability - ending	<u><u>\$ 2,648,428</u></u>	<u><u>\$ 2,478,611</u></u>	<u><u>\$ 2,966,311</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 265,939	\$ 448,769	\$ 612,868
Contributions - employee	--	32,472	29,950
Net investment income	24,557	27,331	23,000
Benefit payments	(590,939)	(631,241)	(642,818)
Other/transfer to active benefit fund	<u>--</u>	<u>--</u>	<u>--</u>
Net change in plan fiduciary net position	(300,443)	(122,669)	23,000
Total fiduciary net position - beginning	<u>1,401,943</u>	<u>1,524,612</u>	<u>1,501,612</u>
Total fiduciary net position - ending	<u><u>\$ 1,101,500</u></u>	<u><u>\$ 1,401,943</u></u>	<u><u>\$ 1,524,612</u></u>
Net OPEB liability - ending	<u><u>\$ 1,546,928</u></u>	<u><u>\$ 1,076,668</u></u>	<u><u>\$ 1,441,699</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	41.59%	56.56%	51.40%
The District's covered employee payroll	\$ 1,341,203	\$ 1,689,879	\$ 1,785,542
Net OPEB liability as a percentage of covered employee payroll	115.34%	63.71%	80.74%

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

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

SEE NOTES TO REQUIRED OPEB PLAN SCHEDULES.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Other Post Employment Benefits Plan
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 183,680	\$ 219,994	\$ 256,937
Contributions in relation to the actuarially determined contributions	<u>(265,939)</u>	<u>(448,769)</u>	<u>(612,868)</u>
Contribution deficiency (excess)	<u>\$ (82,259)</u>	<u>\$ (228,775)</u>	<u>\$ (355,931)</u>
District's covered employee payroll	\$ 1,341,203	\$ 1,689,879	\$ 1,785,542
Contributions as a percentage of covered employee payroll	19.83%	26.56%	34.32%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 719,134	\$ 755,423	\$ 732,230
<u>(719,134)</u>	<u>(755,423)</u>	<u>(732,230)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 1,888,399	\$ 2,663,213	\$ 2,790,588
38.08%	28.37%	26.24%

SEE NOTES TO REQUIRED OPEB PLAN SCHEDULES.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO REQUIRED OPEB PLAN SCHEDULES
For the Year Ended June 30, 2021

Note 1. Change of Benefit Terms:

There were no changes of benefit terms for this benefit.

Note 2. Change of Assumptions:

There were no changes of assumptions for this benefit.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)**

Wisconsin Retirement System
Last 10 Fiscal Years*

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

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

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

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**NOTES TO REQUIRED WRS SCHEDULES
For the Year Ended June 30, 2021**

Note 1. Change of Benefit Terms:

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

Note 2. Change of Assumptions:

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Supplemental Pension Plan

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability:			
Service cost	\$ 5,037	\$ 4,891	\$ 4,749
Interest	2,720	3,457	4,578
Changes of assumptions or other input	--	--	--
Differences between expected and actual experience	(25,681)	--	--
Benefit payments	<u>(35,775)</u>	<u>(40,506)</u>	<u>(70,496)</u>
Net change in total pension liability	(53,699)	(32,158)	(61,169)
Total pension liability - beginning	<u>123,073</u>	<u>155,231</u>	<u>216,400</u>
Total pension liability - ending	<u><u>\$ 69,374</u></u>	<u><u>\$ 123,073</u></u>	<u><u>\$ 155,231</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ --	\$ --	\$ --
Contributions - employee	--	--	--
Net investment income	--	--	--
Benefit payments	<u>--</u>	<u>--</u>	<u>--</u>
Net change in plan fiduciary net position	--	--	--
Total fiduciary net position - beginning	<u>--</u>	<u>--</u>	<u>--</u>
Total fiduciary net position - ending	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>
Net pension liability - ending	<u><u>\$ 69,374</u></u>	<u><u>\$ 123,073</u></u>	<u><u>\$ 155,231</u></u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%
The District's covered employee payroll	\$ --	\$ 164,946	\$ 197,949
Net pension liability as a percentage of covered employee payroll	N/A	74.61%	78.42%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 16,726	\$ 16,083	\$ 15,464
8,339	8,301	8,444
(847)	--	16,822
(84,913)	--	--
(32,625)	(13,052)	(49,507)
(93,320)	11,332	(8,777)
309,720	298,388	307,165
<u>\$ 216,400</u>	<u>\$ 309,720</u>	<u>\$ 298,388</u>

\$ --	\$ --	\$ --
--	--	--
--	--	--
--	--	--
--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>\$ 216,400</u>	<u>\$ 309,720</u>	<u>\$ 298,388</u>

0.00%	0.00%	0.00%
\$ 229,721	\$ 482,565	\$ 531,436
94.20%	64.18%	56.15%

SEE NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 35,775	\$ 40,506	\$ 70,496
Contributions in relation to the actuarially determined contributions	<u>(35,775)</u>	<u>(40,506)</u>	<u>(70,496)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered employee payroll	\$ --	\$ 164,946	\$ 197,949
Contributions as a percentage of covered employee payroll	N/A	24.56%	35.61%

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

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

SEE NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

NOTES TO REQUIRED SUPPLEMENTAL PENSION PLAN SCHEDULES
For the Year Ended June 30, 2021

Note 1. Change of Benefit Terms:

There were no changes of benefit terms for this benefit.

Note 2. Change of Assumptions:

There were no changes of assumptions for this benefit.

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Local sources	\$ 16,136,959	\$ 16,136,959	\$ 16,098,803	\$ (38,156)
Interdistrict sources	3,100,000	3,100,000	3,093,792	(6,208)
Intermediate sources	16,678	16,678	13,250	(3,428)
State sources	27,549,732	27,549,732	27,792,711	242,979
Federal sources	282,957	282,957	250,165	(32,792)
Other sources	20,000	20,000	73,224	53,224
Total revenues	<u>47,106,326</u>	<u>47,106,326</u>	<u>47,321,945</u>	<u>215,619</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	15,136,167	15,136,167	15,201,461	(65,294)
Regular curriculum	4,922,494	4,831,316	4,711,333	119,983
Vocational curriculum	1,053,466	1,053,466	1,040,998	12,468
Physical curriculum	1,132,493	1,132,493	1,071,003	61,490
Co-curricular activities	841,280	841,280	819,745	21,535
Special needs	378,055	378,055	343,255	34,800
Total instruction	<u>23,463,955</u>	<u>23,372,777</u>	<u>23,187,795</u>	<u>184,982</u>
Support services:				
Pupil services	1,492,037	1,492,037	1,370,220	121,817
Instructional staff services	1,470,338	1,470,338	1,188,322	282,016
General administration	606,344	606,344	520,242	86,102
School building administration	2,343,796	2,343,796	2,298,123	45,673
Business administration	8,198,030	7,540,049	7,836,080	(296,031)
Central services	205,480	205,480	268,601	(63,121)
Insurance	514,862	514,862	534,480	(19,618)
Debt service	1,600	1,600	2,175	(575)
Other support services	1,613,248	1,613,248	1,817,976	(204,728)
Total support services	<u>16,445,735</u>	<u>15,787,754</u>	<u>15,836,219</u>	<u>(48,465)</u>
Nonprogram	3,409,341	3,409,341	3,222,280	187,061
Total expenditures	<u>43,319,031</u>	<u>42,569,872</u>	<u>42,246,294</u>	<u>323,578</u>
Excess of revenues over expenditures	3,787,295	4,536,454	5,075,651	539,197
Other financing sources (uses):				
Operating transfers (out)	(4,216,032)	(4,216,032)	(4,375,408)	(159,376)
Net change in fund balances	(428,737)	320,422	700,243	379,821
Fund balances, beginning of year, as restated	13,283,727	13,283,727	13,283,727	--
Fund balances, end of year	<u>\$ 12,854,990</u>	<u>\$ 13,604,149</u>	<u>\$ 13,983,970</u>	<u>\$ 379,821</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL -
SPECIAL EDUCATION FUND
For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Interdistrict sources	\$ --	\$ --	\$ 30,000	\$ 30,000
State sources	1,432,878	1,432,878	1,436,196	3,318
Federal sources	922,074	922,074	964,576	42,502
Total revenues	2,354,952	2,354,952	2,430,772	75,820
Expenditures:				
Instruction:				
Special curriculum	4,704,398	4,704,398	4,050,632	653,766
Support services:				
Pupil services	1,002,249	1,002,249	998,137	4,112
Instructional staff services	367,832	367,832	338,187	29,645
Business administration	149,700	149,700	144,910	4,790
Total support services	1,519,781	1,519,781	1,481,234	38,547
Nonprogram	346,805	346,805	471,814	(125,009)
Total expenditures	6,570,984	6,570,984	6,003,680	567,304
Excess of revenues (under) expenditures	(4,216,032)	(4,216,032)	(3,572,908)	643,124
Other financing sources (uses):				
Operating transfers in	4,216,032	4,216,032	3,572,908	(643,124)
Net change in fund balances	--	--	--	--
Fund balances, beginning of year	--	--	--	--
Fund balances, end of year	\$ --	\$ --	\$ --	\$ --

OTHER SUPPLEMENTARY INFORMATION

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2021

	<u>Special Revenue Funds</u>	<u>Capital Expansion Fund</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 1,005,518	\$ 2,500	\$ 1,008,018
Due from general fund	--	800,000	800,000
Due from other governments	<u>64,869</u>	<u>--</u>	<u>64,869</u>
Total assets	<u><u>\$ 1,070,387</u></u>	<u><u>\$ 802,500</u></u>	<u><u>\$ 1,872,887</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,470	\$ --	\$ 1,470
Deferred revenue	<u>71,378</u>	<u>--</u>	<u>71,378</u>
Total liabilities	<u>72,848</u>	<u>--</u>	<u>72,848</u>
Fund balances:			
Spendable:			
Restricted	520,281	802,500	1,322,781
Assigned	<u>477,258</u>	<u>--</u>	<u>477,258</u>
Total fund balances	<u>997,539</u>	<u>802,500</u>	<u>1,800,039</u>
Total liabilities and fund balances	<u><u>\$ 1,070,387</u></u>	<u><u>\$ 802,500</u></u>	<u><u>\$ 1,872,887</u></u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021**

	Special Revenue Funds	Capital Expansion Fund	Totals
Revenues:			
Local sources	\$ 959,937	\$ --	\$ 959,937
State sources	32,546	--	32,546
Federal sources	1,419,505	--	1,419,505
Other sources	1,500	--	1,500
Total revenues	<u>2,413,488</u>	<u>--</u>	<u>2,413,488</u>
Expenditures:			
Instruction:			
Undifferentiated curriculum	18,858	--	18,858
Regular curriculum	25,156	--	25,156
Other instruction	34,197	--	34,197
Total instruction	<u>78,211</u>	<u>--</u>	<u>78,211</u>
Support services:			
School building administration	683,806	--	683,806
Nonprogram	10,750		10,750
Food service	1,427,808	--	1,427,808
Total expenditures	<u>2,200,575</u>	<u>--</u>	<u>2,200,575</u>
Excess of revenues over (under) expenditures	212,913	--	212,913
Other financing sources (uses):			
Operating transfer in (out)	<u>--</u>	<u>802,500</u>	<u>802,500</u>
Net change in fund balances	212,913	802,500	1,015,413
Fund balance, beginning of year, as restated	<u>784,626</u>	<u>--</u>	<u>784,626</u>
Fund balance, end of year	<u>\$ 997,539</u>	<u>\$ 802,500</u>	<u>\$ 1,800,039</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

June 30, 2021

	Special Revenue Trust	Other Special Projects	Food Service	Totals
ASSETS				
Cash and investments	\$ 477,258	\$(3,733)	\$ 531,993	\$ 1,005,518
Due from other governments	--	3,733	61,136	64,869
	<u>\$ 477,258</u>	<u>\$ --</u>	<u>\$ 593,129</u>	<u>\$ 1,070,387</u>
Total assets	<u>\$ 477,258</u>	<u>\$ --</u>	<u>\$ 593,129</u>	<u>\$ 1,070,387</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ 1,470	\$ 1,470
Food service deposits	--	--	71,378	71,378
Total liabilities	<u>--</u>	<u>--</u>	<u>72,848</u>	<u>72,848</u>
 Fund balances:				
Spendable:				
Restricted	--	--	520,281	520,281
Assigned	477,258	--	--	477,258
Total fund balances	<u>477,258</u>	<u>--</u>	<u>520,281</u>	<u>997,539</u>
Total liabilities and fund balances	<u>\$ 477,258</u>	<u>\$ --</u>	<u>\$ 593,129</u>	<u>\$ 1,070,387</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2021**

	<u>Special Revenue Trust</u>	<u>Other Special Projects</u>	<u>Food Service</u>	<u>Totals</u>
Revenues:				
Local sources	\$ 680,872	\$ --	\$ 279,065	\$ 959,937
State sources	--	7,405	25,141	32,546
Federal sources	--	--	1,419,505	1,419,505
Other sources	--	--	1,500	1,500
Total revenues	<u>680,872</u>	<u>7,405</u>	<u>1,725,211</u>	<u>2,413,488</u>
Expenditures:				
Instruction:				
Undifferentiated curriculum	18,858	--	--	18,858
Regular curriculum	25,156	--	--	25,156
Other instruction	26,792	7,405	--	34,197
Total instruction	<u>70,806</u>	<u>7,405</u>	<u>--</u>	<u>78,211</u>
Support services:				
School building administration	683,806	--	--	683,806
Nonprogram	10,750	--	--	10,750
Food service	--	--	1,427,808	1,427,808
Total expenditures	<u>765,362</u>	<u>7,405</u>	<u>1,427,808</u>	<u>2,200,575</u>
Net change in fund balances	(84,490)	--	297,403	212,913
Fund balances, beginning of year, as restated	<u>561,748</u>	<u>--</u>	<u>222,878</u>	<u>784,626</u>
Fund balances, end of year	<u>\$ 477,258</u>	<u>\$ --</u>	<u>\$ 520,281</u>	<u>\$ 997,539</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**COMBINING BALANCE SHEET -
GENERAL FUND**

June 30, 2021

	General Fund	Special Education Fund	Eliminations	Combined
ASSETS				
Cash and investments	\$ 11,756,995	\$ (4,259)	\$ --	\$ 11,752,736
Taxes receivable, net	5,000,664	--	--	5,000,664
Accounts receivable	540,672	63,566	--	604,238
Due from other governments	740,373	152,334	--	892,707
 Total assets	 \$ 18,038,704	 \$ 211,641	 \$ --	 \$ 18,250,345
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 177,307	\$ 4,695	\$ --	\$ 182,002
Accrued salaries and wages	1,877,814	203,228	--	2,081,042
Accrued payroll taxes and withholdings	1,199,613	3,718	--	1,203,331
Due to other funds	800,000	--	--	800,000
Total liabilities	4,054,734	211,641	--	4,266,375
 Fund balances:				
Spendable:				
Unassigned	13,983,970	--	--	13,983,970
 Total liabilities and fund balances	 \$ 18,038,704	 \$ 211,641	 \$ --	 \$ 18,250,345

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

For the Year Ended June 30, 2021

	General Fund	Special Education Fund	Eliminations	Combined
Revenues:				
Local sources	\$ 16,098,803	\$ --	\$ --	\$ 16,098,803
Interdistrict sources	3,093,792	30,000	--	3,123,792
Intermediate sources	13,250	--	--	13,250
State sources	27,792,711	1,436,196	--	29,228,907
Federal sources	250,165	964,576	--	1,214,741
Other sources	73,224	--	--	73,224
Total revenues	47,321,945	2,430,772	--	49,752,717
Expenditures:				
Instruction:				
Undifferentiated curriculum	15,201,461	--	--	15,201,461
Regular curriculum	4,711,333	--	--	4,711,333
Special curriculum	--	4,050,632	--	4,050,632
Other instruction	3,275,001	--	--	3,275,001
Total instruction	23,187,795	4,050,632	--	27,238,427
Support services:				
Pupil services	1,370,220	998,137	--	2,368,357
Instructional staff services	1,188,322	338,187	--	1,526,509
General administration	520,242	--	--	520,242
School building administration	2,298,123	--	--	2,298,123
Business administration	7,836,080	144,910	--	7,980,990
Debt service	2,175	--	--	2,175
Other support services	2,621,057	--	--	2,621,057
Total support services	15,836,219	1,481,234	--	17,317,453
Nonprogram	3,222,280	471,814	--	3,694,094
Total expenditures	42,246,294	6,003,680	--	48,249,974
Excess of revenues over (under) expenditures	5,075,651	(3,572,908)	--	1,502,743
Other financing sources (uses):				
Operating transfers in	--	3,572,908	(3,572,908)	--
Operating transfers (out)	(4,375,408)	--	3,572,908	(802,500)
Net other financing sources (uses)	(4,375,408)	3,572,908	--	(802,500)
Net change in fund balances	700,243	--	--	700,243
Fund balances, beginning of year, as restated	13,283,727	--	--	13,283,727
Fund balances, end of year	\$ 13,983,970	\$ --	\$ --	\$ 13,983,970

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

Section VI

SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS

FISCAL YEAR ENDING JUNE 30, 2021

OPERATING ACTIVITY	WUFAR OBJECT CODE	COST
EMPLOYEE SALARIES	100	18,985.78
EMPLOYEE BENEFITS	200	7,596.88
PURCHASED SERVICES	300	0.00
NON-CAPITAL OBJECTS	400	0.00
CAPITAL OBJECTS	500	0.00
INSURANCE & JUDGEMENTS	700	0.00
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	0.00
OTHER (REPLACE OTHER WITH AN ACTIVITY NAME)	900	0.00
TOTAL		\$26,582.66

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Federal Grantor/ Pass-Through Agency/ Award Description	Federal Catalog Number	Pass-Through Identification Number	Accrued Receivable 06/30/20
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Programs From:			
WI Department of Public Instruction:			
<i>Child Nutrition Cluster:</i>			
National School Breakfast	10.553	2021-442583-DPI-SB-546	\$ --
National School Lunch - Noncash	10.555	2021-442583-DPI-NSL-001	--
National School Lunch - Cash	10.555	2021-442583-DPI-NSL-547	--
Child Nutrition Cluster			--
Totals			<u>--</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Programs From:			
WI Department of Public Instruction:			
Title I-A Basic Grant	84.010	2021-442583-DPI-TIA-141	24,461
Title III-A English Language Acquisition Programs	84.365	2021-442583-DPI-T3-391	--
Title II-A Teacher/Principal Training	84.367	2021-442583-DPI-TIIA-365	4,776
Title IV-A Student Support and Academic Enrichment Grant	84.424	2021-442583-DPI-TIVA-381	300
Emergency and Secondary School Emergency Relief Fund	84.425D	2021-442583-DPI-ESSERF-160	--
<i>Special Education Cluster:</i>			
IDEA-Flow Through	84.027	2021-442583-DPI-IDEA-F-341	78,836
IDEA-Preschool Entitlement	84.173	2021-442583-DPI-IDEA-P-347	--
Special Education Cluster			--
Totals			<u>78,836</u>
CESA #6:			
Title 1-C Perkins	84.048	N/A	--
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
WI Department of Health Services:			
Medical Assistance Program	93.778	N/A	201
Total federal awards			<u>\$ 108,574</u>

<u>Expenditures</u>	<u>Grantor Reimbursement</u>	<u>Accrued Receivable 06/30/21</u>
\$ 293,950	\$ 274,553	\$ 19,397
135,707	135,707	--
<u>989,849</u>	<u>948,109</u>	<u>41,740</u>
<u>1,419,506</u>	<u>1,358,369</u>	<u>61,137</u>
110,737	24,461	110,737
2,490	2,175	315
28,870	4,776	28,870
19,240	300	19,240
82,234	80,440	1,794
828,707	768,282	139,261
<u>13,074</u>	<u>--</u>	<u>13,074</u>
<u>841,781</u>	<u>768,282</u>	<u>152,335</u>
13,250	13,250	--
<u>129,388</u>	<u>110,724</u>	<u>18,865</u>
<u>\$ 2,647,496</u>	<u>\$ 2,362,777</u>	<u>\$ 393,293</u>

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2021

State Grantor/ Award Description	State ID Number	Pass-Through Identification Number	Accrued Receivable 06/30/20
WI DEPARTMENT OF PUBLIC INSTRUCTION			
Special Education and School			
Age Parents	255.101	442583-100	\$ --
State School Lunch Aid	255.102	442583-107	--
Common School Fund			
Library Aid	255.103	442583-104	--
General Transportation Aid	255.107	442583-102	--
Wisconsin School Day			
Milk Program	255.115	442583-109	--
General Equalization Aids	255.201	442583-116	371,890
High Cost Special Education Aid	255.210	442583-119	--
Aid for School Mental Health			
Programs	255.227	442583-176	--
Supplemental Per Pupil Aid	255.245	442583-181	--
Peer Review and Monitoring			
Grants	255.301	442583-141	--
State School Breakfast Aid	255.344	442583-108	--
Early College Credit Program	255.445	442583-178	--
Educator Effectiveness Grant	255.940	442583-154	--
Per Pupil Aid	255.945	442583-113	--
High Cost Transportation Aid	255.947	442583-114	--
Career and Technical Education			
Incentive Grants	255.950	442583-152	--
Robotics League Participation			
Grants	255.959	442583-167	--
Aid for Special Education			
Transition Grant	255.960	442583-168	--
WI DEPARTMENT OF JUSTICE			
Safety Initiative	455.206	N/A	11,225
Total state awards			<u>\$ 383,115</u>

<u>Expenditures</u>	<u>Grantor Reimbursement</u>	<u>Accrued Receivable 06/30/21</u>
\$ 1,401,446	\$ 1,401,446	\$ --
16,421	16,421	--
197,489	197,489	--
138,984	138,984	--
3,474	3,474	--
23,877,763	23,872,372	377,281
14,750	14,750	--
86,110	86,110	--
11,900	11,900	--
10,100	--	10,100
5,246	5,246	--
8,353	8,353	--
24,160	--	24,160
2,905,672	2,905,672	--
157,004	157,004	--
40,680	40,680	--
2,829	--	2,829
20,000	20,000	--
--	11,225	--
<u>\$ 28,922,381</u>	<u>\$ 28,891,126</u>	<u>\$ 414,370</u>

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

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

For the Year Ended June 30, 2021

Note 1. Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards (schedules) include the federal and state grant activity of Hortonville Area School District under programs of the federal and state governments for the year ended June 30, 2021. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of Hortonville Area School District, they are not intended to and do not present the financial position, changes in the net assets or cash flow of Hortonville Area School District.

Note 2. Summary of Significant Accounting Policies:

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

Note 3. Special Education and School Age Parents Program:

The 2020-2021 eligible costs under the state special education program as reported by the District are \$5,013,894. The estimated aid reimbursement for 2021-2022 is \$1,243,446.

Note 4. Noncash Awards:

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2021.



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

Board of Education
Hortonville Area School District
Hortonville, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hortonville Area School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.



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

Board of Education
Hortonville Area School District
Hortonville, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Hortonville Area School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2021. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Erickson & Associates, S.C.

ERICKSON & ASSOCIATES, S.C.
Appleton, Wisconsin
January 4, 2022

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

Summary of Auditor's Results:

Financial Statements

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

Federal Awards

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

84.027
84.173

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

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

State Awards

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2021

Summary of Auditor's Results - Continued:

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*? No

Identification of major state programs:

255.101	Special Education and School Age Parents
255.107	General Transportation Aid
255.201	General Equalization Aid

Dollar threshold used to distinguish between Type A and Type B programs \$250,000

Financial Statement Findings:

2021-001 Financial Statement Preparation

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

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

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

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

Identification of a Repeat Finding: This is a repeat finding from previous audits, see 2020-001.

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

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

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2021**

2021-002 Lack of Adequate Segregation of Duties in the System of Controls

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

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

Cause: There are a limited number of office employees.

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

Identification of a

Repeat Finding: This is a repeat finding from previous audits, see 2020-002.

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

**Views of
Responsible**

Officials: See District's corrective action plan.

Federal and State Findings and Questioned Costs:

None reported

Other Issues:

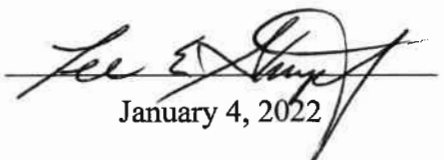
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the District's ability to continue as a going concern? No

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

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

Signature of shareholder

Date of report


January 4, 2022

**HORTONVILLE AREA SCHOOL DISTRICT
HORTONVILLE, WISCONSIN**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2021**

Status of Prior Year Audit Findings:

The findings noted in the 2020 schedule of findings and questioned costs have been reported to the proper federal and state agencies.

Regarding finding 2020-001, management continues to believe that due to budget constraints, it is not practicable for the District to hire additional staff to correct this finding.

Regarding finding 2020-002, management updated employee procedures during the end of the current fiscal year in attempt to achieve proper segregation of duties. This finding will be reevaluated in the next fiscal year after the procedures have been in effect for an entire year and most likely the finding will be resolved at that time.

Hortonville Area School District

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

CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2021

2021-001 Financial Statement Preparation

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

Anticipated Completion Date: Ongoing

2021-002 Lack of Adequate Segregation of Duties

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

Anticipated Completion Date: June 30, 2022

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



Christina Peterson
Director of Business Services
920-779-7907

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

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