

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
D.C. Everest Area School District
Weston, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the D.C. Everest Area School District's basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of charter school authorizer operating costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the D.C. Everest Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering D.C. Everest Area School District's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in dark ink that reads "Hawkins Ash CPAs, LLP". The script is cursive and somewhat stylized, with the letters "H", "A", and "C" being particularly prominent.

Manitowoc, Wisconsin
October 28, 2020

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS



D.C. Everest Area School District

6300 Alderson Street
Weston, WI 54476
Phone 715-359-4221

Aaron Nelson
Finance Manager

MISSION STATEMENT

D.C. Everest Area School District, in partnership with the community, is committed to being an innovative educational leader in developing knowledgeable, productive, caring, creative, responsible individuals prepared to meet the challenges of an ever-changing global society.

Management's Discussion and Analysis Fiscal Year Ending June 30, 2020

The following discussion and analysis is of the D.C. Everest Area School District's annual financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the District's financial statements immediately following this section.

The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between this reported fiscal year and the prior fiscal year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Total governmental general revenues based off from the Statement of Activities were \$89,078,058 to include \$27,071,881 of property and other taxes and \$47,753,959 of general state and federal aid. Total governmental activities expenditures were \$83,872,493 including \$44,619,144 for direct instruction.
- The District's financial status, per the Statement of Net Position, increased by \$5,205,565.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

	District-wide Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire district (except fiduciary funds)	Activities of the District for instruction, the support of instruction, special projects and revenue, debt service, food service, community education, and capital projects as needed.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenue, Expenditure and Change in Fund Balance	Statement of Fiduciary Net Assets Statement of Change in Fiduciary Net Assets
Basis of accounting and measurement focus	Accrual accounting Economic resources focus	Modified accrual accounting Current financial resources focus	Accrual accounting Economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, consumable assets and liabilities coming due during the year or soon thereafter, no capital assets included.	All assets and liabilities. 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	Revenue 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 are due and payable during the year or soon thereafter.	All additions and/or deductions during the year, regardless of when cash is received or paid.

DISTRICT-WIDE STATEMENTS

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

In the district-wide financial statements, the District's activities are reported as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation, support services, debt service, capital projects, food service, community programs and administration. Property taxes and state school aid, finance most of these activities.

FUND FINANCIAL STATEMENTS

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

The District has two kinds of funds:

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

FINANCIAL ANALYSIS

The District as a Whole

Table 1 provides a summary of the District's net position for year ending June 30, 2020 compared with the prior year. The District's total assets and deferred outflows of resources were \$195,150,974. The District's total liabilities and deferred inflows of resources were \$142,552,711. The District's net position was \$52,598,263. The District's combined net position increased by \$5,665,601, which includes a prior period adjustment of \$460,036 for GASB 84 implementation. Of the total net position \$7,909,441 (other activities under Statement of net position) is due to the reporting requirements of GASB 68. This new requirement improves accounting and financial reporting by state and local governments for pensions (WRS).

The District as a Whole (continued)

Table 1
D.C. Everest Area School District
Statement of Net Position

	Governmental Activities	
	As of	As of
	June 30, 2019	June 30, 2020
Current and other assets	\$ 99,935,955	\$ 72,819,054
Capital assets	65,688,126	103,019,906
Deferred outflow of Resources	36,989,527	19,312,014
Total Assets	202,613,608	195,150,974
Current liabilities	16,202,326	18,571,410
Long-term liabilities	113,644,664	98,571,720
Deferred inflow of resources	25,833,956	25,409,581
Total Liabilities	155,680,946	142,552,711
Net assets		
Invested in capital assets, net of related debt	33,947,199	14,529,279
Restricted	80,273,235	50,532,060
Unrestricted	(67,287,772)	(12,463,076)
Total Net Assets	\$ 46,932,662	\$ 52,598,263
Increase (Decrease)		\$ 5,665,601

Table 2 provides summarized operating results and their impact on net position. The District relies primarily on state and federal aids 54% and property taxes 30% of total revenues to fund governmental activities. These two funding sources make up 84% of the total revenues. All other revenues accounted for 16% of total revenue for the year.

The District's total revenues were \$89,078,058 for the year ending June 30, 2020.

The total cost of all programs and services was \$83,872,493. The district experienced an increase in net position from operations of \$5,205,565 and an additional \$460,036 due to a prior period adjustment for a total increase of \$5,665,601. The District's expenses are predominantly related to educating and caring for students. Those costs not directly related to instruction are incurred in support of the instructional mission.

The District as a Whole (continued)

Table 2
D.C. Everest Area School District
Statement of Activities

	Governmental Activities	
	As of	As of
	June 30, 2019	June 30, 2020
Revenues:		
Program revenues		
Charges for services	\$ 2,427,945	\$ 2,128,763
Grants and contributions	5,665,223	5,824,006
General revenues		
Property taxes	25,304,289	27,071,881
State aid - formula grants	47,156,439	47,753,959
Other	5,437,465	6,299,449
Total revenues	85,991,361	89,078,058
Expenses:		
Instruction	45,062,160	44,619,144
Pupil and instructional services	8,499,608	8,491,709
Administration and business	20,243,436	21,173,107
Interest and other	3,671,203	2,980,757
Other expenses	6,178,582	6,607,776
Total expenses	83,654,989	83,872,493
Change in net assets	\$ 2,336,372	\$ 5,205,565

Net Cost of Governmental Activities

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

The net cost of all governmental activities this year was \$75,919,724.

Net Cost of Governmental Activities (continued)

Table 3
D.C. Everest Area School District
Net Cost of Governmental Activities

	Net Cost of Services 2019	Net Cost of Services 2020
Expenses		
Instruction	\$ 41,014,209	\$ 40,636,667
Pupil and instructional services	8,260,475	8,202,263
Administration and business	17,586,293	18,544,783
Interest on debt	3,671,203	2,980,757
Other	5,029,641	5,555,254
Total	<u><u>\$ 75,561,821</u></u>	<u><u>\$ 75,919,724</u></u>

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into three categories:

- * Implementing budgets for specially funded projects, which include both federal and state grants.
- * Increasing appropriations for significant unbudgeted costs.
- * Reallocating the budget between functional lines.

The District prepares and reviews an interim budget in spring for the subsequent year. Consistent with current state statutes and regulations, an original budget is adopted in October following determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified.

The District's General Fund for 2019-20 showed an equity increase by \$176,926 resulting in a fund balance of \$10,182,977, 13.3% of revenues.

- Actual General Fund revenues including fund 27 (less transfer) were \$76,371,269.
- Actual General Fund expenditures including fund 27 (less transfer) were \$76,194,344.

The District's Total Governmental Fund for 2019-20 showed an equity decrease by \$37,502,811, which includes a prior period adjustment of \$460,036 for GASB 84 implementation resulting in a fund balance of \$52,436,475.

- Actual Governmental Fund revenues and other financing sources were \$89,078,058.
- Actual Governmental Fund expenditures were \$127,040,905.

The change to the total governmental fund balance was due the following:

- Fund 10 – General Fund - Increase in fund balance of \$176,925.
- Fund 21 – Special Revenue Trust Fund - Increase in fund balance of \$355,380.
- Fund 38 – Non-Referendum Debt Service Fund - Decrease in fund balance of \$5,756.

General Fund Budgetary Highlights (continued)

- Fund 39 – Referendum Debt Service Fund - Decrease in fund balance of \$442,044.
- Fund 46 – Capital Improvement Trust Fund - Increase in fund balance of \$544,871.
- Fund 49 – Other Capital Projects Fund - Decrease in fund balance of \$38,210,333.
- Fund 50 – Fund Service Fund - Decrease in fund balance of \$16,438.
- Fund 80 – Community Service Fund - Increase in fund balance of \$94,584.

Capital Assets

At the end of the fiscal year, the District had \$143 million in a broad range of capital assets, including land, sites & improvements, buildings, and equipment. Total accumulated depreciation on these assets were \$40.8 million.

- Asset acquisitions during this fiscal year for governmental activities totaled \$39,844,057.
- Asset deletions during this fiscal year for governmental activities totaled \$58,017.
- The District recognized depreciation expense of \$2,497,221 for Governmental Activities during this fiscal year.

Table 4
D.C. Everest Area School District
Capital Assets

	2019	2020
	Governmental	Governmental
	Activities	Activities
Land	\$ 821,265	\$ 821,265
Construction in progress	14,394,615	53,499,020
Sites and improvements	4,466,270	4,466,270
Buildings and improvements	70,725,294	70,725,294
Equipment	13,593,471	14,275,106
Capital assets	104,000,915	143,786,955
Accumulated depreciation	(38,312,789)	(40,767,049)
Assets less depreciation	\$ 65,688,126	\$ 103,019,906

Long-Term Debt

At year-end the District had \$92,710,000 in general obligation debt. Additional information about the District's long-term liabilities is presented in the financial statements.

	Total School District		Total
	June 30		% Change
	2019	2020	
General obligation debt	\$ 97,260,000	\$ 92,710,000	-4.7%
Taxable note	-	-	0.0%
	<u>\$ 97,260,000</u>	<u>\$ 92,710,000</u>	<u>-4.7%</u>

Long-Term Debt (continued)

- The District retired \$4,550,000 of outstanding general obligation bonds.
- The district currently has a Moody's Investors Service rating of Aa3.

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

Factors Bearing on the District's Future

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

- In the 2020-21 school year, the district has levied to its maximum. This will make future school budgets more challenging if State of Wisconsin continues to provide little or no funding increases.
- In the 2020-21 school year, total revenue limit student FTE decreased by 82 when compared to the prior school year. This will impact future revenue limit capacity.
- With the most recent third Friday Head Count, the district had 470 student Open Enrollment (OE) in vs 356 OE out for a positive number of 114. This has been a significant shift to the positive when compared to prior school years.
- The district does not anticipate any significant labor negotiation issues, however is concerned with the tight labor pool and increased wage pressures.
- An actuarial study by Key Benefits Concepts, LLC. Completed an actuarial study of our postretirement benefits and determined the post-retirement benefit liability as of 6/30/19 to be \$8,133,782. The trust fund was funded at 59% with an actuarial value of assets of \$4,798,559 to offset this liability.
- The spread of COVID-19 has significantly impacted how we provide education to our students and we anticipate this will also create long term school funding issues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Aaron Nelson, Finance Manager, by mail at 6300 Alderson Street, Weston, Wisconsin 54476, by phone at (715) 359-4221, ext. 1243, or by email at anelson@dce.k12.wi.us.

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

**BASIC
FINANCIAL STATEMENTS**

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

**DISTRICT-WIDE
FINANCIAL STATEMENTS**

D.C. EVEREST AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and investments	\$ 56,255,039
Receivables	
Accounts	107,321
Taxes	7,036,917
Due from other governments	1,510,336
Wisconsin Retirement System net pension	7,909,441
Capital assets (net of accumulated depreciation)	
Capital assets not being depreciated	54,320,285
Capital assets being depreciated	<u>48,699,621</u>
TOTAL ASSETS	<u>175,838,960</u>
DEFERRED OUTFLOWS OF RESOURCES	
Wisconsin Retirement System pension	17,037,486
Wisconsin Retirement System LRLIF	1,275,260
OPEB healthcare	<u>999,268</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>19,312,014</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>195,150,974</u>
LIABILITIES	
Accounts payable	5,695,465
Self insurance claims payable	165,183
Accrued liabilities	
Payroll, payroll taxes, insurance	6,462,492
Interest	842,069
Due to other governments	609
Deposits payable	137,297
Unearned revenue	12,092
Current portion of long-term obligations	5,256,203
Noncurrent portion of long-term obligations	<u>98,571,720</u>
TOTAL LIABILITIES	<u>117,143,130</u>
DEFERRED INFLOWS OF RESOURCES	
Wisconsin Retirement System pension	23,699,708
Wisconsin Retirement System LRLIF	470,414
OPEB healthcare	<u>1,239,459</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>25,409,581</u>
NET POSITION	
Net investment in capital assets	14,529,279
Restricted for	
General fund	340,000
Special revenue	1,895,874
Debt service	2,279,564
Capital projects	38,078,061
Other activities	7,938,561
Unrestricted	<u>(12,463,076)</u>
TOTAL NET POSITION	<u>52,598,263</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 195,150,974</u>

The accompanying notes are an integral part of these statements.

D.C. EVEREST AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular instruction	\$ 31,521,627	\$ 63,800	\$ 89,441	\$ (31,368,386)
Vocational instruction	1,195,822	15,021	48,255	(1,132,546)
Special instruction	7,934,497	-	3,671,828	(4,262,669)
Other instruction	3,967,198	94,132	-	(3,873,066)
Total instruction	44,619,144	172,953	3,809,524	(40,636,667)
Support services				
Pupil services	4,283,685	-	-	(4,283,685)
Instructional staff services	4,208,024	-	289,446	(3,918,578)
General administration services	573,304	-	-	(573,304)
Building administration services	3,206,608	-	-	(3,206,608)
Business services	15,468,080	910,788	1,717,536	(12,839,756)
Central services	1,403,995	-	-	(1,403,995)
Insurance	521,120	-	-	(521,120)
Interest and other	2,980,757	-	-	(2,980,757)
Other support services	1,730,988	-	-	(1,730,988)
Community services	1,039,995	1,045,022	7,500	12,527
Total support services	35,416,556	1,955,810	2,014,482	(31,446,264)
Non-program transactions	3,836,793	-	-	(3,836,793)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 83,872,493	\$ 2,128,763	\$ 5,824,006	(75,919,724)
General revenues				
Taxes				
Property taxes				27,040,880
Other taxes				31,001
State and federal aids not restricted to specific functions				47,753,959
Interest and investment earnings				1,127,634
Miscellaneous				5,171,815
Total general revenues				81,125,289
CHANGE IN NET POSITION				5,205,565
NET POSITION - BEGINNING OF YEAR				46,932,662
PRIOR PERIOD ADJUSTMENT				460,036
NET POSITION - END OF YEAR				\$ 52,598,263

The accompanying notes are an integral part of these statements.

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

**FUND
FINANCIAL STATEMENTS**

D.C. EVEREST AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	10/27	39	49	21/38/46/50/80	
	GENERAL	DEBT SERVICE	OTHER	TOTAL	TOTAL
	FUND	REFERENDUM	CAPITAL	NONMAJOR	GOVERNMENTAL
		FUND	PROJECTS	FUNDS	FUNDS
		APPROVED			
ASSETS					
Cash and investments	\$ 9,578,750	\$ 1,804,637	\$ 39,153,828	\$ 5,717,824	\$ 56,255,039
Receivables					
Accounts	20,824	-	-	86,497	107,321
Taxes	7,036,917	-	-	-	7,036,917
Due from other funds	-	-	-	750,000	750,000
Due from other governments	1,434,895	-	-	75,441	1,510,336
TOTAL ASSETS	18,071,386	1,804,637	39,153,828	6,629,762	65,659,613
LIABILITIES					
Accounts payable	571,492	-	5,018,887	105,086	5,695,465
Self insurance claims payable	165,183	-	-	-	165,183
Accrued payroll liabilities	6,401,310	-	-	61,182	6,462,492
Due to other funds	750,000	-	-	-	750,000
Due to other governments	-	-	-	609	609
Deposits payable	-	-	-	137,297	137,297
Unearned revenue	425	-	-	11,667	12,092
TOTAL LIABILITIES	7,888,410	-	5,018,887	315,841	13,223,138
FUND BALANCES					
Restricted	369,120	1,804,637	34,134,941	6,313,921	42,622,619
Unassigned	9,813,856	-	-	-	9,813,856
TOTAL FUND BALANCES	10,182,976	1,804,637	34,134,941	6,313,921	52,436,475
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,071,386	\$ 1,804,637	\$ 39,153,828	\$ 6,629,762	

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

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

Governmental capital asset	\$ 143,786,955	
Governmental accumulated depreciation	(40,767,049)	103,019,906

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements: 2,052,065

Other post employment benefits deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements: (240,191)

Long-term liabilities are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	\$ (92,710,000)	
Premium	(3,768,782)	
Capital leases	(809,372)	
Accrued interest	(842,069)	
WRS liability	(3,039,023)	
Vested employee benefits	(165,523)	
Net OPEB obligation	(3,335,223)	(104,669,992)

Total net position - governmental activities **\$ 52,598,263**

D.C. EVEREST AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	10/27	39	49	21/38/46/50/80	
	GENERAL	DEBT SERVICE	OTHER	TOTAL	TOTAL
	FUND	REFERENDUM	CAPITAL	NONMAJOR	GOVERNMENTAL
	FUND	APPROVED	PROJECTS	FUNDS	FUNDS
REVENUES					
Property taxes	\$ 20,360,849	\$ 5,163,913	\$ -	\$ 1,547,119	\$ 27,071,881
Other local sources	452,029	46,843	894,072	3,593,640	4,986,584
Interdistrict sources	3,331,743	-	-	-	3,331,743
Intermediate sources	16,827	-	-	-	16,827
State sources	49,439,946	-	-	61,194	49,501,140
Federal sources	2,626,208	-	-	1,399,954	4,026,162
Other sources	135,097	-	-	54	135,151
TOTAL REVENUES	76,362,699	5,210,756	894,072	6,601,961	89,069,488
EXPENDITURES					
Current					
Instruction					
Regular instruction	29,962,418	-	-	1,292,649	31,255,067
Vocational instruction	1,835,235	-	-	-	1,835,235
Special instruction	7,879,130	-	-	-	7,879,130
Other instruction	3,913,283	-	-	-	3,913,283
Total instruction	43,590,066	-	-	1,292,649	44,882,715
Support services					
Pupil services	4,250,922	-	-	-	4,250,922
Instructional staff services	4,162,389	-	-	-	4,162,389
General administration services	569,499	-	-	-	569,499
Building administration services	3,172,354	-	-	-	3,172,354
Business services	10,297,901	-	39,104,405	3,129,956	52,532,262
Central services	736,998	-	-	482	737,480
Insurance	521,120	-	-	-	521,120
Other support services	1,731,433	-	-	-	1,731,433
Community services	-	-	-	1,003,400	1,003,400
Total support services	25,442,616	-	39,104,405	4,133,838	68,680,859
Non-program transactions	3,841,839	-	-	-	3,841,839
Debt service					
Principal	1,252,698	3,120,000	-	1,430,000	5,802,698
Interest	45,167	2,532,800	-	962,875	3,540,842
Other	3,088	-	-	-	3,088
Total debt service	1,300,953	5,652,800	-	2,392,875	9,346,628
Capital outlay	178,870	-	-	109,994	288,864
TOTAL EXPENDITURES	74,354,344	5,652,800	39,104,405	7,929,356	127,040,905
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,008,355	(442,044)	(38,210,333)	(1,327,395)	(37,971,417)
OTHER FINANCING (USES) SOURCES					
Net transfer (to) from other funds	(1,840,000)	-	-	1,840,000	-
Sale of capital assets	8,570	-	-	-	8,570
TOTAL OTHER FINANCING (USES) SOURCES	(1,831,430)	-	-	1,840,000	8,570
NET CHANGE IN FUND BALANCE	176,925	(442,044)	(38,210,333)	512,605	(37,962,847)
FUND BALANCE - BEGINNING OF YEAR	10,006,051	2,246,681	72,345,274	5,341,280	89,939,286
PRIOR PERIOD ADJUSTMENT	-	-	-	460,036	460,036
FUND BALANCE - END OF YEAR	\$ 10,182,976	\$ 1,804,637	\$ 34,134,941	\$ 6,313,921	\$ 52,436,475

The accompanying notes are an integral part of these statements.

D.C. EVEREST AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds \$ (37,962,847)

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay reported in fund statements	\$	288,864	
Capital outlay reported as other expenses in fund statements		39,555,193	
Depreciation expense reported in the statement of activities		(2,497,221)	
Net book value of capital assets disposed		<u>(15,056)</u>	
Amount by which capital outlays are greater than depreciation in the current period:			37,331,780

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

This year the accrual of these benefits increased by: (41,546)

Wisconsin Retirement System pension asset, deferred outflows of resources, liability, and deferred inflows of resources changes: (329,661)

Wisconsin Retirement System LRLIF asset, deferred outflows of resources, liability, and deferred inflows of resources changes: (235,185)

OPEB healthcare deferred outflows of resources, liability, and deferred inflows of resources changes: 77,153

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

Amount of long-term debt principal payments in the current year is: 5,802,698

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

Amount of interest and other debt costs paid during the current period is	\$	3,543,930	
Amount of interest and other debt costs accrued during the current period is		<u>(2,980,757)</u>	
Interest paid is greater than interest accrued by:			<u>563,173</u>

Change in net position - governmental activities \$ 5,205,565

D.C. EVEREST AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2020

	72	73
	PRIVATE	PENSION (OTHER
	PURPOSE	EMPLOYEE BENEFIT)
	TRUST FUND	TRUST FUND
	<u>SCHOLARSHIPS</u>	<u>EMPLOYEE BENEFIT</u>
ASSETS		
Investments	\$ 227,390	\$ 4,635,104
TOTAL ASSETS	<u>227,390</u>	<u>4,635,104</u>
NET POSITION		
Restricted for		
Postemployment benefits other than pensions	-	4,635,104
Individuals and organizations	227,390	-
TOTAL NET POSITION	<u>\$ 227,390</u>	<u>\$ 4,635,104</u>

The accompanying notes are an integral part of these statements.

D.C. EVEREST AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

	72	73
	PRIVATE PURPOSE TRUST FUND	PENSION (OTHER EMPLOYEE BENEFIT) TRUST FUND
	<u>SCHOLARSHIPS</u>	<u>EMPLOYEE BENEFIT</u>
ADDITIONS		
Investment income	\$ 33,203	\$ 99,137
Contributions	<u>-</u>	<u>756,969</u>
TOTAL ADDITIONS	<u>33,203</u>	<u>856,106</u>
DEDUCTIONS		
Disbursements	<u>70,855</u>	<u>1,019,561</u>
TOTAL DEDUCTIONS	<u>70,855</u>	<u>1,019,561</u>
CHANGE IN NET POSITION	(37,652)	(163,455)
NET POSITION - BEGINNING OF YEAR	<u>265,042</u>	<u>4,798,559</u>
NET POSITION - END OF YEAR	<u>\$ 227,390</u>	<u>\$ 4,635,104</u>

The accompanying notes are an integral part of these statements.

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies

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

Reporting Entity - The D.C. Everest Area School District is organized as 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 twelve taxing districts.

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

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

Basis Of Presentation

District-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Financial Statements

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

The District reports the following major governmental funds:

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

Referendum Approved Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest.

Other Capital Projects Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District has two fiduciary funds which account for scholarships and an employee benefit trust.

Measurement Focus and Basis of Accounting

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

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

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

The fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

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

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2019 tax levy is used to finance operations of the District's fiscal year ended June 30, 2020. All property taxes are considered due on January 1, when an enforceable lien may be 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.

Accounts Receivable - Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

Due To/From Other Funds - During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. The amounts reported on the statement of net position for receivable/payable from external parties represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

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

Capital Assets - Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair market value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$5,000	Straight-line	20-70 years
Land improvements	\$5,000	Straight-line	20 years
Furniture and equipment	\$5,000	Straight-line	5-20 years

Debt Premiums and Discounts - In the government-wide financial statements, debt premiums and discounts are amortized over the life of the debt. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, premiums and discounts are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

Compensated Absences - The District's policy permits employees to accumulate earned, but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide statements. A liability for those amounts is recorded in the government funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits where applicable.

Accumulated sick leave lapses upon separation from government service therefore no monetary obligation exists.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has three items that qualify for reporting in this category. They are the Wisconsin Retirement System pension, Wisconsin Retirement System local retiree life insurance fund (LRLIF), and OPEB healthcare reported in the government-wide statement of net position. The Wisconsin Retirement System pension, Wisconsin Retirement System LRLIF, and OPEB healthcare result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has three types of items, Wisconsin Retirement System pension, Wisconsin Retirement System LRLIF, and OPEB healthcare which qualify for reporting in this category. Revenue on refunding arises under the accrual basis of accounting. The Wisconsin Retirement System pension, Wisconsin Retirement System LRLIF, and OPEB healthcare result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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

When net losses occur, it is the District's policy to record the net loss against committed fund balance, then assigned fund balance and lastly to unassigned fund balance (GASB 54 default for not having a policy). The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

NOTE 2 - Cash and Investments

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

As of June 30, 2020, the District had the following investment:

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
Wisconsin Investment Series Cooperative	Less than one year	\$ 30,589,498
Certificates of deposit	More than one year	<u>7,024,057</u>
Total		<u>\$ 37,613,555</u>

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At June 30, 2020, the Pool's fair value was 100 percent of book value.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 2 - Cash and Investments - Continued

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

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

Income Allocation - Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment.

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

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District does not have an investment policy that would further limit its investment choices. The State of Wisconsin Local Government Investment Pool and Wisconsin Investment Series Cooperative is not rated.

Custodial Credit Risk - Custodial credit is the risk that, in the event of a financial institution failure, the District's deposits may not be returned. The District does not have a policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2020, \$1,269,786 of the District's bank balance of \$61,730,136 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S. Government or municipal securities held by the bank in the bank's name. \$15,281,464 was uninsured and uncollateralized.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 3 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2020 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 821,265	\$ -	\$ -	\$ 821,265
Construction in progress	14,394,615	39,104,405	-	53,499,020
Total capital assets not being depreciated	<u>15,215,880</u>	<u>39,104,405</u>	<u>-</u>	<u>54,320,285</u>
Capital assets being depreciated:				
Land improvements	4,466,270	-	-	4,466,270
Buildings and improvements	70,725,294	-	-	70,725,294
Equipment	13,593,471	739,652	(58,017)	14,275,106
Total capital assets being depreciated	<u>88,785,035</u>	<u>739,652</u>	<u>(58,017)</u>	<u>89,466,670</u>
Less accumulated depreciation for:				
Land improvements	(2,774,030)	(148,786)	-	(2,922,816)
Buildings and improvements	(30,175,060)	(1,359,328)	-	(31,534,388)
Equipment	(5,363,699)	(989,107)	42,961	(6,309,845)
Total accumulated depreciation	<u>(38,312,789)</u>	<u>(2,497,221)</u>	<u>42,961</u>	<u>(40,767,049)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>50,472,246</u>	<u>(1,757,569)</u>	<u>(15,056)</u>	<u>48,699,621</u>
Capital assets, net of accumulated depreciation	<u>\$ 65,688,126</u>	<u>\$ 37,346,836</u>	<u>\$ (15,056)</u>	<u>\$ 103,019,906</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 14,330
Vocational instruction	23,470
Other instruction	22,708
Pupil services	1,446
Instructional staff services	1,770
General administration services	516
Building administration services	16,273
Business services	22,850
Operations and maintenance	1,700,037
Other support services	663,039
Community services	30,782
Total	<u>\$ 2,497,221</u>

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

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 4 - Line of Credit

Line of credit used for working capital is as follows:

<u>Type</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Line of Credit	\$ <u> -</u>	\$ <u> 3,060,000</u>	\$ <u> (3,060,000)</u>	\$ <u> -</u>

The District had a line of credit agreement with Incredible Bank in the amount of \$4,500,000. The agreement had an interest rate of 1.95%. The District had used the line of credit at various times throughout the school year, but the ending balance as of June 30, 2020 is \$0.

NOTE 5 - Long-Term Obligations

Long-term obligations are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 97,260,000	\$ -	\$ (4,550,000)	\$ 92,710,000	\$ 3,445,000
Leases - direct placement	2,062,070	-	(1,252,698)	809,372	663,856
Premium	4,289,235	-	(520,453)	3,768,782	252,579
Vested vacation pay	123,977	165,523	(123,977)	165,523	165,523
Wisconsin Retirement System					
Net pension liability	8,746,474	-	(8,746,474)	-	-
LRLIF	1,813,985	1,225,038	-	3,039,023	-
OPEB healthcare	<u>4,669,791</u>	<u>634,791</u>	<u>(1,969,359)</u>	<u>3,335,223</u>	<u>729,245</u>
Total	<u>\$ 118,965,532</u>	<u>\$ 2,025,352</u>	<u>\$ (17,162,961)</u>	<u>\$ 103,827,923</u>	<u>\$ 5,256,203</u>

In prior years, the general and food service funds liquidated vested employee benefits. Interest cost incurred during the year totaled \$2,977,669 and total interest paid during the year aggregated \$3,540,842 including \$1,304 for short-term borrowing, and \$43,863 for capital leases.

General Obligation Debt - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The general obligation debt is expected to be repaid with general property taxes. General obligation debt at June 30, 2020 is comprised of the following individual issues:

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 5 - Long-Term Obligations - Continued

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Refunding bonds	2/18/16	2.0-3.0%	4/1/21	\$ 1,675,000
Refunding bonds	6/1/12	2-2.375%	4/1/25	6,610,000
Bonds	12/29/17	3.0-5.0%	4/1/37	25,000,000
Refunding bonds	7/2/18	3.36%	4/1/38	59,425,000
Total				<u>\$ 92,710,000</u>

General Obligation Debt Limit Calculation - The 2019 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,687,082,034. The legal debt limit and margin of indebtedness as of June 30, 2020, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes follows:

Debt limit (10 percent of \$2,687,082,034)	\$ 268,708,203
Applicable long-term debt	(92,710,000)
Amount available in debt service fund	<u>2,279,564</u>
Margin of indebtedness	<u>\$ 178,277,767</u>

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

<u>Year Ending June 30</u>	<u>Bonds</u>		<u>Leases - Direct Placement</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2021	\$ 3,445,000	\$ 3,366,325	\$ 56,101	\$ 15,347	\$ 6,882,773
2022	3,440,000	3,275,675	668,939	15,065	7,399,679
2023	3,675,000	3,151,875	66,726	4,721	6,898,322
2024	3,965,000	3,018,375	17,606	256	7,001,237
2025	4,240,000	2,869,901	-	-	7,109,901
2026-2030	24,560,000	11,240,725	-	-	35,800,725
2031-2035	29,510,000	6,432,181	-	-	35,942,181
2036-2040	19,875,000	1,400,256	-	-	21,275,256
	<u>\$ 92,710,000</u>	<u>\$ 34,755,313</u>	<u>\$ 809,372</u>	<u>\$ 35,389</u>	<u>\$ 128,310,074</u>

Defeased Debt - The District defeased general obligation debt by depositing money in an irrevocable trust account for future debt service payments of the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At June 30, 2020, there is no remaining defeased debt.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System

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

ETF issues a standalone WRS Financial Report, which can be found at <http://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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

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

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

The WRS also provides death and disability benefits for employees.

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

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System - Continued

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

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

During the reporting period, the WRS recognized \$2,569,444 in contributions from the employer.

Contribution rates as of June 30, 2020 are:

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

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

At June 30, 2020, the District reported a liability (asset) of (\$7,909,441) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.24529535%, which was a decrease of 0.0005519% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,999,665.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System - Continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,013,929	\$ 7,513,466
Net differences between projected and actual earnings on pension plan investments	-	16,169,712
Changes in assumptions	616,355	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,797	16,529
Employer contributions subsequent to the measurement date	1,386,404	-
Total	\$ 17,037,485	\$ 23,699,707

\$1,386,404 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows and (Inflows) of Resources
2021	\$ (2,388,608)
2022	(1,786,127)
2023	284,326
2024	(4,158,217)
Thereafter	-

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

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7%
Discount Rate:	7%
Salary Increases:	
Inflation	3%
Seniority/Merit	.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System - Continued

** 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, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

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

Asset Allocation Targets and Expected Returns
As of December 31, 2019

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8	5.1
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4
Total Core Fund	110	7.5	4.6
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

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

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

Single Discount Rate - A single discount rate of 7% 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% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System - Continued

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 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease to Discount Rate 6%	Current Single Discount Rate Assumption 7%	1% Increase to Discount Rate 8%
District's proportionate share of the net pension liability (asset)	\$ 20,368,226	\$ (7,909,441)	\$ (29,050,251)

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>.

Payables to the Pension Plan - The District reported a payable of \$744,749 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund

General Information about the Other Post Employment Benefits

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

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

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

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

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

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

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

Contribution rates as of June 30, 2020 are:

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

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

Attained Age	Basic	Supplemental
Under 30	\$.05	\$.05
30-34	.06	.06
35-39	.07	.07
40-44	.08	.08
45-49	.12	.12
50-54	.22	.22
55-59	.39	.39
60-64	.49	.49
65-69	.57	.57
*Disabled members under age 70 receive a waiver-of-premium benefit.		

During the reporting period, the LRLIF recognized \$12,901 in contributions from the employer.

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

At June 30, 2020, the District reported a liability (asset) of \$3,039,023 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

0.713688%, which was an increase of .010685% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$340,470.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 136,144
Net differences between projected and actual earnings on OPEB plan investments	57,326	-
Changes in assumption	1,121,109	334,270
Changes in proportion and differences between employer contributions and proportionate share of contributions	96,825	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ 1,275,260	\$ 470,414

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

Year Ending June 30	Deferred Outflows and (Inflows) of Resources
2021	\$ 139,705
2022	139,705
2023	133,524
2024	127,158
Thereafter	264,754

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

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net OPEB Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax Exempt Municipal Bond Yield:	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
Salary Increases:	
Inflation	3%
Seniority/Merit	.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

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

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

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

Asset Class	Index	Target Allocation %	Long-Term Expected Geometric Real Rate of Return %
US Credit Bonds	Barclays Credit	45	2.12
US Long Credit Bonds	Barclays Long Credit	5	2.9
US Mortgages	Barclays MBS	50	1.53
Inflation			2.2
Long-term Expected Rate of Return			4.25

The long-term expected rate of return decreased slightly from 5% in the prior year to 4.25% in the current year. This change was primarily based on the target allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.3% in the prior year to 2.2% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund - Continued

Single Discount Rate - A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.1% as of December 31, 2018 to 2.74% as of December 31, 2019. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

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

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
District's proportionate share of the net OPEB liability (asset)	\$ 4,196,381	\$ 3,039,023	\$ 2,158,498

Payables to the Pension Plan - The District reported a payable of zero for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

NOTE 8 - Interfund Balance and Activity

Interfund receivable and payable balances on June 30, 2020, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Long-term capital improvement trust	General	\$ 750,000

The above balance resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 8 - Interfund Balance and Activity - Continued

Interfund transfers at June 30, 2020 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Non-referendum debt	\$ 1,090,000
General	Long-term capital improvement trust	<u>750,000</u>
		<u>\$ 1,840,000</u>

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

NOTE 9 - Post Employment Benefits Other Than Pensions

General Information about the Post Employment Benefits Other Than Pensions

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

Benefits Provided - Current benefits apply to administrators, teachers, and support staff who retired prior to 7/1/14. Administrators receive \$60,000 allocated monthly on a pro rata basis with no maximum payment. Teachers and support staff will receive equal monthly contributions for the maximum of 7 years, or the number of eligible months left before age 65, whichever is lesser. The monthly contributions cannot exceed the total cost of insurance. Also, those retired prior to 6/9/11 will receive an additional monthly contribution of \$2,800 for family (\$1,030 for single) divided over their eligible amount. The maximum has been set for \$60,000 for family (\$22,130 for single). Administrators will also receive a contribution to cover 100% of dental costs until the age 65.

Administrators, teachers, and at will salaried employees at least age 57 with 15 years of service in the District will receive \$60,000 deposited into a HRA account if they retire prior to age 65 and are salaried. If salaried administrators retire after the age 65, they will receive \$35,000 deposited into a HRA account.

Administration confidential, custodians, food service, at will hourly, and concession employees' benefits range depending on the length of service and if the retiree retired prior to 65 or subsequent to age 65. If the retiree retired prior to age 65, they will receive \$30,000 to \$50,000 deposited into a HRA account with the service length ranging from 25 years of service to 35 years. If the retiree retired after the age 65, they will receive \$15,000 to \$25,000 deposited into a HRA account with the service length ranging from 25 years of service to 35 years.

Employees Covered - As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms. The plan is closed to new entrants, with the exception of administrators.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 9 - Post Employment Benefits Other Than Pensions - Continued

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>624</u>
Total	<u>636</u>

Contributions - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on premiums and an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended June 30, 2020, contribution rates for Plan members were \$0 - \$1,718 per participant per month and \$0 - \$1,718 from the District, depending on the type of retiree plan. Plan members receiving benefits contributed \$27,724 and the District contributed \$729,245 to the plan.

Actuarial Assumptions - The net OPEB healthcare liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Amortization Period:	20 years
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	2.5%
Discount Rate:	2.5%
Salary Increases:	3%
Mortality:	Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)
Medical Care Cost Trend:	7.5%
Dental Care Cost Trend:	5%

The actuarial valuation was based upon the data provided by the District and utilized the premium rate history of the District's medical plans as well as the trends used in the prior valuation and projected a stream of expected premium rates for each year in the future based on the data as of June 30, 2019.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on plan investments was determined by expected future real rates of return (expected returns, net of plan investment expense and inflation) developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Real Rate of Return	Target Allocation
Cash	2.0%	100%

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 9 - Post Employment Benefits Other Than Pensions - Continued

Discount Rate - A discount rate of 2.5% was used to measure the total OPEB healthcare liability. This discount rate was based on the expected rate of return on plan investments of 2.5%. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB healthcare liability. The discount rate did incorporate a municipal bond rate.

Changes in the Net OPEB Healthcare Liability

	Increase (Decrease)		
	Total OPEB Healthcare Liability (a)	Fiduciary Net Position (b)	Net OPEB Healthcare Liability (a) - (b)
Beginning balance	\$ 9,613,855	\$ 4,944,064	\$ 4,669,791
Changes for the year:			
Service cost	600,917	-	600,917
Interest	235,703	-	235,703
Differences between expected and actual experience	(303,085)	-	(303,085)
Changes of assumptions or other input	(1,041,225)	-	(1,041,225)
Contributions - employer	-	729,900	(729,900)
Net investment income	-	96,978	(96,978)
Benefit payments	(972,383)	(972,383)	-
Net changes	(1,480,073)	(145,505)	(1,334,568)
Ending balance	\$ 8,133,782	\$ 4,798,559	\$ 3,335,223

Sensitivity of the Net OPEB Healthcare Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB healthcare liability calculated using the healthcare cost trend rate of 7.5 percent for all years, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.5 percent for all years) or 1-percentage-point higher (8.5 percent for all years) than the current rate:

	1% Decrease to Healthcare Cost Rate (6.5%)	Current Healthcare Cost Rate (7.5%)	1% Increase to Healthcare Cost Rate (8.5%)
Net OPEB healthcare liability	\$ 3,306,111	\$ 3,335,223	\$ 3,368,754

Sensitivity of the Net OPEB Healthcare Liability to Changes in the Discount Rate - The following presents the net OPEB healthcare liability calculated using the discount rate of 2.5 percent, as well as what the net OPEB healthcare liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.5 percent) or 1-percentage-point higher (3.5 percent) than the current rate:

	1% Decrease to Discount Rate (1.5%)	Current Discount Rate (2.5%)	1% Increase to Discount Rate (3.5%)
Net OPEB healthcare liability	\$ 3,628,350	\$ 3,335,223	\$ 3,034,613

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 9 - Post Employment Benefits Other Than Pensions - Continued

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

For the year ended June 30, 2020, the District recognized OPEB healthcare expense of \$630,417.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 260,090	\$ 285,003
Changes in assumptions	-	954,456
Net differences between projected and actual earnings on pension plan investments	9,933	-
Employer contributions subsequent to the measurement date	729,245	-
Total	\$ 999,268	\$ 1,239,459

\$729,245 reported as deferred outflows related to OPEB healthcare resulting from contributions subsequent to the measurement date will be recognized as a reduction on the net OPEB healthcare liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB healthcare will be recognized in expense as follows:

Year ending June 30	Deferred Outflows/Inflows of Resources
2021	\$ 85,632
2022	85,632
2023	85,632
2024	85,632
Thereafter	\$ 626,908

Payables to the OPEB Healthcare Plan - The District reported a payable of zero for the outstanding amount of contributions to the OPEB Healthcare plan required for the year ended June 30, 2020.

NOTE 10 - Fund Balance and Net Position

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

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
Restricted		
General	Specific expenses	\$ 369,120
Food service	DPI regulation	\$ 1,121,892
Special revenue trust	Specific expenses	\$ 666,060
Non-referendum debt service	Principal and interest	\$ 474,927

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 10 - Fund Balance and Net Position - Continued

Referendum debt service	Principal and interest	\$	1,804,637
Long-term capital improvement trust	Specific expenses	\$	3,943,120
Other capital projects	DPI regulation	\$	34,134,941
Community service	Specific expenses	\$	107,922

Governmental Activities

Restricted			
General	Specific expenses	\$	340,000
Special revenue	DPI regulation	\$	1,895,874
Debt service	Principal and interest	\$	2,279,564
Capital projects	DPI regulation	\$	38,078,061
Other activities	Common school fund	\$	29,120
Other activities	Wisconsin Retirement System pension	\$	7,909,441

The District has adopted a minimum fund balance policy with a goal of 15% of general fund expenditures to be maintained for working capital purposes.

NOTE 11 - Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the District's policy is to purchase commercial insurance, except for self-insured dental benefits as described in Note 14. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from coverage in the prior year.

NOTE 12 - Commitments and Contingencies

The District has a service agreement with Cooperative Education Service Agency #9 for services to be provided to the District in 2020-2021. Expected costs are \$79,303.

The District has a transportation agreement with estimated costs for the following school years:

2020-2021	\$	3,079,003
2021-2022		3,148,281
	\$	<u>6,227,284</u>

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

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 12 - Commitments and Contingencies - Continued

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

NOTE 13 - Limitation of School District Revenue

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

NOTE 14 - Self-Funded Insurance

The District established a self-funded dental benefit plan for its employees. The Plan administrators are responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for an administrative fee. The Plan reports on a fiscal year ending June 30, 2020.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund and other funds of the District.

The district has no stop-loss coverage for dental care coverage of the Plan.

The district has reported a liability of \$165,183, which represents reported and unreported claims which were incurred on or before June 30, 2020, but were not paid by the District as of that date. Changes in the claims liability for the years ended June 30, 2020 and June 30, 2019 are as follows:

	<u>Year Ended</u> <u>June 30, 2020</u>	<u>Year Ended</u> <u>June 30, 2019</u>
Beginning liability balance	\$ 166,187	\$ 154,409
Claims and changes in estimates	885,925	948,500
Claim payments	<u>(886,929)</u>	<u>(936,722)</u>
Ending liability balance	<u>\$ 165,183</u>	<u>\$ 166,187</u>

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

NOTE 15 - Change in Accounting Principle

The change in accounting principles adjustment of \$460,036 on the statement of change in net position – fiduciary funds is due to the adoption of Governmental Accounting Standards Board Statement No. 84 *Fiduciary Activities*.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 16 - Coronavirus (COVID-19)

The World health Organization declared the spread of COVID-19 a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. COVID-19 may impact various parts of the District's operations including costs for emergency preparedness, virtual school, shortages of personnel, and potential delays in revenue collections.

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

**REQUIRED
SUPPLEMENTARY INFORMATION**

D.C. EVEREST AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGETED AMOUNTS			FINAL BUDGETED AMOUNTS			ACTUAL AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	
REVENUES										
Property taxes	\$ 20,367,789	\$ -	\$ 20,367,789	\$ 20,367,789	\$ -	\$ 20,367,789	\$ 20,360,849	\$ -	\$ 20,360,849	\$ (6,940)
Other local sources	735,448	-	735,448	735,448	-	735,448	452,029	-	452,029	(283,419)
Interdistrict sources	3,323,717	36,894	3,360,611	3,323,717	36,894	3,360,611	3,295,407	36,336	3,331,743	(28,868)
Intermediate sources	10,000	-	10,000	10,000	-	10,000	10,000	6,827	16,827	6,827
State sources	47,128,100	2,241,879	49,369,979	47,151,465	2,244,586	49,396,051	47,194,908	2,245,038	49,439,946	43,895
Federal sources	1,387,770	1,485,501	2,873,271	1,393,664	1,485,501	2,879,165	1,242,581	1,383,627	2,626,208	(252,957)
Other sources	143,526	-	143,526	143,526	-	143,526	135,097	-	135,097	(8,429)
TOTAL REVENUES	73,096,350	3,764,274	76,860,624	73,125,609	3,766,981	76,892,590	72,690,871	3,671,828	76,362,699	(529,891)
EXPENDITURES										
Current										
Instruction										
Regular instruction	30,923,545	-	30,923,545	30,437,098	-	30,437,098	29,962,418	-	29,962,418	474,680
Vocational instruction	1,921,879	-	1,921,879	1,913,628	-	1,913,628	1,835,235	-	1,835,235	78,393
Special instruction	-	8,176,120	8,176,120	-	8,212,239	8,212,239	-	7,879,130	7,879,130	333,109
Other instruction	4,125,736	-	4,125,736	4,016,069	-	4,016,069	3,913,283	-	3,913,283	102,786
Total instruction	36,971,160	8,176,120	45,147,280	36,366,795	8,212,239	44,579,034	35,710,936	7,879,130	43,590,066	988,968
Support services										
Pupil services	2,872,854	1,474,978	4,347,832	2,881,664	1,442,826	4,324,490	2,840,609	1,410,313	4,250,922	73,568
Instructional staff services	3,895,211	572,823	4,468,034	3,795,470	562,159	4,357,629	3,624,948	537,441	4,162,389	195,240
General administration services	708,957	-	708,957	627,758	-	627,758	569,499	-	569,499	58,259
Building administration services	3,174,951	-	3,174,951	3,200,081	-	3,200,081	3,172,354	-	3,172,354	27,727
Business services	10,228,817	640,457	10,869,274	9,495,157	640,463	10,135,620	9,672,744	625,157	10,297,901	(162,281)
Central services	807,272	9,525	816,797	733,176	11,905	745,081	727,588	9,410	736,998	8,083
Insurance	504,802	-	504,802	504,802	-	504,802	521,120	-	521,120	(16,318)
Other support services	1,776,401	-	1,776,401	1,685,356	-	1,685,356	1,731,433	-	1,731,433	(46,077)
Total support services	23,969,265	2,697,783	26,667,048	22,923,464	2,657,353	25,580,817	22,860,295	2,582,321	25,442,616	138,201
Non-program transactions	3,684,804	201,600	3,886,404	3,620,330	208,618	3,828,948	3,639,991	201,848	3,841,839	(12,891)
Debt service										
Principal	669,713	-	669,713	1,218,960	-	1,218,960	1,252,698	-	1,252,698	(33,738)
Interest	37,299	-	37,299	37,299	-	37,299	45,167	-	45,167	(7,868)
Other	5,000	-	5,000	5,000	-	5,000	3,088	-	3,088	1,912
Total debt service	712,012	-	712,012	1,261,259	-	1,261,259	1,300,953	-	1,300,953	(39,694)
Capital outlay	257,500	-	257,500	213,450	-	213,450	178,870	-	178,870	34,580
TOTAL EXPENDITURES	65,594,741	11,075,503	76,670,244	64,385,298	11,078,210	75,463,508	63,691,045	10,663,299	74,354,344	1,109,164
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,501,609	(7,311,229)	190,380	8,740,311	(7,311,229)	1,429,082	8,999,826	(6,991,471)	2,008,355	579,273
OTHER FINANCING SOURCES (USES)										
Transfer (to) / from other funds	(7,508,509)	7,311,229	(197,280)	(8,747,211)	7,311,229	(1,435,982)	(8,831,471)	6,991,471	(1,840,000)	(404,018)
Sale of capital assets	6,900	-	6,900	6,900	-	6,900	8,570	-	8,570	1,670
TOTAL OTHER FINANCING SOURCES (USES)	(7,501,609)	7,311,229	(190,380)	(8,740,311)	7,311,229	(1,429,082)	(8,822,901)	6,991,471	(1,831,430)	(402,348)
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	176,925	-	176,925	176,925
FUND BALANCE - BEGINNING OF YEAR	10,006,051	-	10,006,051	10,006,051	-	10,006,051	10,006,051	-	10,006,051	-
FUND BALANCE - END OF YEAR	\$ 10,006,051	\$ -	\$ 10,006,051	\$ 10,006,051	\$ -	\$ 10,006,051	\$ 10,182,976	\$ -	\$ 10,182,976	\$ 176,925

The accompanying notes are an integral part of these statements.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
JUNE 30, 2020

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by a Board of Education resolution.

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

1. Based upon requests from District staff, the District Administration recommends budget proposals to the Board of Education.
2. The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
3. A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
4. Pursuant to the budget hearing, the Board of Education may make alterations to the proposed budget.
5. After the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
6. Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance.
7. Encumbrance accounting is not used.
8. Budgets are adopted on a basis consistent with generally accepted accounting principles.

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

General/Special Education	Business services	\$	162,281
General/Special Education	Insurance		16,318
General/Special Education	Other support services		46,077
General/Special Education	Non-program transactions		12,891
General/Special Education	Principal		33,738
General/Special Education	Interest		7,868
General/Special Education	Transfer to other funds		404,018

D.C. EVEREST AREA SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM PENSION SCHEDULES
YEAR ENDED JUNE 30, 2020

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.24529535%	0.24584725%	0.24755213%	0.24666233%	0.24736995%	0.24827742%
Proportionate share of the net pension liability (asset)	\$ (7,909,441)	\$ 8,746,474	\$ (7,350,116)	\$ 2,033,087	\$ 4,019,714	\$ (6,098,373)
Covered payroll	\$39,227,989	\$37,596,290	\$36,582,096	\$35,668,105	\$35,465,311	\$34,105,812
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-20.16%	23.26%	-20.09%	5.70%	11.33%	-17.88%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.96%	96.45%	102.93%	99.12%	98.20%	102.74%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,569,444	\$ 2,518,951	\$ 2,487,690	\$ 2,353,922	\$ 2,411,641	\$ 2,387,402
Contributions in relation to the contractually required contribution	<u>(2,569,444)</u>	<u>(2,518,951)</u>	<u>(2,487,690)</u>	<u>(2,353,922)</u>	<u>(2,411,641)</u>	<u>(2,387,402)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$39,227,989	\$37,596,290	\$36,582,096	\$35,668,105	\$35,465,311	\$34,105,812
Contributions as a percentage of covered payroll	6.55%	6.70%	6.80%	6.60%	6.80%	7.00%

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

The District implemented the Government Accounting Standards Board Statement No. 68 for the year ended June 30, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 4 preceding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2020

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

Changes of assumptions - no significant change in assumptions were noted from the prior year.

D.C. EVEREST AREA SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM LOCAL RETIREE LIFE INSURANCE FUND SCHEDULES
YEAR ENDED JUNE 30, 2020

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability (asset)	0.71368800%	0.70300300%	0.67954400%
Proportionate share of the net OPEB liability (asset)	\$ 3,039,023	\$ 1,813,985	\$ 2,044,463
Covered payroll	\$38,076,000	\$ 36,844,000	\$28,576,769
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7.98%	4.92%	7.15%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.58%	48.69%	44.81%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 12,901	\$ 13,544	\$ 12,904
Contributions in relation to the contractually required contribution	<u>(12,901)</u>	<u>(13,544)</u>	<u>(12,904)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$38,076,000	\$ 36,844,000	\$28,576,769
Contributions as a percentage of covered payroll	0.03%	0.04%	0.05%

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

The District implemented the Government Accounting Standards Board Statement No. 75 for the year ended June 30, 2018. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 7 preceding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2020

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

Changes of assumptions - several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation.

D.C. EVEREST AREA SCHOOL DISTRICT
OPEB HEALTHCARE DEFINED BENEFIT PLAN SCHEDULES
YEAR ENDED JUNE 30, 2020

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Healthcare Liability			
Service cost	\$ 600,917	\$ 547,618	\$ 518,700
Interest	235,703	242,459	240,570
Differences between expected and actual experience	(303,085)	310,890	(9,407)
Changes of assumptions or other input	(1,041,225)	-	-
Benefit payments	<u>(972,383)</u>	<u>(964,793)</u>	<u>(752,556)</u>
Net Changes in Total OPEB Healthcare Liability	(1,480,073)	136,174	(2,693)
Total OPEB Healthcare Liability - Beginning	<u>9,613,855</u>	<u>9,477,681</u>	<u>9,480,374</u>
Total OPEB Healthcare Liability - Ending (a)	<u>\$ 8,133,782</u>	<u>\$ 9,613,855</u>	<u>\$ 9,477,681</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 729,900	\$ 850,781	\$ 828,676
Contributions - employee	-	68,658	120,785
Net investment income	96,978	94,243	(44,272)
Benefit payments	<u>(972,383)</u>	<u>(964,793)</u>	<u>(752,556)</u>
Net Changes in Plan Fiduciary Net Position	(145,505)	48,889	152,633
Plan Fiduciary Net Position - Beginning	<u>4,944,064</u>	<u>4,895,175</u>	<u>4,742,542</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,798,559</u>	<u>\$ 4,944,064</u>	<u>\$ 4,895,175</u>
Net OPEB Healthcare Liability - Ending (a) - (b)	<u>\$ 3,335,223</u>	<u>\$ 4,669,791</u>	<u>\$ 4,582,506</u>
Plan fiduciary net position as a percentage of the total OPEB Healthcare Liability	59.00%	51.43%	51.65%
Covered payroll	\$39,061,710	\$27,924,743	\$ 28,347,731
Net OPEB Healthcare Liability as a percentage of covered payroll	8.54%	16.72%	16.17%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 709,992	\$ 709,992	\$ 803,542
Contributions in relation to the actuarially determined contributions	<u>(729,900)</u>	<u>(850,781)</u>	<u>(828,676)</u>
Contribution deficiency (excess)	<u>\$ (19,908)</u>	<u>\$ (140,789)</u>	<u>\$ (25,134)</u>
Covered payroll	\$39,061,710	\$27,924,743	\$ 28,347,731
Contributions as a percentage of covered payroll	1.87%	3.05%	2.92%
Actuarial valuation date	6/30/2019	6/30/2018	6/30/2017
Measurement date	6/30/2019	6/30/2018	6/30/2017

The District implemented the Government Accounting Standards Board Statement No. 75 for the year ended June 30, 2018. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 7 preceding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2020

Methods and assumptions used to determine actuarial calculations - entry age normal cost, 20 year amortization, fair market value asset valuation, 2.5% discount rate, 3% salary increases, Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%).

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

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

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

SUPPLEMENTARY INFORMATION

D.C. EVEREST AREA SCHOOL DISTRICT

COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	21	50	80	38	46	
	SPECIAL REVENUE FUNDS		DEBT SERVICE FUND		LONG-TERM CAPITAL IMPROVEMENT TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	TRUST	FOOD SERVICE	COMMUNITY SERVICE	NON-REFERENDUM		
ASSETS						
Cash and investments	\$ 668,201	\$ 1,308,278	\$ 73,298	\$ 474,927	\$ 3,193,120	\$ 5,717,824
Receivables						
Accounts	-	-	86,497	-	-	86,497
Due from other funds	-	-	-	-	750,000	750,000
Due from other governments	-	75,441	-	-	-	75,441
TOTAL ASSETS	668,201	1,383,719	159,795	474,927	3,943,120	6,629,762
LIABILITIES						
Accounts payable	2,141	94,104	8,841	-	-	105,086
Accrued payroll liabilities	-	29,817	31,365	-	-	61,182
Due to other governments	-	609	-	-	-	609
Deposits payable	-	137,297	-	-	-	137,297
Unearned revenue	-	-	11,667	-	-	11,667
TOTAL LIABILITIES	2,141	261,827	51,873	-	-	315,841
FUND BALANCES						
Restricted	666,060	1,121,892	107,922	474,927	3,943,120	6,313,921
TOTAL FUND BALANCES	666,060	1,121,892	107,922	474,927	3,943,120	6,313,921
TOTAL LIABILITIES AND FUND BALANCES	\$ 668,201	\$ 1,383,719	\$ 159,795	\$ 474,927	\$ 3,943,120	\$ 6,629,762

D.C. EVEREST AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	21	50	80	38	46	TOTAL
	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	LONG-TERM CAPITAL IMPROVEMENT TRUST	NONMAJOR GOVERNMENTAL FUNDS
	TRUST	FOOD SERVICE	COMMUNITY SERVICE	NON-REFERENDUM		
REVENUES						
Property taxes	\$ -	\$ -	\$ 250,000	\$ 1,297,119	\$ -	\$ 1,547,119
Other local sources	1,498,672	933,788	1,097,879	-	63,301	3,593,640
State sources	-	61,194	-	-	-	61,194
Federal sources	-	1,399,954	-	-	-	1,399,954
Other sources	-	54	-	-	-	54
TOTAL REVENUES	1,498,672	2,394,990	1,347,879	1,297,119	63,301	6,601,961
EXPENDITURES						
Current						
Instruction						
Regular instruction	1,292,649	-	-	-	-	1,292,649
Total instruction	1,292,649	-	-	-	-	1,292,649
Support service						
Business services	310,679	2,306,020	244,827	-	268,430	3,129,956
Central services	-	-	482	-	-	482
Community services	-	-	1,003,400	-	-	1,003,400
Total support services	310,679	2,306,020	1,248,709	-	268,430	4,133,838
Debt service						
Principal	-	-	-	1,430,000	-	1,430,000
Interest	-	-	-	962,875	-	962,875
Total debt service	-	-	-	2,392,875	-	2,392,875
Capital outlay	-	105,408	4,586	-	-	109,994
TOTAL EXPENDITURES	1,603,328	2,411,428	1,253,295	2,392,875	268,430	7,929,356
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(104,656)	(16,438)	94,584	(1,095,756)	(205,129)	(1,327,395)
OTHER FINANCING SOURCES						
Transfer from other funds	-	-	-	1,090,000	750,000	1,840,000
TOTAL OTHER FINANCING SOURCES	-	-	-	1,090,000	750,000	1,840,000
NET CHANGE IN FUND BALANCE	(104,656)	(16,438)	94,584	(5,756)	544,871	512,605
FUND BALANCES - BEGINNING OF YEAR	310,680	1,138,330	13,338	480,683	3,398,249	5,341,280
PRIOR PERIOD ADJUSTMENT	460,036	-	-	-	-	460,036
FUND BALANCES - END OF YEAR	\$ 666,060	\$ 1,121,892	\$ 107,922	\$ 474,927	\$ 3,943,120	\$ 6,313,921

D.C. EVEREST AREA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS
YEAR ENDED JUNE 30, 2020

<u>OPERATING ACTIVITY</u>	<u>WUFAR OBJECT CODE</u>	<u>COST</u>
Employee salary	100	\$ -
Employee benefits	200	-
Purchased services	300	-
Non-capital objects	400	-
Capital objects	500	-
Lease payments	600	-
Insurance and judgements	700	-
Special education costs	800	-
Other objects	900	-
Total		<u>\$ -</u>

D.C. EVEREST AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Awarding Agency Pass-Through Agency Award Description	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CATALOG NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED RECEIVABLE (UNEARNED REVENUE) JULY 1, 2019	REVENUES GRANTOR REIMBURSE- MENTS	EXPENDITURES	ACCRUED RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2020	SUBRECIPIENT PASS-THROUGH EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE								
Wisconsin Department of Public Instruction								
<u>Child Nutrition Cluster</u>								
School Breakfast Program		10.553						
July 1, 2018 - June 30, 2019	2019-374970-SB-546		N/A	\$ 3,164	\$ 3,164	\$ -	\$ -	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-SB-546		N/A	-	107,066	107,066	-	-
School Breakfast Program - COVID-19		10.553						
July 1, 2019 - June 30, 2020	2020-374970-DPI-SB-546		N/A	-	10,465	10,465	-	-
Food Distribution		10.555						
July 1, 2019 - June 30, 2020	None		N/A	-	198,002	198,002	-	-
National School Lunch Program		10.555						
July 1, 2018 - June 30, 2019	2019-374970-NSL-547		N/A	17,942	17,942	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-NSL-547		N/A	-	616,165	616,165	-	-
National School Lunch Program - COVID-19		10.555						
July 1, 2019 - June 30, 2020	2020-374970-DPI-NSL-547		N/A	-	53,642	53,642	-	-
Snack Program		10.555						
July 1, 2018 - June 30, 2019	2019-374970-NSLAE-566		N/A	199	199	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-NSLAE-566		N/A	-	7,369	7,369	-	-
Snack Program - COVID-19		10.555						
July 1, 2019 - June 30, 2020	2020-374970-DPI-NSLAE-566		N/A	-	661	661	-	-
Summer Food Service Program for Children		10.559						
July 1, 2018 - June 30, 2019	2019-374970-SFSP-586		N/A	28,506	28,506	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-SFSP-586		N/A	-	56,592	56,592	-	-
Summer Food Service Program for Children - COVID-19		10.559						
July 1, 2019 - June 30, 2020	2020-374970-DPI-SFSP-586		N/A	-	257,310	332,751	75,441	-
Total Child Nutrition Cluster				49,811	1,357,083	1,382,713	75,441	-
Child & Adult Care Food Program		10.558						
July 1, 2019 - June 30, 2020	2020-374970-DPI-AR-551		N/A	-	16,107	16,107	-	-
Child & Adult Care Food Program - COVID-19		10.558						
July 1, 2019 - June 30, 2020	2020-374970-DPI-AR-551		N/A	-	1,138	1,138	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				49,811	1,374,328	1,399,958	75,441	-
U.S. DEPARTMENT OF EDUCATION								
Wisconsin Department of Public Instruction								
<u>Special Education Cluster</u>								
Special Education - Grants to States (IDEA Part B)		84.027						
July 1, 2018 - June 30, 2019	2019-374970-IDEA-FT-341		N/A	264,544	264,544	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-IDEA-F-341		\$ 1,131,550	-	836,188	1,070,587	234,399	-
Special Education - Preschool Grants (IDEA Part B)		84.173						
July 1, 2018 - June 30, 2019	2019-374970-IDEA-PS-347		N/A	11,849	11,849	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-IDEA-P-347		46,052	-	14,715	28,783	14,068	-
Total Special Education Cluster				276,393	1,127,296	1,099,370	248,467	-
Title IA - Grants to Local Educational Agencies		84.010						
July 1, 2018 - June 30, 2019	2019-374970-TIA-141		N/A	95,517	95,517	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-TIA-141		723,435	-	487,146	689,502	202,356	-
Title IV-A Student Support and Academic Enrichment		84.424						
July 1, 2018 - June 30, 2019	2019-374970-TIVA-381		N/A	11,979	11,979	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-TIVA-381		50,804	-	13,074	19,216	6,142	-
Title IV - 21st Century Learners		84.287						
July 1, 2019 - June 30, 2020	2020-374970-CLC DPI-367		100,000	-	49,551	64,687	15,136	-
Title III-A- English Language Acquisition Grants		84.365						
July 1, 2018 - June 30, 2019	2019-374970-TIIIA-391		N/A	19,853	19,853	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-T3-391		76,501	-	19,756	38,633	18,877	-
Carl Perkins Act Formula Allocation Grant		84.048						
July 1, 2018 - June 30, 2019	2019-374970-CTE-400		N/A	20,928	20,928	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-CTE-400		48,446	-	19,906	48,255	28,349	-
Title II-A - Teacher/Principal Training		84.367						
July 1, 2018 - June 30, 2019	2019-374970-TIIA-365		N/A	28,521	28,521	-	-	-
July 1, 2019 - June 30, 2020	2020-374970-DPI-TIIA-365		164,478	-	68,136	130,419	62,283	-
TOTAL U.S. DEPARTMENT OF EDUCATION				453,191	1,961,663	2,090,082	581,610	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Wisconsin Department of Health Services								
<u>Medical Assistance Cluster</u>								
July 1, 2018 - June 30, 2019	None	93.778	N/A	41,101	41,101	-	-	-
July 1, 2019 - June 30, 2020	None		N/A	-	536,126	536,126	-	-
Total Medical Assistance Cluster				41,101	577,227	536,126	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				41,101	577,227	536,126	-	-
TOTAL FEDERAL AWARDS				\$ 544,103	\$ 3,913,218	\$ 4,026,166	\$ 657,051	\$ -

The accompanying notes are an integral part of these statements.

D.C. EVEREST AREA SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2020

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	PASS-THROUGH		RECEIVABLE			RECEIVABLE		SUBRECIPIENT PASS-THROUGH EXPENDITURES
	ENTITY	STATE	(UNEARNED	REVENUE		(UNEARNED	EXPENDITURES	
	IDENTIFYING	I.D.	REVENUE)	GRANTOR	REVENUE)			
	NUMBER	NUMBER	JULY 1, 2019	REIMBURSEMENTS		JUNE 30, 2020		
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Wisconsin Department of Public Instruction								
Special Education and School Age Parents	347970-100	255.101	\$ -	\$ 2,138,684	\$ 2,138,684	\$ -	\$ -	-
State School Lunch Aid	374970-107	255.102	-	27,187	27,187	-	-	-
Common School Fund Library Aid	374970-104	255.103	-	289,446	289,446	-	-	-
Bilingual/Bicultural Aid	374970-111	255.106	-	89,441	89,441	-	-	-
General Transportation Aid	374970-102	255.107	-	256,388	256,388	-	-	-
Wisconsin School Day Milk Program	374970-109	255.115	-	25,491	25,491	-	-	-
Equalization Aid	374970-116	255.201	693,659	41,545,593	41,531,791	679,857	-	-
High Cost Special Education Aid	374970-119	255.210	-	94,390	94,390	-	-	-
Aid for School Mental Health Programs	374970-176	255.227	-	21,769	21,769	-	-	-
Supplemental Per Pupil Aid	374970-181	255.245	-	19,681	19,681	-	-	-
Special Education Transition Readiness Grant	374970-174	255.257	11,864	11,864	-	-	-	-
Trauma Sensitive Schools Grant	374970-177	255.297	6,182	14,122	41,670	33,730	-	-
Alcohol and Drug Abuse	374970-143	255.306	-	10,544	19,320	8,776	-	-
School Breakfast Program	374970-108	255.344	-	8,516	8,516	-	-	-
Early College Credit Program	374970-178	255.445	-	960	960	-	-	-
Educator Effectiveness Evaluation System	374970-154	255.940	-	44,000	44,000	-	-	-
Per Pupil Aid	374970-113	255.945	-	4,350,346	4,350,346	-	-	-
Career and Technical Education Incentive	374970-152	255.950	-	33,479	33,479	-	-	-
Assessments of Reading Readiness	374970-166	255.956	-	10,140	10,140	-	-	-
Aid for Special Education Transition	374970-168	255.960	-	33,000	33,000	-	-	-
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			711,705	49,025,041	49,035,699	722,363		-
WISCONSIN DEPARTMENT OF NATURAL RESOURCES								
Payment in Lieu of Taxes	None	None	-	25,761	25,761	-	-	-
WISCONSIN DEPARTMENT OF REVENUE								
Exempt Computer Aid	None	None	128,616	128,616	128,616	128,616	-	-
Exempt Personal Property Aid	None	255.301	-	177,014	177,014	-	-	-
TOTAL WISCONSIN DEPARTMENT OF REVENUE			128,616	305,630	305,630	128,616		-
WISCONSIN DEPARTMENT OF JUSTICE								
School Safety Initiative	None	455.206	67,729	103,979	36,250	-	-	-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Wisconsin Fast Forward Teacher Training and Development Grant	None	445.109	-	141,391	140,966	(425)	-	-
TOTAL STATE FINANCIAL ASSISTANCE			\$ 908,050	\$ 49,601,802	\$ 49,544,306	\$ 850,554	\$ -	-

The accompanying notes are an integral part of these statements.

D.C. EVEREST AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2020

NOTE 1 - Basis of Presentation

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

NOTE 2 - Summary of Significant Accounting Policies

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

NOTE 3 - Special Education and School Age Parents Program

2019-2020 eligible costs under the State Special Education Program are \$9,417,728.

NOTE 4 - Food Distribution Program

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

NOTE 5 - 10% De Minimis Cost Rate

Elected not to use.

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

OTHER REPORTS



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

To the Board of Education
D.C. Everest Area School District
Weston, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the D.C. Everest Area School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the D.C. Everest Area School District's basic financial statements and have issued our report thereon dated October 28, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. We consider the 2020-001 deficiency described in the accompanying summary of auditors' results to be a significant deficiency.

Compliance and Other Matters

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

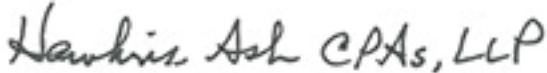
D.C. Everest Area School District's Response to Finding

D.C. Everest Area School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. D.C. Everest Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HAWKINS ASH CPAS, LLP

A handwritten signature in dark ink that reads "Hawkins Ash CPAs, LLP". The signature is written in a cursive, flowing style.

Manitowoc, Wisconsin
October 28, 2020



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

To the Board of Education
D.C. Everest Area School District
Weston, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited the D.C. Everest Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *State Single Audit Guidelines* that could have a direct and material effect on each of the D.C. Everest Area School District's major federal and state programs for the year ended June 30, 2020. The D.C. Everest Area School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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, 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* issued by the Wisconsin Department of Administration. Those standards, the Uniform Guidance and state 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 major federal and state program. However, our audit does not provide a legal determination of the D.C. Everest Area School District's compliance.

Opinion on Each Major Federal and State Program

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

Report on Internal Control over Compliance

Management of the D.C. Everest Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the D.C. Everest Area School 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 federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the D.C. Everest Area School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 Uniform Guidance and *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
October 28, 2020

D.C. EVEREST AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported	
Noncompliance material to the financial statements?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over financial reporting:			
Material weakness identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	<u> </u> Yes	<u> X </u> No
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Identification of major federal programs:

CFDA Number
84.027/84.173

Name of Federal Program or Cluster
IDEA Cluster

State Assistance

Internal control over financial reporting:			
Material weakness identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None reported	

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

Any audit findings disclosed that are required to be reported in accordance with <i>State Single Audit Guidelines</i> ?	<u> </u> Yes	<u> X </u> No
---	-------------------	-----------------

D.C. EVEREST AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
JUNE 30, 2020

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.103	Common School Library
255.201	Equalization Aid

Dollar threshold used to distinguish between:

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

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings and Questioned Costs

2020-001 - Preparation of Financial Statements

Program: District-Wide

Criteria: Adequate internal controls necessitate personnel to have knowledge and training which would enable them to prepare financial statements (and footnotes) in accordance with generally accepted accounting principles (GAAP).

Condition: Personnel cannot prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

Context: Personnel have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and lack of training limits their ability to prepare GAAP basis financial statements.

Effect: This weakness could result in the possibility of undetected errors and irregularities.

Information: Isolated instance.

Prior Year Finding: This was a prior year audit finding numbered 2019-001.

Recommendation: Obtain adequate training or continue to hire a certified public accounting (CPA) firm to prepare GAAP basis financial statements.

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

Section III - Federal and State Award Findings and Questioned Costs

None



D.C. Everest Area School District

6300 Alderson Street
Weston, WI 54476
Phone 715-359-4221

Kristine A. Gilmore, Ed.D.
Superintendent

MISSION STATEMENT

D.C. Everest Area School District, in partnership with the community, is committed to being an innovative educational leader in developing knowledgeable, productive, caring, creative, responsible individuals prepared to meet the challenges of an ever-changing global society.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
JUNE 30, 2020

Summary Schedule of Prior Audit Findings

2019-001 - Preparation of Financial Statements - Repeat. Initially occurred 6/30/13.

Corrective Action Plan

2020-001 - Preparation of Financial Statements - Contact: Aaron Nelson, Finance Manager. Completion date: N/A. Due to the complexities of governmental reporting in accordance with GAAP, i.e. financial statements and related disclosure reporting, District management has weighed the cost benefit of training current staff or hiring a Certified Public Accountant on staff for the purposes of preparing the external financial statements in accordance with GAAP. District management has concluded to outsource the preparation of the external financial statements and related disclosures to their certified public accounting firm, which is an acceptable practice according to *Government Auditing Standards*. District management will review and approve the externally prepared financial statements.

**D.C. EVEREST AREA SCHOOL DISTRICT
WESTON, WISCONSIN**

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATION
WITH THOSE CHARGED WITH GOVERNANCE
AND MANAGEMENT ADVISORY COMMENTS**

JUNE 30, 2020

D.C. EVEREST AREA SCHOOL DISTRICT
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Appendix B	Management Representation Letter



INDEPENDENT AUDITORS' REPORT ON COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Education
D.C. Everest Area School District
Weston, Wisconsin

We have audited the financial statements of the D.C. Everest Area School District as of and for the year ended June 30, 2020, and have issued our report thereon dated October 28, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 9, 2020, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the D.C. Everest Area School District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated October 28, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the D.C. Everest Area School District is included in Note 1 to the financial statements. The District changed accounting policies by adopting Governmental Accounting Standards Board Statement No. 84 Fiduciary Activities and Governmental Accounting Standards Board Statement No. 88 Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements in 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

Management's estimate of the useful lives of fixed assets is based on prior assets and estimated economic life determined by the asset's manufacturer or vendor.

Management's estimate of the other post-employment benefit liability is calculated by Key Benefits, the District's third-party actuary.

Management's estimated liability for dental care claims is based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience.

Management's estimate of the Wisconsin Retirement System pension was calculated by the State of Wisconsin Department of Employee Trust Funds' third-party actuary.

Management's estimate of the Wisconsin Retirement System local retiree life insurance fund was calculated by the State of Wisconsin Department of Employee Trust Funds' third-party actuary.

We evaluated the key factors and assumptions used to develop the estimates listed above in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such attached misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the D.C. Everest Area School District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 28, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the D.C. Everest Area School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the D.C. Everest Area School District's auditors.

This report is intended solely for the information and use of the School Board and management of the D.C. Everest Area School District and is not intended to be and should not be used by anyone other than these specified parties.

HAWKINS ASH CPAS, LLP

A handwritten signature in dark ink that reads "Hawkins Ash CPAs, LLP". The script is cursive and fluid, with the letters "H", "A", and "C" being particularly prominent.

Manitowoc, Wisconsin
October 28, 2020



INDEPENDENT AUDITORS' REPORT ON MANAGEMENT ADVISORY COMMENTS

To the Board of Education
D.C. Everest Area School District
Weston, Wisconsin

We have audited the general purpose financial statements of the D.C. Everest Area School District as of and for the year ended June 30, 2020 and have issued our report thereon dated October 28, 2020. We have also issued compliance reports and reports on the internal control structure in accordance with *Government Auditing Standards*. These reports disclosed any material instances of noncompliance, federal and state program findings and questioned cost, material weaknesses and significant deficiencies that were identified during the audit.

Other matters involving the internal control structure and the District's operations which came to our attention during the audit are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the District's personnel during the course of our work. In particular, we would like to note the considerable assistance and cooperation provided to us by Aaron Nelson and his staff.

We shall be pleased to discuss any of the matters referred to in this letter.

HAWKINS ASH CPAS, LLP

A handwritten signature in dark ink that reads 'Hawkins Ash CPAs, LLP'.

Manitowoc, Wisconsin
October 28, 2020

MANAGEMENT ADVISORY COMMENTS

Current Year Comments

None.

Status of Prior Year Findings

New Standard - GASB Statement No. 84 - *Fiduciary Activities* (6/30/19)

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

Starting July 1, 2020, the District will be required to keep track of revenue and expenditures for fund 60 student activity.

The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Your June 30, 2021 financial statements will be updated for these new reporting requirements.

Status: Resolved.

New Standard - GASB Statement No. 87 - *Leases* (6/30/19)

This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

This statement excludes the following:

- intangible assets (mineral rights, patents, copyrights, licensing contracts for software)
- biological assets (timber, living plants, living animals)
- inventory
- service concession arrangement (GASB Statement No. 60)
- assets financed with conduit debt unless both asset and debt are reported by lessor
- supply contracts (power purchase agreements)
- short-term leases (12 months or less including options to extend)
- contracts that transfer ownership and does not contain termination options
- certain regulated leases (aviation leases)

We recommend all lease contracts that might meet the definition of a lease should be accumulated, identify any contracts that may be excluded based on an exception or materiality, and complete a listing of all the contracts. The listing should include contract description, asset description, term of contract, term extensions, termination clause, payments, and exclusion exception. Please upload the contracts and listing to your portal.

The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Your June 30, 2022 financial statements will be updated for these new reporting requirements.

Status: Unresolved.

APPENDIX A

Client: 0201873 - D.C. Everest Area School District
Engagement: 20 audit - D.C. Everest Area School District
Period Ending: 6/30/2020
Trial Balance: Database
Workpaper: 1501 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 36				
		7722		
2020 - To reclassify transit of aid from CESA #9 to proper account.				
		PBC		
27 R 809 316 500000 000 --- ---	DISTRICT WIDE		6,827.00	
27 R 809 516 500000 000 --- ---	DISTRICT WIDE			6,827.00
Total			6,827.00	6,827.00
Adjusting Journal Entries JE # 37				
		1501.01		
2020 - Adjustment made per client subsequent to importing the trial balance.				
10 Q 000 000 931000 000 000 000	FUND BALANCE-RESERVED		12,791.00	
10 Q 000 000 939200 000 000 000	WORKING CAPITAL (CASH FLOW)		12,791.00	
10 Q 000 000 931000 000 000 000	FUND BALANCE-RESERVED			12,791.00
10 Q 000 000 939900 000 000 000	Unassigned Fund Balance			12,791.00
Total			25,582.00	25,582.00
Adjusting Journal Entries JE # 38				
		5001		
2020 - To record adjustment to capital lease principal.				
10 E --- 354 11---- --- ---	UNDIFFERENTIATED CURRICU		6,669.00	
10 E --- 354 11---- --- ---	UNDIFFERENTIATED CURRICU		13,338.00	
10 E --- 678 28---- --- ---	DEBT SERVICES			20,007.00
Total			20,007.00	20,007.00
Adjusting Journal Entries JE # 39				
		1501.02		
2020 - Adjustment made per client subsequent to importing the trial balance.				
21 Q 101 000 000000 000 904 000	N/A		17.00	
21 Q 102 000 000000 000 902 000	N/A		20.00	
21 Q 103 000 000000 000 908 000	N/A		56.00	
21 Q 104 000 938900 000 908 000	Assigned Fund Balance		4.00	
21 Q 106 000 000000 000 904 000	N/A		36.00	
21 Q 108 000 000000 000 909 000	N/A		33.00	
21 Q 200 000 000000 000 917 000	N/A		411.00	
21 Q 300 000 000000 000 931 000	N/A		85.00	
21 Q 301 000 000000 000 902 000	N/A		2.00	
21 Q 101 000 938900 000 902 000	Assigned Fund Balance			17.00
21 Q 102 000 938900 000 902 000	Assigned Fund Balance			20.00
21 Q 103 000 938900 000 908 000	Assigned Fund Balance			56.00
21 Q 104 000 000000 000 908 000	N/A			4.00
21 Q 106 000 938900 000 904 000	Assigned Fund Balance			36.00
21 Q 108 000 938900 000 909 000	Assigned Fund Balance			33.00
21 Q 200 000 938900 000 917 000	Assigned Fund Balance			411.00
21 Q 300 000 938900 000 931 000	Assigned Fund Balance			85.00
21 Q 301 000 938900 000 902 000	Assigned Fund Balance			2.00
Total			664.00	664.00

APPENDIX B



D.C. Everest Area School District

6300 Alderson Street
Weston, WI 54476
Phone 715-359-4221

Kristine A. Gilmore, Ed.D.
Superintendent

MISSION STATEMENT

D.C. Everest Area School District, in partnership with the community, is committed to being an innovative educational leader in developing knowledgeable, productive, caring, creative, responsible individuals prepared to meet the challenges of an ever-changing global society.

October 28, 2020

Hawkins Ash CPAs, LLP
One East Waldo Blvd., Suite 5
Manitowoc, WI 54220-2912

Dear Hawkins Ash CPAs, LLP,

This representation letter is provided in connection with your audit of the D.C. Everest Area School District as of June 30, 2020, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, and results of operations, of the various opinion units of D.C. Everest Area School District in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 28, 2020.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 9, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- 2) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 4) We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- 5) We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- 6) We have a process to track the status of audit findings and recommendations.
- 7) We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 8) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 9) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 10) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 11) We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.

- 12) The effects of the attached uncorrected misstatements and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and the financial statements as a whole.
- 13) We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (FASB Accounting Standards Codification 450, *Contingencies*), and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 14) All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- 15) All funds and activities are properly classified.
- 16) All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- 17) All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- 18) Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- 19) All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 20) All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- 21) All interfund and intra-entity transactions and balances have been properly classified and reported.
- 22) Special items and extraordinary items have been properly classified and reported.
- 23) Deposit and investment risks have been properly and fully disclosed.
- 24) Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- 25) All required supplementary information is measured and presented within the prescribed guidelines.
- 26) With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- 27) With respect to the nonattest services provided, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.
- 28) With respect to the supplementary information accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the supplementary information with U.S. GAAP.
 - We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - The methods of measurement or presentation have not changed from those used in the prior period.

- We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - We acknowledge our responsibility to include the auditors' report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
 - We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditors' report thereon.
- 29) With respect to the required supplementary information accompanying the financial statements:
- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
 - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- 30) With respect to the summary financial report:
- We acknowledge our responsibility for the preparation of the summary financial statements in accordance with the applied criteria and believe the applied criteria are acceptable.
 - We have made the audited financial statements readily available to the intended users of the summary financial statements, when the summary financial statements will not be accompanied by the audited financial statements.

Information Provided

- 31) We have provided you with:
- Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 32) All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 33) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 34) We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- 35) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
- Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- 36) We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- 37) We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- 38) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

- 39) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- 40) The entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 41) We have disclosed to you all guarantees, whether written or oral, under which the entity is contingently liable.
- 42) We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- 43) For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- 44) We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- 45) We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- 46) There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
 - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- 47) The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- 48) We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 49) We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 50) We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.

Federal and State Award Programs

- 51) We are responsible for understanding and complying with and have complied with the requirements of Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (the Uniform Guidance) and state regulatory audit requirements, including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA) and schedule of state financial assistance (SSFA), or we acknowledge our responsibility for presenting the SEFA and SSFA in accordance with the requirements and we believe the SEFA and SSFA, including its form and content, is fairly presented in accordance with the Uniform Guidance and state regulatory requirements. The methods of measurement or presentation of the SEFA and SSFA have not changed from those used in

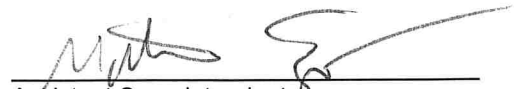
the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA and SSFA.

- 52) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and state regulatory requirements and included in the SEFA and SSFA made during the audit period for all awards provided by federal and state agencies in the form of grants, cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- 53) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- 54) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
- 55) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal or state agencies or pass-through entities relevant to federal and state programs and related activities.
- 56) We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- 57) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement* and state regulatory audit requirements relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal and state awards.
- 58) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- 59) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- 60) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance and state regulatory audit requirements.
- 61) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- 62) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- 63) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- 64) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- 65) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), subsequent to the date as of which compliance was audited.
- 66) Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

- 67) The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
- 68) We have charged costs to federal and state awards in accordance with applicable cost principles.
- 69) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and state regulatory audit requirements and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
- 70) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- 71) We are responsible for preparing and implementing a corrective action plan for each audit finding.

Aaron Nelson

Finance Director



Assistant Superintendent