# VERONA AREA SCHOOL DISTRICT
Verona, Wisconsin

## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

## YEAR ENDED JUNE 30, 2020



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**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
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**YEAR ENDED JUNE 30, 2020**


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VERONA, WISCONSIN
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# INDEPENDENT AUDITORS' REPORT

Board of Education
Verona Area School District
Verona, Wisconsin

## Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

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

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, as presented 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this information.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary financial information, as presented in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial 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 November 23, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Middleton, Wisconsin
November 23, 2020

# BASIC FINANCIAL STATEMENTS

**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
**STATEMENT OF NET POSITION**
**JUNE 30, 2020**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash and Investments | $ 28,423,373 | $ 1,000 | $ 28,424,373 |
| Accounts Receivable | 19,640 | 12,474 | 32,114 |
| Taxes Receivable | 21,062,591 | - | 21,062,591 |
| Internal Balances | (238,691) | 238,691 | - |
| Due from Employee Benefit Trust Fund | 358,412 | 5,574 | 363,986 |
| Due from Other Governments | 1,644,213 | 44,085 | 1,688,298 |
| Prepaids, Inventories and Other Current Assets | 215,445 | 15,394 | 230,839 |
| Total Current Assets | 51,484,983 | 317,218 | 51,802,201 |
| Noncurrent Assets: | | | |
| Restricted - Net Other Postemployment Benefits (OPEB) Asset | 6,417,970 | 104,672 | 6,522,642 |
| Restricted - Net Pension Asset - WRS | 7,918,671 | 129,147 | 8,047,818 |
| Capital Assets: | | | |
| Land | 13,941,655 | - | 13,941,655 |
| Construction in Progress | 8,128,042 | - | 8,128,042 |
| Land Improvements | 6,884,058 | - | 6,884,058 |
| Buildings and Building Improvements | 232,785,169 | - | 232,785,169 |
| Furniture and Equipment | 14,199,765 | 453,710 | 14,653,475 |
| | 275,938,689 | 453,710 | 276,392,399 |
| Less: Accumulated Depreciation | (49,157,112) | (372,792) | (49,529,904) |
| Total Capital Assets | 226,781,577 | 80,918 | 226,862,495 |
| Total Noncurrent Assets | 241,118,218 | 314,737 | 241,432,955 |
| Total Assets | 292,603,201 | 631,955 | 293,235,156 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred Pension Charges - WRS | 17,313,352 | 282,317 | 17,595,669 |
| Deferred Pension Charges - Supplemental Pension | 153,062 | - | 153,062 |
| Deferred OPEB Charges - LRLIF | 794,104 | 12,951 | 807,055 |
| Deferred OPEB Charges - Retiree Health | 292,326 | 4,768 | 297,094 |
| Total Deferred Outflows of Resources | 18,552,844 | 300,036 | 18,852,880 |
| Total Assets and Deferred Outflows of Resources | 311,156,045 | 931,991 | 312,088,036 |

*See accompanying Notes to Financial Statements.*

**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
**STATEMENT OF NET POSITION (CONTINUED)**
**JUNE 30, 2020**

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **LIABILITIES** | | | |
| Current Liabilities: | | | |
| Short-Term Note Payable | $ 10,945,000 | $ - | $ 10,945,000 |
| Accounts Payable | 1,307,654 | - | 1,307,654 |
| Accrued Liabilities | 6,593,554 | - | 6,593,554 |
| Accrued Interest | 1,892,860 | - | 1,892,860 |
| Unearned Revenues | - | 153,929 | 153,929 |
| Current Portion of Long-Term Liabilities | 11,782,461 | - | 11,782,461 |
| Total Current Liabilities | 32,521,529 | 153,929 | 32,675,458 |
| Noncurrent Liabilities: | | | |
| Net LRLIF Liability | 1,916,221 | 31,252 | 1,947,473 |
| Net Supplemental Pension Liability | 1,170,110 | - | 1,170,110 |
| Long-Term Liabilities, Less Current Portion | 168,244,691 | - | 168,244,691 |
| Total Noncurrent Liabilities | 171,331,022 | 31,252 | 171,362,274 |
| Total Liabilities | 203,852,551 | 185,181 | 204,037,732 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred Pension Credits - Supplemental Pension | 1,122,614 | - | 1,122,614 |
| Deferred Pension Credits - WRS | 23,721,121 | 386,872 | 24,107,993 |
| Deferred OPEB Credits - LRLIF | 351,402 | 5,731 | 357,133 |
| Deferred OPEB Credits - Retiree Health | 5,275,409 | 86,038 | 5,361,447 |
| Total Deferred Inflows of Resources | 30,470,546 | 478,641 | 30,949,187 |
| Total Liabilities and Deferred Inflows of Resources | 234,323,097 | 663,822 | 234,986,919 |
| **NET POSITION** | | | |
| Net Investment in Capital Assets | 85,479,045 | 80,918 | 85,559,963 |
| Restricted for: | | | |
| Net Pension Asset | 7,918,671 | 129,147 | 8,047,818 |
| Debt Service | 3,553,266 | - | 3,553,266 |
| Special Projects | 636,616 | - | 636,616 |
| Capital Expansion | 683,108 | - | 683,108 |
| Net OPEB Asset | 6,417,970 | 104,672 | 6,522,642 |
| Unrestricted Deficit | (27,855,728) | (46,568) | (27,902,296) |
| Total Net Position | $ 76,832,948 | $ 268,169 | $ 77,101,117 |

*See accompanying Notes to Financial Statements.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2020

| Functions/Programs | Expenses | Program Revenues: Charges For Services | Program Revenues: Operating Grants and Contributions | Net Revenue (Expense) and Changes in Net Position: Governmental Activities | Net Revenue (Expense) and Changes in Net Position: Business-Type Activities | Net Revenue (Expense) and Changes in Net Position: Total |
|---|---|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | | | |
| Instruction: | | | | | | |
| Regular Instruction | $ 30,171,221 | $ 1,525,424 | $ 3,395,864 | $ (25,249,933) | $ - | $ (25,249,933) |
| Vocational Instruction | 1,644,219 | 14,368 | - | (1,629,851) | - | (1,629,851) |
| Co-Curricular Activities | 853,621 | 67,510 | - | (786,111) | - | (786,111) |
| Special Instruction | 10,711,205 | - | 3,529,377 | (7,181,828) | - | (7,181,828) |
| Physical Curriculum | 1,572,465 | 14,675 | - | (1,557,790) | - | (1,557,790) |
| Total Instruction | 44,952,731 | 1,621,977 | 6,925,241 | (36,405,513) | - | (36,405,513) |
| Support Services: | | | | | | |
| Pupil Services | 3,702,546 | - | - | (3,702,546) | - | (3,702,546) |
| Instructional Staff Services | 4,250,895 | - | - | (4,250,895) | - | (4,250,895) |
| General Administration | 2,516,446 | - | 3,350,000 | 833,554 | - | 833,554 |
| School Administration | 4,073,290 | - | - | (4,073,290) | - | (4,073,290) |
| Business Services | 1,761,264 | - | - | (1,761,264) | - | (1,761,264) |
| Operation and Maintenance of Plant | 18,944,560 | - | - | (18,944,560) | - | (18,944,560) |
| Pupil Transportation Services | 2,789,057 | - | 129,706 | (2,659,351) | - | (2,659,351) |
| Central Services | 460,128 | - | - | (460,128) | - | (460,128) |
| Insurance | 558,000 | - | - | (558,000) | - | (558,000) |
| Community Services | 318,985 | 75,776 | - | (243,209) | - | (243,209) |
| Other Support Services | 113,534 | - | - | (113,534) | - | (113,534) |
| Interest and Other Debt Service Costs | 6,812,506 | - | - | (6,812,506) | - | (6,812,506) |
| Depreciation and Amortization - Unallocated | 14,674 | - | - | (14,674) | - | (14,674) |
| Total Support Services | 46,315,885 | 75,776 | 3,479,706 | (42,760,403) | - | (42,760,403) |
| Nonprogram | 2,081,471 | - | - | (2,081,471) | - | (2,081,471) |
| Total Governmental Activities | 93,350,087 | 1,697,753 | 10,404,947 | (81,247,387) | - | (81,247,387) |
| **BUSINESS-TYPE ACTIVITIES** | | | | | | |
| School Food Service Program | 2,089,416 | 752,133 | 1,178,218 | - | (159,065) | (159,065) |
| Total School District | $ 95,439,503 | $ 2,449,886 | $ 11,583,165 | (81,247,387) | (159,065) | (81,406,452) |
| | **GENERAL REVENUES** | | | | | |
| | Property Taxes: | | | | | |
| | General Purposes | | | 42,349,213 | - | 42,349,213 |
| | Debt Services | | | 18,646,150 | - | 18,646,150 |
| | Community Services | | | 612,301 | - | 612,301 |
| | Capital Projects | | | 1,000 | - | 1,000 |
| | State and Federal Aid Not Restricted to Specific Purposes: | | | | | |
| | General | | | 23,403,923 | - | 23,403,923 |
| | Interest and Investment Earnings | | | 1,699,975 | - | 1,699,975 |
| | Miscellaneous | | | 343,316 | 7,873 | 351,189 |
| | Transfers | | | (152,801) | 152,801 | - |
| | Total General Revenues | | | 86,903,077 | 160,674 | 87,063,751 |
| | **CHANGE IN NET POSITION** | | | 5,655,690 | 1,609 | 5,657,299 |
| | Net Position - Beginning of Year | | | 71,177,258 | 266,560 | 71,443,818 |
| | **NET POSITION - END OF YEAR** | | | $ 76,832,948 | $ 268,169 | $ 77,101,117 |

*See accompanying Notes to Financial Statements.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# BALANCE SHEET – GOVERNMENTAL FUNDS
# JUNE 30, 2020

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Investments | $ 14,136,097 | $ 962,032 | $ 11,973,489 | $ 1,351,755 | $ 28,423,373 |
| Accounts Receivable | 19,640 | - | - | - | 19,640 |
| Taxes Receivable | 16,798,309 | 4,264,282 | - | - | 21,062,591 |
| Due from Other Funds | 1,620,435 | - | - | 555,640 | 2,176,075 |
| Due from Employee Benefit Trust Fund | 356,553 | - | - | 1,859 | 358,412 |
| Due from Other Governments | 1,644,213 | - | - | - | 1,644,213 |
| Prepaids, Inventories and Other Current Assets | 215,445 | - | - | - | 215,445 |
| Total Assets | $ 34,790,692 | $ 5,226,314 | $ 11,973,489 | $ 1,909,254 | $ 53,899,749 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| **LIABILITIES** | | | | | |
| Short-Term Notes Payable | $ 10,945,000 | $ - | $ - | $ - | $ 10,945,000 |
| Accounts Payable | 79,149 | - | 1,228,255 | 250 | 1,307,654 |
| Accrued Salaries and Related Items | 5,447,672 | - | - | 878 | 5,448,550 |
| Due to Other Funds | 769,572 | - | 1,358,907 | 286,287 | 2,414,766 |
| Accrued Interest | 219,812 | - | - | - | 219,812 |
| Other Current Liabilities | 1,145,004 | - | - | - | 1,145,004 |
| Total Liabilities | 18,606,209 | - | 2,587,162 | 287,415 | 21,480,786 |
| **FUND BALANCES** | | | | | |
| Nonspendable | 215,445 | - | - | - | 215,445 |
| Restricted for: | | | | | |
| Debt Service Retirement | - | 5,226,314 | - | - | 5,226,314 |
| Capital Projects | - | - | 9,386,327 | - | 9,386,327 |
| Capital Expansion | - | - | - | 683,108 | 683,108 |
| Special Projects | - | - | - | 636,616 | 636,616 |
| Committed for: | | | | | |
| Self Insurance | 58,830 | - | - | - | 58,830 |
| Assigned | 15,910,208 | - | - | 302,115 | 16,212,323 |
| Total Fund Balances | 16,184,483 | 5,226,314 | 9,386,327 | 1,621,839 | 32,418,963 |
| Total Liabilities and Fund Balances | $ 34,790,692 | $ 5,226,314 | $ 11,973,489 | $ 1,909,254 | $ 53,899,749 |

*See accompanying Notes to Financial Statements.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL FUNDS
# JUNE 30, 2020

| | | |
|---|---|---|
| **Total Fund Balances - Governmental Funds** | | $ 32,418,963 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of: | | |
| Governmental Capital Assets | $ 275,938,689 | |
| Governmental Accumulated Depreciation | (49,157,112) | 226,781,577 |
| The District's net other postemployment benefits (OPEB) asset and deferred outflows and inflows of resources are not reported in the governmental funds but are in the statement of net position. | | 1,434,887 |
| The District's net local retiree life insurance fund (LRLIF) liability and deferred outflows and inflows of resources are not reported in the governmental funds but are in the statement of net position. | | (1,473,519) |
| The District's net supplemental pension liability and related deferred inflows and outflows of resources are recorded only on the statement of net position. | | (2,139,662) |
| The District's proportionate share of the net pension liability and deferred outflows and inflows of resources related to their participation in WRS are not recorded in the governmental funds but are recorded in the statement of net position. | | 1,510,902 |
| Some liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of the following: | | |
| Bonds Payable | (161,505,000) | |
| State Trust Fund Loans | (6,586,998) | |
| Notes Payable | (3,130,000) | |
| Premium on Refunded Bonds and Notes Payable | (6,032,993) | |
| Accrued Interest on Bonds and Notes Payable | (1,673,048) | |
| Compensated Absences | (2,772,161) | (181,700,200) |
| **Net Position of Governmental Activities** | | $ 76,832,948 |

*See accompanying Notes to Financial Statements.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS
# YEAR ENDED JUNE 30, 2020

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Local Sources: | | | | | |
| Property Taxes | $ 42,349,213 | $ 18,646,150 | $ - | $ 613,301 | $ 61,608,664 |
| Other Local Sources | 589,141 | - | 3,350,000 | 736,124 | 4,675,265 |
| Interdistrict Sources | 1,084,163 | - | - | - | 1,084,163 |
| State Sources | 27,902,471 | - | - | - | 27,902,471 |
| Federal Sources | 1,848,923 | - | - | - | 1,848,923 |
| Other Sources | 570,462 | 19,349 | 1,439,521 | 9,760 | 2,039,092 |
| Total Revenues | 74,344,373 | 18,665,499 | 4,789,521 | 1,359,185 | 99,158,578 |
| **EXPENDITURES** | | | | | |
| Instruction: | | | | | |
| Regular Instruction | 27,737,449 | - | - | 309,048 | 28,046,497 |
| Vocational Instruction | 1,641,297 | - | - | 3,558 | 1,644,855 |
| Co-Curricular Activities | 651,252 | - | - | 202,549 | 853,801 |
| Special Instruction | 10,715,274 | - | - | - | 10,715,274 |
| Physical Curriculum | 1,572,497 | - | - | 600 | 1,573,097 |
| Support Services: | | | | | |
| Pupil Services | 3,704,027 | - | - | - | 3,704,027 |
| Instructional Staff Services | 4,252,398 | - | - | - | 4,252,398 |
| General Administration | 2,424,145 | - | - | 7,495 | 2,431,640 |
| School Administration | 3,910,371 | - | - | 164,477 | 4,074,848 |
| Business Services | 1,720,077 | - | - | 41,292 | 1,761,369 |
| Operation and Maintenance of Plant | 4,383,087 | - | 80,591,830 | 37,388 | 85,012,305 |
| Pupil Transportation Services | 2,709,013 | - | - | 11,718 | 2,720,731 |
| Central Services | 426,502 | - | - | 33,674 | 460,176 |
| Insurance | 554,200 | - | 3,800 | - | 558,000 |
| Community Services | - | - | - | 319,146 | 319,146 |
| Other Support Services | 62,799 | - | 48,780 | 2,113 | 113,692 |
| Nonprogram | 1,753,030 | - | 328,441 | - | 2,081,471 |
| Debt Service: | | | | | |
| Principal | - | 14,393,810 | - | - | 14,393,810 |
| Interest | 366,632 | 6,992,370 | - | - | 7,359,002 |
| Total Expenditures | 68,584,050 | 21,386,180 | 80,972,851 | 1,133,058 | 172,076,139 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES** | 5,760,323 | (2,720,681) | (76,183,330) | 226,127 | (72,917,561) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Proceeds from Issuance of Debt | - | - | 6,280,000 | - | 6,280,000 |
| Transfers In | - | 2,775,305 | - | - | 2,775,305 |
| Transfers Out | (2,928,106) | - | - | - | (2,928,106) |
| Net Other Financing Sources (Uses) | (2,928,106) | 2,775,305 | 6,280,000 | - | 6,127,199 |
| **NET CHANGE IN FUND BALANCES** | 2,832,217 | 54,624 | (69,903,330) | 226,127 | (66,790,362) |
| Fund Balances - Beginning of Year | 13,352,266 | 5,171,690 | 79,289,657 | 1,395,712 | 99,209,325 |
| **FUND BALANCES - END OF YEAR** | $ 16,184,483 | $ 5,226,314 | $ 9,386,327 | $ 1,621,839 | $ 32,418,963 |

*See accompanying Notes to Financial Statements.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2020

| | | |
|---|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | | $ (66,790,362) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are: | | |
| Capital Outlays Reported in Governmental Fund Statements | $ 66,237,214 | |
| Depreciation Expense Reported in the Statement of Activities | (2,292,819) | |
| Amount by which Capital Outlays are Greater than Depreciation in the Current Year | | 63,944,395 |
| Fixed Asset Disposals in Current Year | (153,646) | |
| Accumulated Depreciation on Fixed Asset Disposals | 44,028 | |
| Loss on Disposal of Fixed Assets | | (109,618) |
| Premiums received on bond refunding and promissory note issuance is reported as revenue in the governmental funds, but is capitalized and amortized over the life of the bonds/notes in the statement of net position and the statement of activities. | | |
| Amount Amortized in the Current Year | | 655,420 |
| Compensated absences are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. | | |
| Compensated Absences Paid in Current Year | 286,803 | |
| Compensated Absences Earned in Current Year | (357,966) | |
| Amounts Paid are Less than Amounts Earned by: | | (71,163) |
| Changes in the District's proportionate share of the net pension liability and deferred outflows and inflows of resources related to WRS for the current year are not reported in the governmental funds but are reported in the statement of activities. | | (310,281) |
| Changes in the District's net pension liability and deferred outflows and inflows of resources related to supplemental pension benefits for the current year are not reported in the governmental funds but are reported in the statement of activities. | | (132,156) |
| Changes in the District's net other postemployment benefit asset and deferred outflows and inflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities. | | 601,216 |
| Changes in the District's net local retiree life insurance fund liability and deferred outflows and inflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities. | | (136,647) |
| 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 | | 14,393,810 |

*See accompanying Notes to Financial Statements.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONTINUED)
# YEAR ENDED JUNE 30, 2020

| | | |
|---|---|---|
| Principal proceeds from long-term debt issuance is reported in the governmental funds as revenue, but is reported as an increase in long-term debt in the statement of net position and does not affect the statement of activities. | | |
| Amount of Proceeds from Long-Term Debt in the Current Year | | $ (6,280,000) |
| In governmental funds, interest payments on outstanding long-term debt are reported as an expenditure when paid. In the statement of activities, interest is reported as incurred. | | |
| Amount of Interest Paid during the Current Year | $ 7,359,002 | |
| Amount of Interest Accrued during the Current Year | (7,467,926) | |
| Interest Paid is Less than Interest Accrued by: | | (108,924) |
| **Change in Net Position of Governmental Activities** | | $ 5,655,690 |

*See accompanying Notes to Financial Statements.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# STATEMENT OF NET POSITION – PROPRIETARY FUNDS
# JUNE 30, 2020

| | Food Service Fund |
|---|---|
| **ASSETS** | |
| Current Assets: | |
| Cash | $ 1,000 |
| Accounts Receivable | 12,474 |
| Prepaid Expenses | 15,394 |
| Due from Other Funds | 238,691 |
| Due from Employee Benefit Trust Fund | 5,574 |
| Due from Other Governments | 44,085 |
| Total Current Assets | 317,218 |
| Noncurrent Assets: | |
| Restricted - Net Other Postemployment Benefits (OPEB) Asset | 104,672 |
| Restricted - Net WRS Pension Asset | 129,147 |
| Furniture and Equipment | 453,710 |
| Less: Accumulated Depreciation | (372,792) |
| Total Noncurrent Assets | 314,737 |
| Total Assets | 631,955 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred OPEB Charges - Retiree Health | 4,768 |
| Deferred OPEB Charges - LRLIF | 12,951 |
| Deferred Pension Charges - WRS | 282,317 |
| Total Deferred Outflows of Resources | 300,036 |
| Total Assets and Deferred Outflows of Resources | 931,991 |
| **LIABILITIES** | |
| Current Liabilities: | |
| Unearned Revenues | 153,929 |
| Noncurrent Liabilities: | |
| Net LRLIF Liability | 31,252 |
| Total Liabilities | 185,181 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred Pension Credits - WRS | 386,872 |
| Deferred OPEB Credits - LRLIF | 5,731 |
| Deferred OPEB Credits - Retiree Health | 86,038 |
| Total Deferred Inflows of Resources | 478,641 |
| Total Liabilities and Deferred Inflows of Resources | 663,822 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 80,918 |
| Restricted for: | |
| Net OPEB Asset | 104,672 |
| Net Pension Asset | 129,147 |
| Unrestricted Deficit | (46,568) |
| Total Net Position | $ 268,169 |

*See accompanying Notes to Financial Statements.*

**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS**
**YEAR ENDED JUNE 30, 2020**

| | Food Service Fund |
|---|---|
| **REVENUES** | |
| Food Sales | $ 752,133 |
| State Sources | 54,623 |
| Federal Sources | 963,529 |
| Federal Commodities | 160,066 |
| Other Revenues | 7,873 |
| Total Revenues | 1,938,224 |
| **OPERATING EXPENSES** | |
| Salaries and Wages | 781,642 |
| Employer Paid Benefits | 236,409 |
| Purchased Services | 8,673 |
| Supplies, Food, and Materials | 1,048,794 |
| Other | 2,355 |
| Depreciation | 11,543 |
| Total Operating Expenses | 2,089,416 |
| Operating Income (Loss) | (151,192) |
| Transfers In | 152,801 |
| **CHANGE IN NET POSITION** | 1,609 |
| Net Position - Beginning of Year | 266,560 |
| **NET POSITION - END OF YEAR** | $ 268,169 |

*See accompanying Notes to Financial Statements.*

**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**
**YEAR ENDED JUNE 30, 2020**

| | Food Service Fund |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash Received from User Charges | $ 824,611 |
| Cash Received from Other Government Payments | 1,177,454 |
| Cash Payments to Employees for Services | (1,019,167) |
| Cash Payments to Suppliers for Goods and Services | (1,123,899) |
| Net Cash Used by Operating Activities | (141,001) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Transfers from Other Funds | 152,801 |
| Net Cash Provided by Noncapital Financing Activities | 152,801 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Purchase of Capital Equipment | (11,800) |
| Net Cash Used by Capital and Related Financing Activities | (11,800) |
| **NET CHANGE IN CASH** | - |
| Cash - Beginning of Year | 1,000 |
| **CASH - END OF YEAR** | $ 1,000 |
| **RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | |
| Operating Loss | $ (151,192) |
| Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities: | |
| Depreciation | 11,543 |
| Changes in Assets and Liabilities: | |
| Accounts Receivable | (3,429) |
| Prepaid Expenses | (9,930) |
| Due from Other Governments | (764) |
| Due from Other Funds | (54,147) |
| Due from Employee Benefit Trust Fund | 236 |
| Net WRS Pension Liability and Related Deferred Outflows/Inflows | 6,651 |
| Net LRLIF Liability and Related Deferred Outflows/Inflows | (9,894) |
| Net OPEB Asset and Related Deferred Outflows/Inflows | 1,891 |
| Unearned Revenue | 68,034 |
| Net Cash Used by Operating Activities | $ (141,001) |

*See accompanying Notes to Financial Statements.*

**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
**STATEMENT OF NET POSITION – FIDUCIARY FUNDS**
**JUNE 30, 2020**

| | Agency Funds | Employee Benefit Trust Fund | | Private Purpose Trust Fund |
|---|---|---|---|---|
| | | OPEB Benefits | Stipend Benefits | Scholarship Fund |
| **ASSETS** | | | | |
| Cash and Investments | $ 241,999 | $ 20,420,195 | $ 9,613,799 | $ 86,609 |
| Total Assets | 241,999 | 20,420,195 | 9,613,799 | 86,609 |
| **LIABILITIES** | | | | |
| Scholarships Payable | - | - | - | 8,038 |
| Due to Primary Government | - | 363,986 | - | - |
| Due to Student Groups | 241,999 | - | - | - |
| Total Liabilities | 241,999 | 363,986 | - | 8,038 |
| **NET POSITION** | | | | |
| Restricted for: | | | | |
| Scholarship Fund | - | - | - | 78,571 |
| OPEB Benefits | - | 20,056,209 | - | - |
| Stipend Benefits | - | - | 9,613,799 | - |
| Total Net Position | $ - | $ 20,056,209 | $ 9,613,799 | $ 78,571 |

*See accompanying Notes to Financial Statements.*

**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
**STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS**
**YEAR ENDED JUNE 30, 2020**

| | Employee Benefit Trust Fund | | Private Purpose Trust Fund |
|---|---|---|---|
| | OPEB Benefits | Stipend Benefits | Scholarship Fund |
| **ADDITIONS** | | | |
| Contributions | $ - | $ - | $ 5,790 |
| Investment Earnings | 2,126,146 | 1,195,956 | 217 |
| Total Additions | 2,126,146 | 1,195,956 | 6,007 |
| **DEDUCTIONS** | | | |
| Scholarships | - | - | 403 |
| Benefit Payments | 2,145,507 | 1,315,609 | - |
| Administrative Expenses | 36,872 | 20,741 | - |
| Total Deductions | 2,182,379 | 1,336,350 | 403 |
| **CHANGE IN NET POSITION** | (56,233) | (140,394) | 5,604 |
| Net Position - Beginning of Year | 20,112,442 | 9,754,193 | 72,967 |
| **NET POSITION - END OF YEAR** | $ 20,056,209 | $ 9,613,799 | $ 78,571 |

*See accompanying Notes to Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The financial statements of the Verona Area School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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 District is organized as a common school district under the Wisconsin State Statutes. The District, governed by a seven-member elected school board, operates grades K through 12 and is comprised of all or parts of seven taxing districts.

The financial reporting of the District is defined by the GASB to consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The basic financial statements of the District consist solely of the primary government. No other organizations were identified for inclusion in the financial reporting entity of the District.

### Government-Wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds) as described below:

#### *Government-Wide Statements*

The statement of net position and the statement of activities present financial information about the District's governmental and business-type 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Government-Wide and Fund Financial Statements (Continued)

#### *Government-Wide Statements (Continued)*

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental and business-type 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.

#### *Fund Financial Statements*

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, 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 nonmajor funds.

The District has the following major governmental funds:

**General Fund** – The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those accounted for in another fund. This fund includes activities associated with providing educational programs for students with disabilities.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. For report purposes, the District has combined its debt services funds into one fund.

**Capital Projects Funds** – The Capital Projects Fund is used to account for expenditures financed through the use of bonds, promissory notes, state trust fund loans, etc.

The district operates one proprietary fund:

**Food Service Fund** – This fund accounts for the activities of the District's food service program.

Additionally, the District reports the following fiduciary fund:

**Agency Fund** – The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and/or other governmental units; specifically, activities of student organizations are accounted for in the agency fund.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Government-Wide and Fund Financial Statements (Continued)

***Fund Financial Statements (Continued)***

The District accounts for assets held as an agent for various student organizations in an agency fund.

**Private Purpose Trust Funds** – The District accounts for assets that are accumulated to finance retiree health insurance benefits and stipend benefits in an employee benefit trust fund.

The District accounts for transactions related to scholarships for graduating seniors in a private purpose trust fund.

### Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary trust 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. Fiduciary agency funds do not have a measurement focus.

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.

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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

#### *1. Deposits and Investments*

The District's cash and investments consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the district to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, and the local government pooled-investment fund 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 investment pool fund.

Investments, other than the investments in the local government investment pool, are stated at fair value. Determination of net asset value for investment in the local government investment pool is based on information provided by the State of Wisconsin Investment Board.

#### *2. Receivables and Payables*

**Property Taxes**. Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town, and village treasurers or clerks who then make proportional settlement with the school district and county treasurer for those taxes collected on their behalf. The county treasurer who then makes settlement with the city, town, village, and school districts before retaining any for county purposes collects second installment real estate taxes and delinquent taxes.

The District's property taxes are levied on or before October 31 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 31st, and a final payment no later than the following July 31st. 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 15th, and by the 20th of each subsequent month thereafter. On or before August 20th, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

### *2. Receivables and Payables (Continued)*

**Property Taxes (Continued)**. Property taxes are recognized as revenue in the period for which 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 1st, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30th and are available to pay current liabilities.

**Accounts Receivable**. All accounts receivable are shown at gross amounts. No allowance for uncollectible accounts has been provided since such allowance would not be material.

**Interfund Balances**. The current portion of lending/borrowing arrangements between funds is identified as "due to/from other funds." The noncurrent portion of outstanding balances between funds is reported as "advances to/from other funds." Advances between funds are classified as nonspendable fund balance account to indicate that they are not available for appropriation and are not expendable available financial resources. For government-wide financial statements, eliminations were made for amounts due to and due from within the same fund type.

### *3. Inventories and Prepaid Items*

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as an expenditure would result in more than one year’s cost being recorded. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or net realizable value.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

### *4. Capital Assets*

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

Assets not being depreciated include land. Capitalization thresholds (the dollar valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|---|---|---|---|
| Buildings and Building Improvements | 5,000 | Straight-line | 20-50 Years |
| Land Improvements | 5,000 | Straight-line | 20 Years |
| Food Service Equipment | 5,000 | Straight-line | 5-20 Years |
| Other Furniture, Fixtures, and Equipment | 5,000 | Straight-line | 5 Years |
| Library Books and Video Collections | 5,000 | Straight-line | 5 Years |

### *5. Deferred Outflows of Resources*

The District reports decreases in net position or fund balance that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position, governmental fund balance sheet, or proprietary fund statement of net position. Deferred outflows of resources are reported in these financial statements related to pensions and other postemployment benefits.

### *6. Deferred Inflows of Resources*

The District reports increases in net position or fund balance that relate to future periods as deferred inflows of resources in a separate section of its government-wide statement of net position, governmental fund balance sheet, or proprietary fund statement of net position. The District reports deferred inflows of resources related to pensions and other postemployment benefits.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

### *7. Compensated Absences*

Vacation. Support personnel are provided paid vacation days based on years of service, accumulating up to 40 days. Administrative staff are provided paid vacation days based on years of service, accumulating up to 60 days.

General Leave. General leave includes sick leave and other compensated absences. Employees earn varying amounts of general leave for each year employed, accumulating to a maximum vested amount of 141 days. Teaching staff and support staff become fully vested in accumulated unpaid general leave after attaining five years of service.

Administrative staff is immediately fully vested. Upon retirement or termination of employment, the employee is entitled to be paid accumulated vested general leave in cash.

### *8. Other Postemployment Benefits (OPEB) – Retiree Health and Local Retiree Life Insurance Fund (LRLIF) benefits*

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 Postemployment Benefits, OPEB expense, and information about the fiduciary net position of the LRLIFs fiduciary net position have been determined on the same basis as they are reported by the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLFI. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net other postemployment benefits liability (asset), deferred OPEB charges, deferred OPEB credits, and the related OPEB expense, information about the employee trust fund net position and additions to/deductions from the employee trust fund net position have been determined on the same basis as reported by the employee benefit trust fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

### *9. Pension Benefits – including Wisconsin Retirement System and Supplemental Pension*

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.

For purposes of measuring the net supplemental pension liability (asset), deferred pension charges - supplemental pension, deferred pension credits - supplemental pension, and the related pension expense, information about the employee trust fund net position and additions to/deductions from the employee trust fund net position have been determined on the same basis as reported by the employee benefit trust fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *10. Long-Term Obligations*

In the government-wide financial statements, outstanding long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. In the government-wide financial statement, premiums are capitalized on the statement of net position and amortized over the life of the related debt.

Premiums associated with the issuance of general obligation bonds and promissory notes are being amortized using the effective interest method over the life of the bonds and notes.

### *11. Use of Restricted Resources*

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

### *12. Equity Classifications*

Fund equity, representing the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources is classified as follows in the District's financial statements:

**Government-Wide Statements**. Fund equity is classified as net position in the government-wide financial statements and is displayed in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of 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. All other net position is displayed as unrestricted.

**Fund Financial Statements**. In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period.

Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications. It is the District's policy that at the end of each fiscal year, the District will maintain an assigned portion of fund balance of at least 10% but not greater than 15% of the anticipated general fund expenditure budget for the subsequent year. In addition, the District shall strive to maintain a minimum fund balance in their self-funded dental insurance plan of 10% of premium costs.

Committed fund balance is required to be established, modified, or rescinded by resolution of the District Board prior to each year-end. Based on resolution of the District Board, the District Superintendent has the authority to establish or modify assigned fund balance. When restricted and unrestricted fund balance is available for an expenditure, it is the District's policy to first use restricted fund balance. When committed, assigned, and unassigned fund balance is available for an expenditure, it is the District's policy to use committed, assigned, and finally unassigned fund balance.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)**

***12. Equity Classifications (continued)***

**Fund Financial Statements (continued)**. The District's policy on fund balance is to maintain a level of fund balance which strives to avoid cash flow borrowing, help maintain the District's current high-quality bond ratings, to provide a resource for emergency expenditures, to build a reasonable reserve, and to ensure continuity of the District's self-funded dental insurance plan. See Note 11 for additional information regarding the District's fund balances.

## NOTE 2 DEPOSITS AND INVESTMENTS

The debt service fund and capital projects fund account for their transactions through separate and distinct investment accounts as recommended by the Department of Public Instruction. In addition, the agency and trust funds use separate and distinct accounts. All other funds share in common bank and investments accounts.

The District's cash and investments balances at June 30, 2020 comprised of the following:

| | Book Balance | Bank Balance | Risks* |
|---|---|---|---|
| Petty Cash | $ 1,000 | $ - | |
| Demand Deposits | 2,097,055 | 8,505,466 | CCR |
| Savings Deposits | 36,996 | 36,996 | CCR |
| Certificates of Deposits - Direct Placement | 88,349 | 88,348 | CCR |
| LGIP | 13,619,094 | 13,619,094 | CCR, CR, IRR |
| WISC - Cash Management Fund | 4,101 | 4,101 | CCR |
| WISC - Investment Class Fund | 15,068,373 | 15,068,373 | CCR |
| U.S. Agencies | 5,561,952 | 5,561,952 | CCR, CR, IRR |
| Municipal Securities | 7,421,648 | 7,421,648 | CCR, CR, IRR |
| Corporate Bonds | 14,308,397 | 14,308,397 | CCR, CR, IRR |
| Fixed Income Contract | 580,010 | 580,010 | CCR, CR, IRR |
| Total | $ 58,786,975 | $ 65,194,385 | |

*Custodial Credit Risk (CCR), Credit Risk (CR), Interest Rate Risk (IRR)

The District's cash and investments balances at June 30, 2020 are presented in the financial statements as follows:

| | |
|---|---|
| Governmental Funds | $ 28,423,373 |
| Business-type Activities | 1,000 |
| Agency Funds | 241,999 |
| Employee Benefit Trust Funds: | |
| OPEB Benefits | 20,420,195 |
| Stipend Benefits | 9,613,799 |
| Scholarship Fund | 86,609 |
| Total | $ 58,786,975 |

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

### Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for demand deposit accounts and $250,000 for time deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of $400,000 in each financial institution and the Local Government Investment Pool above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at June 30, 2020, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

As of June 30, 2020, $8,343,814 of the District's bank balance of $8,630,810 was uninsured or uncollateralized.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments were uninsured and exposed to custodial credit risk as of June 30, 2020.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of June 30, 2020, the District's investments had credit ratings as follows:

| | Credit Rating | | | | | |
|---|---|---|---|---|---|---|
| Investments | AAA/Aaa | AA+\Aa1 | AA\Aa2 | AA-\Aa3 | A+\A1 | A\A2 |
| LGIP | $ - | $ - | $ - | $ - | $ - | $ - |
| U.S. Agencies | - | - | - | - | - | - |
| Municipal Securities | 571,861 | 1,084,974 | 2,083,288 | 767,296 | 455,471 | 790,590 |
| Corporate Bonds | 820,924 | 618,945 | - | 699,552 | 1,645,672 | 2,156,633 |
| Fixed Income Contract | - | - | - | - | - | - |
| Total | $ 1,392,785 | $ 1,703,919 | $ 2,083,288 | $ 1,466,848 | $ 2,101,143 | $ 2,947,223 |

| | Credit Rating | | | | |
|---|---|---|---|---|---|
| Investments | A-\A3 | BBB+\Baa1 | BBB/Baa2 | Not Defined | Total |
| LGIP | $ - | $ - | $ - | $ 13,619,094 | $ 13,619,094 |
| U.S. Agencies | - | - | - | 5,561,952 | 5,561,952 |
| Municipal Securities | - | - | - | 1,668,168 | 7,421,648 |
| Corporate Bonds | 3,431,544 | 3,455,901 | 811,410 | 667,816 | 14,308,397 |
| Fixed Income Contract | - | - | - | 580,010 | 580,010 |
| Total | $ 3,431,544 | $ 3,455,901 | $ 811,410 | $ 22,097,040 | $ 41,491,101 |

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2020, the District's investments mature as follows:

| | Years to Maturity | | | |
|---|---|---|---|---|
| Investments | < 1 | 1-5 | 6-10 | 11-20 |
| LGIP | $ 13,619,094 | $ - | $ - | $ - |
| U.S. Agencies | - | 578,947 | 2,298,440 | 2,684,565 |
| Municipal Securities | - | 1,592,425 | 3,581,631 | 2,247,592 |
| Corporate Bonds | 506,985 | 1,568,204 | 2,937,841 | 3,770,655 |
| Fixed Income Contract | - | - | - | - |
| Total | $ 14,126,079 | $ 3,739,576 | $ 8,817,912 | $ 8,702,812 |

| | Years to Maturity | | | |
|---|---|---|---|---|
| Investments | 21-30 | 31-40 | Not Rated | Total |
| LGIP | $ - | $ - | $ - | $ 13,619,094 |
| U.S. Agencies | - | - | - | 5,561,952 |
| Municipal Securities | - | - | - | 7,421,648 |
| Corporate Bonds | 4,985,274 | 539,438 | - | 14,308,397 |
| Fixed Income Contract | - | - | 580,010 | 580,010 |
| Total | $ 4,985,274 | $ 539,438 | $ 580,010 | $ 41,491,101 |

### Concentration of Credit Risk

As of June 30, 2020, the District has a concentration of greater than 5% of investment in the following:

| Description | Amount | Weight |
|---|---|---|
| WISC – Investment Class Fund | $15,068,373 | 25.63% |
| LGIP | $13,619,094 | 23.17% |

## NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

### Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position is based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

As of June 30, 2020, the District has the following assets subject to fair value measurement:

| Description | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| U.S. Agencies | $ - | $ 5,561,952 | $ - | $ 5,561,952 |
| Municipal Securities | - | 7,421,648 | - | 7,421,648 |
| Corporate Bonds | - | 14,308,397 | - | 14,308,397 |
| WISC - Investment Class Fund | - | 15,068,373 | - | 15,068,373 |
| WISC - Cash Management Fund | - | 4,101 | - | 4,101 |
| Fixed Income Contract | - | 580,010 | - | 580,010 |
| Total | $ - | $ 42,944,481 | $ - | $ 42,944,481 |

## NOTE 3 CAPITAL ASSETS

Changes in the capital assets for the year ended June 30, 2020 were as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 13,941,655 | $ - | $ - | $ 13,941,655 |
| Construction Work in Progress | 103,837,524 | 8,128,042 | (103,837,524) | 8,128,042 |
| Total Capital Assets, Not Being Depreciated | 117,779,179 | 8,128,042 | (103,837,524) | 22,069,697 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 6,857,660 | 26,398 | - | 6,884,058 |
| Buildings and Building Improvements | 75,043,937 | 157,741,232 | - | 232,785,169 |
| Furniture and Equipment | 10,174,345 | 4,179,066 | (153,646) | 14,199,765 |
| Total Capital Assets, Being Depreciated | 92,075,942 | 161,946,696 | (153,646) | 253,868,992 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | (3,445,256) | (150,959) | - | (3,596,215) |
| Buildings and Building Improvements | (36,449,520) | (1,708,039) | - | (38,157,559) |
| Furniture and Equipment | (7,013,545) | (433,821) | 44,028 | (7,403,338) |
| Total Accumulated Depreciation | (46,908,321) | (2,292,819) | 44,028 | (49,157,112) |
| Total Capital Assets, Being Depreciated, Net | 45,167,621 | 159,653,877 | (109,618) | 204,711,880 |
| Governmental Activities Capital Assets, Net | $ 162,946,800 | $ 167,781,919 | $ (103,947,142) | $ 226,781,577 |
| Business-Type Activities | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Furniture and Equipment | $ 447,210 | $ 11,800 | $ (5,300) | $ 453,710 |
| Less Accumulated Depreciation | (366,549) | (11,543) | 5,300 | (372,792) |
| Business-Type Activities Capital Assets, Net | $ 80,661 | $ 257 | $ - | $ 80,918 |

## NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation was charged to governmental functions as follows:

| | | |
|---|---|---|
| Instruction: | | |
| Regular Instruction | $ | 2,063,537 |
| Support Services: | | |
| General Administrative Services | | 85,293 |
| Operation and Maintenance of Plant | | 60,989 |
| Pupil Transportation Services | | 68,326 |
| Unallocated Depreciation | | 14,674 |
| Total Depreciation for Governmental Activities | $ | 2,292,819 |

## NOTE 4 INTERFUNDS RECEIVABLES/ PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020 was as follows:

### Due to/from Other Funds

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Capital Projects | $ 1,358,907 |
| General Fund | Fiduciary Funds | 356,553 |
| General Fund | Community Service Funds | 261,528 |
| Special Revenue Fund | General Fund | 549,300 |
| Food Service Fund | General Fund | 220,272 |
| Food Service Fund | Special Revenue Fund | 18,419 |
| Food Service Fund | Fiduciary Funds | 5,574 |
| Community Service Fund | Special Revenue Fund | 6,340 |
| Community Service Fund | Fiduciary Funds | 1,859 |
| | Total | $ 2,778,752 |

### Transfers

| Fund Transferred To | Fund Transferred From | Amount |
|---|---|---|
| Debt Service Fund | General Fund | $ 2,775,305 |
| Food Service Fund | General Fund | 152,801 |
| | Total | $ 2,928,106 |

All balances resulted from the time lag 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.

## NOTE 4 INTERFUNDS RECEIVABLES/ PAYABLES AND TRANSFERS (CONTINUED)

**Transfers (Continued)**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE 5 SHORT-TERM DEBT

Short-term notes payable at June 30, 2020, are as follows:

| | Balance June 30, 2019 | Issued | Redeemed | Balance June 30, 2020 |
|---|---|---|---|---|
| U.S. Bank National Association | $ 12,000,000 | $ 10,945,000 | $ (12,000,000) | $ 10,945,000 |
| Total Short-Term Notes Payable | $ 12,000,000 | $ 10,945,000 | $ (12,000,000) | $ 10,945,000 |

The District issued tax and revenue anticipation promissory notes on October 29, 2019, in advance of property tax collections in the amount of $10,945,000. The notes are necessary because expenditure payments for the year begin in July, whereas the tax collections are received from the municipalities beginning in January. The notes bear interest at 3.0% and matured on October 23, 2020.

The District issued tax and revenue anticipation promissory notes on October 18, 2018, in advance of property tax collections in the amount of $12,000,000. The notes are necessary because expenditure payments for the year begin in July, whereas the tax collections are received from the municipalities beginning in January. The notes bear interest at 3.0% and matured on October 18, 2019.

Total interest on short-term debt paid during the year was $363,000.

## NOTE 6 LONG-TERM LIABILITIES

Long-term obligations of the District for the year ended June 30, 2020 were as follows:

| | Balances June 30, 2019 | Additions | Reductions | Balances June 30, 2020 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Bonds Payable: | | | | | |
| Capital Projects | $ 142,665,000 | $ - | $ (5,270,000) | $ 137,395,000 | $ 6,830,000 |
| Postemployment Benefits | 24,810,000 | - | (700,000) | 24,110,000 | 880,000 |
| Total Bonds Payable | 167,475,000 | - | (5,970,000) | 161,505,000 | 7,710,000 |
| State Trust Funds Loans | 7,640,808 | 6,280,000 | (7,333,810) | 6,586,998 | 2,200,000 |
| Notes Payable: | | | | | |
| Capital Projects | 1,235,000 | - | (300,000) | 935,000 | 305,000 |
| Postemployment Benefits | 2,985,000 | - | (790,000) | 2,195,000 | 655,000 |
| Total Notes Payable | 4,220,000 | - | (1,090,000) | 3,130,000 | 960,000 |
| Total Bonds and Notes Payable | 179,335,808 | 6,280,000 | (14,393,810) | 171,221,998 | 10,870,000 |
| Other Liabilities: | | | | | |
| Compensated Absences | 2,700,998 | 357,966 | (286,803) | 2,772,161 | 287,000 |
| Bond and Note Premiums | 6,688,413 | - | (655,420) | 6,032,993 | 625,461 |
| Total Other Liabilities | 9,389,411 | 357,966 | (942,223) | 8,805,154 | 912,461 |
| Total Governmental Activity Long-Term Liabilities | $ 188,725,219 | $ 6,637,966 | $ (15,336,033) | $ 180,027,152 | $ 11,782,461 |

### Current Year Borrowings

On August 30, 2019, the District issued $6,280,000 State Trust Fund Loans with an interest rate of 3.75%. The proceeds of the bonds will be used for the purpose of capital related expenditures. The loan matures on March 15, 2024.

### General Obligation Debt

All general obligation debt is secured by the full faith and credit and taxing powers of the District. Individual general obligation long-term debt issues outstanding at June 30, 2020 and future principal and interest requirements for their retirement at that date were as follows:

| | Issue Date | Final Maturity Date | Interest Rate | Original Issue | Amount Outstanding |
|---|---|---|---|---|---|
| Notes and Bonds Awarded to: | | | | | |
| G.O. Refunding Bonds, Series 2012 | 04/10/12 | 10/01/24 | 2.00%-2.50% | $ 9,970,000 | $ 1,805,000 |
| G.O. Promissory Notes Payable - Series 2013B | 06/20/13 | 04/01/23 | 2.00% | 2,900,000 | 935,000 |
| G.O. Promissory Notes Payable - Series 2014 | 09/08/14 | 04/01/24 | 2.00%-3.00% | 9,220,000 | 2,195,000 |
| G.O. Refunding Bonds, Series 2015 | 04/08/15 | 09/01/34 | 2.65%-4.00% | 25,335,000 | 24,110,000 |
| State Trust Fund Loan - 8/31/2017 | 08/31/17 | 03/15/22 | 3.00% | 5,000,000 | 1,940,808 |
| State Trust Fund Loan - 8/29/2019 | 08/30/19 | 03/15/24 | 3.75% | 6,280,000 | 4,646,190 |
| G.O. Corporate Purpose Bonds, Series 2017 | 11/21/17 | 04/01/37 | 2.00%-5.00% | 85,000,000 | 62,950,000 |
| G.O. Corporate Purpose Bonds, Series 2018 | 11/19/18 | 04/01/38 | 3.25%-5.00% | 80,000,000 | 72,640,000 |
| Total General Obligation Debt | | | | | $ 171,221,998 |

## NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Annual debt service fund cash flow requirements for retirement of the above long-term debt principal and interest at June 30, 2020 were as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ 10,870,000 | $ 6,228,582 | $ 17,098,582 |
| 2022 | 9,910,808 | 6,210,864 | 16,121,672 |
| 2023 | 9,520,000 | 5,737,164 | 15,257,164 |
| 2024 | 8,401,190 | 5,356,626 | 13,757,816 |
| 2025 | 8,165,000 | 5,002,264 | 13,167,264 |
| 2026-2030 | 46,080,000 | 19,668,499 | 65,748,499 |
| 2031-2035 | 52,715,000 | 10,762,610 | 63,477,610 |
| 2036-2038 | 25,560,000 | 1,802,475 | 27,362,475 |
| Total | $ 171,221,998 | $ 60,769,084 | $ 231,991,082 |

Total interest on long-term debt paid during the year was $6,992,370.

### Legal Debt Limit

The 2019 equalized valuation of the District as certified by the Wisconsin Department of Revenue is $4,824,485,379. 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% of $4,824,485,379) | $ 482,448,538 |
| Deduct Long-Term Debt Applicable to Debt Margin | (171,221,998) |
| Add Available Resources for Debt Repayments | 5,226,314 |
| Margin of Indebtedness | $ 316,452,854 |

## NOTE 7 WISCONSIN RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

### General Information about the Defined Benefit Plan

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

## NOTE 7 WISCONSIN RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (CONTINUED)

**General Information about the Defined Benefit Plan (Continued)**

*Contributions*. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting 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 District's reporting period, the WRS recognized $2,608,883 in contributions from the employer.

Contribution rates as of June 30, 2020 are:

| | 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 % |

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

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|---|---|---|
| 2010 | (1.3)% | 22.0 % |
| 2011 | (1.2) | 11.0 |
| 2012 | (7.0) | (7.0) |
| 2013 | (9.6) | 9.0 |
| 2014 | 4.7 | 25.0 |
| 2015 | 2.9 | 2.0 |
| 2016 | 0.5 | (5.0) |
| 2017 | 2.0 | 4.0 |
| 2018 | 2.4 | 17.0 |
| 2019 | - | (10.0) |

## NOTE 7 WISCONSIN RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the District reported an asset of $8,047,818 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019. The District's proportion of the net pension 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 0.24958682%, which was a decrease of 0.0005233% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of $3,041,026.

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 | $ 15,276,599 | $ (7,644,915) |
| Changes of Assumptions | 627,138 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | (16,452,603) |
| Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions | 6,809 | (10,475) |
| District Contributions Subsequent to the Measurement Date | 1,685,123 | - |
| Total | $ 17,595,669 | $ (24,107,993) |

$1,685,123 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Net Deferred Inflows and Outflow of Resources |
|---|---|
| 2021 | $ (2,431,632) |
| 2022 | (1,818,329) |
| 2023 | 284,279 |
| 2024 | (4,231,765) |

## NOTE 7 WISCONSIN RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (CONTINUED)

### 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 |
| Asset Valuation Method | Fair Market Value |
| Long-Term Expected Rate of Return | 7.00% |
| Discount Rate | 7.00% |
| Salary Increases: | |
| Inflation | 3.00% |
| Seniority/Merit | 0.10% - 5.60% |
| Mortality | WRS 2018 Maturity Table |
| Post-Retirement Adjustments* | 1.90% |

*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 geometric real rates of return for each major asset class are summarized in the following table:

## NOTE 7 WISCONSIN RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (CONTINUED)

### Long-Term Expected Return on Plan Assets (Continued)

| Core Fund Asset Class | Asset Allocation % | Expected Nominal Rate of Return % | Expected Real Rate of Return % |
|---|---|---|---|
| Global Equities | 49.00% | 8.00% | 5.10% |
| Fixed Income | 24.50% | 4.90% | 2.10% |
| Inflation Sensitive Assets | 15.50% | 4.00% | 1.20% |
| Real Estate | 9.00% | 6.30% | 3.50% |
| Private Equity/Debt | 8.00% | 10.60% | 7.60% |
| Multi-Asset | 4.00% | 6.90% | 4.00% |
| Total Core Fund | 110.00% | 7.50% | 4.60% |
| **Variable Fund Asset Class** | | | |
| U.S. Equities | 70.00% | 7.50% | 4.60% |
| International Equities | 30.00% | 8.20% | 5.30% |
| Total Variable Funds | 100.00% | 7.80% | 4.90% |

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 7.00% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTE 7 WISCONSIN RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, 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 one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | 1% Decrease to Discount Rate (6.00%) | Current Discount Rate (7.00%) | 1% Increase to Discount Rate (8.00%) |
|---|---|---|---|
| District's Proportionate Share of Net Pension Liability (Asset) | $ 20,724,570 | $ (8,047,818) | $ (29,558,488) |

*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 to WRS of $1,142,442 as of June 30, 2020.

## NOTE 8 SUPPLEMENTAL PENSION PLAN

The District provides a single-employer defined benefit supplemental pension benefit to eligible administrators, teachers, and nonunion support staff that is administered as a trust.

### Benefits Provided

Under terms of its agreements with the Verona Area Education Association for Teachers, the agreement covering administrators, and the agreement covering nonunion support personnel, the District provides supplemental retirement benefits to these employees who elect early retirement. Nonunion support personnel may choose either the supplemental pension benefit or the other postemployment benefits described in Note 9, but not both. The actuarial valuation assumes that 100% will choose the supplemental pension benefit. Early retirement may be elected by eligible employees who have attained certain age and teaching experience levels and, in certain instances, with the approval of the District. For teachers, the benefit is equal to 20% of the employee's final salary rate for five years. For administrators, the benefit is equal to 25% of the employee's final salary rate for seven years, to be paid out over five years, or until the employee qualifies for Medicare benefits, whichever comes first. For nonunion support staff, the benefit is equal to 20% of the employee's final salary rate for seven years or until the employee qualifies for Medicare benefits, whichever comes first.

## NOTE 8 SUPPLEMENTAL PENSION PLAN (CONTINUED)

### Contributions and Other Plan Information

The funding policy of the plan states that the employer will fund 100% of the contributions to the plan as determined by the actuarial valuation, including costs to administer the plan. There are no legal or contractual maximum contribution rates. During the reporting period, the plan recognized no contributions from the employer. The District has pre-funded the plan. At June 30, 2020 and 2019, the plan has no legally-required reserves or designations, other than the net position of $9,613,799 and $9,754,193, respectively.

As of July 1, 2019, (the date used for participant data in the most recent actuarial valuation), the District had 77 retirees receiving benefits under the plan. There were no terminated members entitled to, but not yet receiving benefits. The District had 222 employees in active service eligible for benefits under the plan. The District's school board maintains the right to amend the provisions of the plan, including employer and employee obligations to contribute to the plan. The plan does not issue separate financial statements.

### Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a net supplemental pension liability of $1,170,110. The net supplemental pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. For the year ended June 30, 2020, the District recognized pension expense of $404,434.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 90,013 | $ - |
| Changes of Assumptions | 63,049 | (280,367) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | (842,247) |
| Total | $ 153,062 | $ (1,122,614) |

## NOTE 8 SUPPLEMENTAL PENSION PLAN (CONTINUED)

Such amounts will be recognized in pension expense as follows:

| Year Ending June 30, | Net Deferred Inflows and Outflows of Resources |
|---|---|
| 2021 | $ (146,206) |
| 2022 | (252,652) |
| 2023 | (334,533) |
| 2024 | (190,498) |
| 2025 | (45,768) |
| Thereafter | 105 |

### Actuarial Assumptions

The total supplemental pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Actuarial Valuation Date | July 1, 2020 |
| Measurement Date of Net Pension Liability (Asset) | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Fair Market Value |
| Long-Term Expected Rate of Return | 4.00% |
| Discount Rate | 4.00% |
| Salary Increases | 3.00% |
| Inflation | 2.00% |
| Mortality | WRS 2015-17 Experienced Mortality Rates - Healthy Lives Table |
| Termination | WRS 2015-17 Public School Withdrawal Experience Table |

Service retirement assumptions are based upon WRS 2015-2017 Experience Retirement Rates.

## NOTE 8 SUPPLEMENTAL PENSION PLAN (CONTINUED)

### Changes in Net Supplemental Pension Liability

| | Total Pension Liability (a) | Change in Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|---|---|---|
| **Balances at 6/30/19** | $ 11,322,020 | $ 9,754,193 | $ 1,567,827 |
| **Changes for the year:** | | | |
| Service Cost | 337,432 | - | 337,432 |
| Interest on Total OPEB Liability | 440,066 | - | 440,066 |
| Benefit Payments | (1,315,609) | (1,315,609) | - |
| Net Investment Income | - | 1,195,956 | (1,195,956) |
| Administrative Expenses | - | (20,741) | 20,741 |
| **Balances at 6/30/20** | $ 10,783,909 | $ 9,613,799 | $ 1,170,110 |

### Single Discount Rate

A single discount rate of 4.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 4.00%. This expected rate of return was based on a high quality municipal bond rate. Based on these assumptions, the pension plan's fiduciary net position 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the District's Net Supplemental Pension Liability to Changes in the Discount Rate

The following presents the District's net supplemental pension liability calculated using the discount rate of 4.00%, as well as what the district's net supplemental pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

| | 1% Decrease to Discount Rate (3.00%) | Current Discount Rate (4.00%) | 1% Increase to Discount Rate (5.00%) |
|---|---|---|---|
| District's Proportionate Share of Net Pension Liability (Asset) | $ 1,772,958 | $ 1,170,110 | $ 592,451 |

## NOTE 9 OTHER POSTEMPLOYMENT BENEFITS – RETIREE MEDICAL PLAN

The District maintains a single-employer defined benefit OPEB plan that is administered as a trust. The District accounts for OPEB under GASB #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

### Benefits Provided

Under terms of its agreements with the Verona Area Education Association for Teachers, the Verona Area Educational Support Personnel Association, Nonunion Support Personnel, and the agreement covering administrators, the District provides other postemployment benefits (including medical insurance, dental insurance, and or long-term care coverage) to these employees who elect early retirement. Early retirement may be elected by eligible employees who have attained certain age and teaching experience levels and, in certain instances, with the approval of the District. The amount of the benefit is broken down into tiers, with tier eligibility being determined by years of service with the district, age, hire date, and retirement date.

### Contributions and Other Plan Information

The funding policy of the plan states that the employer will fund 100% of the contributions to the plan as determined by the actuarial valuation, including costs to administer the plan. There are no legal or contractual maximum contribution rates. During the reporting period, the plan recognized no contributions from the employer. The District has pre-funded the plan. At June 30, 2020 and 2019, the plan has no legally-required reserves or designations, other than the net position of $20,056,209 and $20,112,442, respectively.

As of June 30, 2019, (the date of the most recent actuarial valuation), the District had 61 retirees receiving benefits under the plan. There were no terminated members entitled to, but not yet receiving benefits. The District had 676 employees in active service eligible for benefits under the plan. The District's school board maintains the right to amend the provisions of the plan, including employer and employee obligations to contribute to the plan. The plan does not issue separate financial statements.

### Investments

The District maintains a policy over the Employee Benefit Trust Fund with the primary objectives as follows:

- Return – Obtain a reasonable long-term return consistent with the level of risk assumed. Specific return objectives may include fund performance that exceeds the rate of inflation, the assumed discount rate, and/or the total fund policy return which is typically defined as a return of a passively managed benchmark comprised of the annual portfolio weights for each asset class.
- Cost – Seek to control the cost of funding the Employee Benefit Trust Fund within prudent levels of risk through the investment of Trust assets.

## NOTE 9 OTHER POSTEMPLOYMENT BENEFITS – RETIREE MEDICAL PLAN (CONTINUED)

**Investments (Continued)**

- Diversification – Provide diversification of assets in an effort to avoid the risk of large losses and maximize the investment return to the Employee Benefit Trust Fund consistent with market and economic risk.
- Safety – Preservation of principal by avoiding overly risky alternatives that may provide additional investment return but subject the portfolio to above market risk of large losses.

As of June 30, 2020, the District's policy does not define asset allocation with defined target allocations.

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

**Net OPEB Asset, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, the District reported a net OPEB asset of $6,522,642. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019. For the year ended June 30, 2020, the District recognized OPEB expense (benefit) of ($391,821).

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 112,971 | $ (3,244,634) |
| Changes of Assumptions | 184,123 | (328,234) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | (1,788,579) |
| Total | $ 297,094 | $ (5,361,447) |

## NOTE 9 OTHER POSTEMPLOYMENT BENEFITS – RETIREE MEDICAL PLAN (CONTINUED)

Such amounts will be recognized in OPEB expense as follows:

| Year Ending June 30, | Net Deferred Inflows and Outflows of Resources |
|---|---|
| 2021 | $ (1,065,955) |
| 2022 | (1,065,955) |
| 2023 | (1,065,955) |
| 2024 | (829,084) |
| 2025 | (453,478) |
| Thereafter | (583,926) |

### Single Discount Rate

A single discount rate of 3.64% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on pension plan investments of 4.00%. This expected rate of return was based on a high quality municipal bond rate of 3.13%. Based on these assumptions, the OPEB plan's fiduciary net position 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### Actuarial Assumptions

The total OPEB liability in the June 30, 2020, 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 of Net OPEB Asset | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | Fair Market Value |
| Long-Term Expected Rate of Return | 4.00% |
| Discount Rate | 3.64% |
| Salary Increases | 3.00% |
| Inflation | 2.75% |
| Medical Care Cost Trend | Medical care trend rate, using Getzen Mod of 7.18% to 4.29% |
| Mortality | WRS 2009-11 Experienced Mortality Rates - Healthy Lives Table |
| Termination | WRS 2009-11 Public School Withdrawal Experience Table |

## NOTE 9 OTHER POSTEMPLOYMENT BENEFITS – RETIREE MEDICAL PLAN (CONTINUED)

### Sources of changes in Net OPEB Liability (Asset)

| | Total OPEB Liability (a) | Change in Fiduciary Net Position (b) | Net OPEB Liability/(Asset) (a) - (b) |
|---|---|---|---|
| **Balances at 6/30/19** | $ 14,718,507 | $ 20,476,421 | $ (5,757,914) |
| **Changes for the year:** | | | |
| Service Cost | 698,434 | - | 698,434 |
| Interest on Total OPEB Liability | 499,018 | - | 499,018 |
| Differences between expected and actual experience | 127,094 | | 127,094 |
| Changes in assumptions | | - | - |
| Benefit Payments | (2,145,507) | (2,145,507) | - |
| Net Investment Income | - | 2,126,146 | (2,126,146) |
| Administrative Expenses | - | (36,872) | 36,872 |
| **Balances at 6/30/20** | $ 13,897,546 | $ 20,420,188 | $ (6,522,642) |

### Sensitivity of the District's Net OPEB asset to Changes in the Discount Rate and Health Care Trend Rate

The following presents the net OPEB asset of the district calculated using the discount rate of 3.64%, as well as what the district's net OPEB asset would be if it were calculated using a discount rate that is one percentage-point lower (2.64%) or one percentage-point higher (4.64%) than the current rate:

| | 1% Decrease to Discount Rate (2.64%) | Current Discount Rate (3.64%) | 1% Increase to Discount Rate (4.64%) |
|---|---|---|---|
| Net OPEB (Asset) Liability | $ (6,158,309) | $ (6,522,642) | $ (6,917,233) |

The following presents the net OPEB asset of the District calculated using the healthcare trend rate of 7.18% decreasing to 4.29%, as well as what the District's net OPEB asset would be if it were calculated using a healthcare trend rate that is one percentage-point lower (6.18% decreasing to 3.29%) or one percentage-point higher (8.18% decreasing to 5.29%) than the current rate:

| | 1% Decrease to Healthcare Trend Rate (6.18% Decreasing to 3.29%) | Current Healthcare Trend Rate (7.18% Decreasing to 4.29%) | 1% Increase to Healthcare Trend Rate (8.18% Decreasing to 5.29%) |
|---|---|---|---|
| Net OPEB (Asset) Liability | $ (6,609,081) | $ (6,522,642) | $ (6,506,478) |

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)

### 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.

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 up life insurance benefits for post-age 64 retired members and pre-65 retirees who pay for their coverage.

### Contributions

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

Employers are required to pay the following contributions based on 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 |

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (CONTINUED)

### Contributions (Continued)

Member 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:

Life Insurance
Employee Contribution Rates*
for the Year Ended December 31, 2019

| Attained Age | Basic | Supplemental |
|---|---|---|
| Under 30 | $0.05 | $0.05 |
| 30-34 | 0.06 | 0.06 |
| 35-39 | 0.07 | 0.07 |
| 40-44 | 0.08 | 0.08 |
| 45-49 | 0.12 | 0.12 |
| 50-54 | 0.22 | 0.22 |
| 55-59 | 0.39 | 0.39 |
| 60-64 | 0.49 | 0.49 |
| 65-69 | 0.57 | 0.57 |

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

During the year ending June 30, 2020, contributions to the LRIF from the District were not material to these financial statements.

### LRLIF Liability, LRLIF Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to LRLIF

At June 30, 2020, the District reported a liability of $1,947,473 for its proportionate share of the net LRLIF liability. The net LRLIF liability was measured as of December 31, 2019, and the total LRLIF liability used to calculate the net LRLIF liability 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 LRLIF liability was based on the District's share of contributions to the LRLIF plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.45734700%, which was a decrease of 0.008192% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized LRLIF expense of $205,215.

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (CONTINUED)

### LRLIF Liability, LRLIF Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to LRLIF (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ - | $ (87,244) |
| Changes of Assumptions | 718,431 | (214,207) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 36,737 | - |
| Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions | 51,887 | (55,682) |
| Total | $ 807,055 | $ (357,133) |

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

| Year Ending June 30, | Net Deferred Inflows and Outflows of Resources |
|---|---|
| 2021 | $ 76,561 |
| 2022 | 76,561 |
| 2023 | 72,600 |
| 2024 | 68,520 |
| 2025 | 59,817 |
| Thereafter | 95,863 |

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (CONTINUED)

### Actuarial assumptions

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

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

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

### 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 |
|---|---|---|---|
| U.S. Credit Bonds | Barclays Credit | 45.00% | 2.12% |
| U.S. Long Credit Bonds | Barclays Long Credit | 5.00% | 2.90% |
| U.S. Mortgages | Barclays MBS | 50.00% | 1.53% |
| Inflation | | | 2.20% |
| Long-Term Expected Rates of Return | | | 4.25% |

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS – LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (CONTINUED)

### Long-Term Expected Return on Plan Assets (Continued)

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

### Single Discount Rate

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

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

### Sensitivity of the District's Proportionate Share of the Net LRLIF Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net LRLIF liability calculated using the discount rate of 2.87%, as well as what the District's proportionate share of the net LRLIF liability would be if it were calculated using a discount rate that is one percentage point lower (1.87%) or one percentage point higher (3.87%) 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 Net LRLIF Liability | $ 2,689,133 | $ 1,947,473 | $ 1,383,213 |

## NOTE 11 FUND BALANCE AND NET POSITION

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This includes items such as inventories, prepaid amounts, the long-term amount of loans and notes receivable, property held for resale (unless the proceeds are restricted, committed, or assigned), and the corpus of a permanent fund.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by constitution provisions, external resource providers, or through enabling legislation.

Committed - Includes amounts that can be used only for the specific purposes determined by formal action of the Board of Education (the District's highest level of decision-making authority).

Assigned - Includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned - The residual classification for the general fund. Includes all funds that have not been assigned to other funds and have not been restricted, committed, or assigned to specific purposes. In addition, any deficit fund balance is reported as unassigned.

The District's policy on fund balance is for the District to: (1) strive to build and maintain a General Fund balance equivalent to at least 10%, but not greater than 35%, of the General Fund budget for the subsequent year and (2) strive to establish operating budgets that will add sufficient funds each year to attain those levels in the General Fund balance. In addition, the District shall strive to maintain a minimum fund balance in their self-funded dental insurance plan of 10% of premium costs. As such, the nonspendable portion of the general fund balance has been classified as assigned. The entire fund balance of the Community Service Fund has been assigned for use related to the District's natatorium.

The District will generally use restricted amounts before unrestricted amounts when doing so does not result in loss of general state aid.

The District's fund balance categories are presented in the Governmental Fund Balance Sheet.

## NOTE 11 FUND BALANCE AND NET POSITION (CONTINUED)

Net position reported on the government-wide statement of net position at June 30, 2020 includes the following:

| | Governmental Activities | Business-type Activities |
|---|---|---|
| Net Investment in Capital Assets: | | |
| Land | $ 13,941,655 | $ - |
| Construction in Progress | 8,128,042 | - |
| Other Capital Assets, Net of Accumulated Depreciation | 204,711,880 | 80,918 |
| | 226,781,577 | 80,918 |
| Less: Related Long-Term Debt Outstanding | (144,916,998) | - |
| Less: Unamortized Premium | (5,771,861) | - |
| Add: Unspent Bond Proceeds | 9,386,327 | - |
| Total Net Investment in Capital Assets | 85,479,045 | 80,918 |
| Restricted for: | | |
| Net Pension Asset | 7,918,671 | 129,147 |
| Debt Service | 3,553,266 | - |
| Special Projects | 636,616 | - |
| Net OPEB Asset | 6,417,970 | 104,672 |
| Capital Expansion | 683,108 | - |
| Total Restricted | 19,209,631 | 233,819 |
| Unrestricted | (27,855,728) | (46,568) |
| Total Net Position | $ 76,832,948 | $ 268,169 |

## NOTE 12 COMMITMENTS AND CONTINGENT LIABILITIES

### Encumbrances Outstanding

Encumbrances for purchase orders, contracts, and other commitments for expenditures are recognized by the District as a reservation of fund balance. As of June 30, 2020, there are no material encumbrances outstanding.

The District has entered into various contracts totaling approximately $8,601,504 related to building a new high school, which is expected to be completed by the summer of 2020. As of June 30, 2020, $8,128,042 has been expended towards these contracts.

## NOTE 13 BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and special revenue funds. The statutes do not require a limit at which expenditures may not legally exceed appropriations. Any appropriations lapse at year-end.

## NOTE 14 LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is based on pupil count and is limited to the amount approved by legislative action unless a higher amount has been approved by a referendum. The State also placed a limit on the decrease in the annual revenue cap due to declining enrollments. The State further allows an exemption equal to 75% of the prior year unused allowable revenue.

This limitation does not apply to revenues needed for payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

Under 2011 Wisconsin Act 32, the District adopted a resolution and was granted authority to increase its revenue limit by the amount spent on a project to implement energy efficiency measures or to purchase energy efficiency projects, including the payment of debt service on bond or notes issued to finance the project.

## NOTE 15 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following individual funds had an excess of actual expenditures over budget for the year ended June 30, 2020:

| Fund | Excess Expenditures |
|---|---|
| General Fund: | |
| Instruction | $ 190 |
| Special Education Fund: | |
| Nonprogram | 45,244 |

## NOTE 16 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims have not exceeded this commercial coverage in any of the past three years.

## NOTE 16 RISK MANAGEMENT (CONTINUED)

During 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results. Management believes that the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these impacts are still developing.

## NOTE 17 SUBSEQUENT EVENTS

On October 28, 2020, the District issued $8,000,000 through the PMA Levy & Aid Anticipation Notes (PLAAN) Program. Principal and interest will be made in full on October 22, 2021 and bear interest at a rate of 3.00%.

On August 17, 2020, the District issued $16,145,000 of Taxable General Obligation Refunding Bonds, Series 2020. Proceeds of the bonds will be used to advance refund a portion of the District's outstanding Taxable General Obligation Refunding, Series 2015, dated April 8, 2015, and pay certain costs associated with the issuance of the bonds. Principal payments will be made annually on March 1, 2021 continuing through March 1, 2034 and bear interest at a rate of 0.30% - 1.65%. Interest payments are due on March 1 and September 1 of each year until maturity.

# REQUIRED SUPPLEMENTARY INFORMATION

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
# YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | | Variance With Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Local Sources: | | | | |
| Property Taxes | $ 42,349,213 | $ 42,349,213 | $ 42,349,213 | $ - |
| Other Local Sources | 176,731 | 176,731 | 589,141 | 412,410 |
| Interdistrict Sources | 1,175,947 | 1,175,947 | 1,084,163 | (91,784) |
| State Sources | 24,588,377 | 24,588,377 | 25,290,920 | 702,543 |
| Federal Sources | 888,353 | 888,353 | 923,097 | 34,744 |
| Other Sources | 99,534 | 99,534 | 570,462 | 470,928 |
| Total Revenues | 69,278,155 | 69,278,155 | 70,806,996 | 1,528,841 |
| **EXPENDITURES** | | | | |
| Instruction: | | | | |
| Regular Curriculum | 27,794,531 | 27,794,531 | 27,683,962 | 110,569 |
| Vocational Curriculum | 1,589,694 | 1,589,694 | 1,641,297 | (51,603) |
| Co-Curricular Activities | 549,216 | 549,216 | 651,252 | (102,036) |
| Special Instruction | 3,015,171 | 3,015,171 | 2,987,539 | 27,632 |
| Physical Curriculum | 1,587,745 | 1,587,745 | 1,572,497 | 15,248 |
| Total Instruction | 34,536,357 | 34,536,357 | 34,536,547 | (190) |
| Support Services: | | | | |
| Pupil Services | 2,003,051 | 2,003,051 | 1,944,240 | 58,811 |
| Instructional Staff Services | 3,120,491 | 3,120,491 | 3,166,990 | (46,499) |
| General Administration | 1,614,970 | 1,614,970 | 2,424,145 | (809,175) |
| School Administration | 3,821,120 | 3,821,120 | 3,910,371 | (89,251) |
| Business Services | 1,653,243 | 1,653,243 | 1,718,273 | (65,030) |
| Operations and Maintenance of Plant | 5,374,695 | 5,374,695 | 4,379,552 | 995,143 |
| Pupil Transportation | 2,527,703 | 2,527,703 | 2,219,992 | 307,711 |
| Central Services | 373,962 | 373,962 | 426,502 | (52,540) |
| Insurance | 606,049 | 606,049 | 554,200 | 51,849 |
| Other Support Services | 732,670 | 732,670 | 59,016 | 673,654 |
| Total Support Services | 21,827,954 | 21,827,954 | 20,803,281 | 1,024,673 |
| Nonprogram | 1,758,372 | 1,758,372 | 1,640,786 | 117,586 |
| Debt Service: | | | | |
| Interest | 435,943 | 435,943 | 366,632 | 69,311 |
| Total Debt Service | 435,943 | 435,943 | 366,632 | 69,311 |
| Total Expenditures | 58,558,626 | 58,558,626 | 57,347,246 | 1,211,380 |
| **EXCESS OF REVENUES OVER EXPENDITURES** | 10,719,529 | 10,719,529 | 13,459,750 | 2,740,221 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfer to Other Funds | (10,719,529) | (10,719,529) | (10,627,533) | 91,996 |
| Total Other Financing Sources (Uses) | (10,719,529) | (10,719,529) | (10,627,533) | 91,996 |
| **NET CHANGE IN FUND BALANCE** | - | - | 2,832,217 | 2,832,217 |
| Fund Balance - Beginning of Year | 13,352,266 | 13,352,266 | 13,352,266 | - |
| **FUND BALANCE - END OF YEAR** | $ 13,352,266 | $ 13,352,266 | $ 16,184,483 | $ 2,832,217 |

*See accompanying Notes to Required Supplementary Information.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# BUDGETARY COMPARISON SCHEDULE – SPECIAL EDUCATION FUND
# YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | | Variance With Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| State Sources | $ 2,574,983 | $ 2,574,983 | $ 2,611,551 | $ 36,568 |
| Federal Sources | 948,888 | 948,888 | 925,826 | (23,062) |
| Total Revenues | 3,523,871 | 3,523,871 | 3,537,377 | 13,506 |
| **EXPENDITURES** | | | | |
| Instruction: | | | | |
| Regular Curriculum | 56,675 | 56,675 | 53,487 | 3,188 |
| Special Instruction | 7,934,431 | 7,934,431 | 7,727,735 | 206,696 |
| Total Instruction | 7,991,106 | 7,991,106 | 7,781,222 | 209,884 |
| Support Services: | | | | |
| Pupil Services | 1,822,503 | 1,822,503 | 1,759,787 | 62,716 |
| Instructional Staff Services | 1,089,738 | 1,089,738 | 1,085,408 | 4,330 |
| Operations and Maintenance of Plant | - | - | 3,535 | (3,535) |
| Pupil Transportation | 485,747 | 485,747 | 489,021 | (3,274) |
| Business Services | 4,001 | 4,001 | 1,804 | 2,197 |
| Central Services | - | - | - | - |
| Other Support Services | 8,000 | 8,000 | 3,783 | 4,217 |
| Total Support Services | 3,409,989 | 3,409,989 | 3,343,338 | 66,651 |
| Nonprogram | 67,000 | 67,000 | 112,244 | (45,244) |
| Total Expenditures | 11,468,095 | 11,468,095 | 11,236,804 | 231,291 |
| **DEFICIENCY OF REVENUES OVER EXPENDITURES** | (7,944,224) | (7,944,224) | (7,699,427) | 244,797 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfer from General Fund | 7,944,224 | 7,944,224 | 7,699,427 | (244,797) |
| Total Other Financing Sources (Uses) | 7,944,224 | 7,944,224 | 7,699,427 | (244,797) |
| **NET CHANGE IN FUND BALANCE** | - | - | - | - |
| Fund Balance - Beginning of Year | - | - | - | - |
| **FUND BALANCE - END OF YEAR** | $ - | $ - | $ - | $ - |

*See accompanying Notes to Required Supplementary Information.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
## SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF WISCONSIN RETIREMENT SYSTEM NET PENSION PLAN LIABILITY (ASSET)
## LAST TEN FISCAL YEARS
### (SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)

| Measurement Date: December 31, | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| District's Proportion of the Net Pension Liability (Asset) | 0.25150271% | 0.24970597% | 0.24936066% | 0.25007170% | 0.25011012% | 0.24958682% |
| District's Proportionate Share of the Net Pension Liability (Asset) | $ (6,177,595) | $ 4,057,674 | $ 2,055,327 | $ (7,424,925) | $ 8,898,134 | $ (8,047,818) |
| District's Covered Payroll | $ 34,790,332 | $ 35,396,734 | $ 36,135,268 | $ 37,185,567 | $ 38,323,393 | $ 39,829,301 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 17.76% | 11.46% | 5.69% | 19.97% | 23.22% | 20.21% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) | 102.74% | 98.20% | 99.12% | 102.93% | 96.45% | 102.96% |

## SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO WISCONSIN RETIREMENT SYSTEM NET PENSION
## LAST TEN FISCAL YEARS
### (SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)

| Fiscal Year Ended: June 30, | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| District's Actuarially Determined Contributions | $ 2,435,430 | $ 2,407,339 | $ 2,388,444 | $ 2,531,293 | $ 2,568,454 | $ 2,608,883 |
| District Contributions in Relation to the Actuarially Determined Contributions | (2,435,430) | (2,407,339) | (2,388,444) | (2,531,293) | (2,568,454) | (2,608,883) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| District's Covered Payroll | $ 34,790,332 | $ 35,396,734 | $ 36,135,268 | $ 37,185,567 | $ 38,323,393 | $ 39,829,301 |
| District's Contributions as a Percentage of Covered Payroll | 6.88% | 6.80% | 6.61% | 6.81% | 6.70% | 6.55% |

*See accompanying Notes to Required Supplementary Information.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
# SUPPLEMENTAL PENSION
# LAST TEN FISCAL YEARS
### (SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| District's Actuarially Determined Contributions | $ 1,412,208 | $ 620,588 | $ 645,412 | $ 558,014 | $ 632,284 | $ 441,596 |
| District Contributions in Relation to the Actuarially Determined Contributions | 14,308,236 | - | - | - | - | - |
| Contribution Deficiency (Excess) | (12,896,028) | 620,588 | 645,412 | 558,014 | 632,284 | 441,596 |
| District's Covered-Employee Payroll | 21,339,399 | 21,030,020 | 17,667,496 | 20,401,347 | 27,229,528 | 27,229,528 |
| District's Contributions as a Percentage of Covered-Employee Payroll | 67.05% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

*See accompanying Notes to Required Supplementary Information.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
# SUPPLEMENTAL PENSION
# LAST TEN FISCAL YEARS
### (SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | |
| Service Cost | $ 651,616 | $ 620,588 | $ 645,412 | $ 465,148 | $ 483,754 | $ 337,432 |
| Interest on Total Pension Liability | 503,901 | 502,764 | 486,577 | 477,735 | 481,836 | 440,066 |
| Changes in Benefit Terms | - | - | - | - | (214,790) | - |
| Differences Between Expected and Actual Experience | 554 | - | 78,574 | - | 71,851 | - |
| Changes in Assumptions | - | - | 129,069 | - | (392,513) | - |
| Benefit Payments | (1,120,257) | (1,245,214) | (1,821,255) | (1,294,945) | (1,340,550) | (1,315,609) |
| Net Change in Total Pension Liability | 35,814 | (121,862) | (481,623) | (352,062) | (910,412) | (538,111) |
| Total Pension Liability - Beginning | 13,152,165 | 13,187,979 | 13,066,117 | 12,584,494 | 12,232,432 | 11,322,020 |
| Total Pension Liability - Ending | 13,187,979 | 13,066,117 | 12,584,494 | 12,232,432 | 11,322,020 | 10,783,909 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - Employer | 14,308,236 | - | - | - | - | - |
| Net Investment Income (Loss) | - | 1,284,962 | (41,561) | 17,695 | 1,116,792 | 1,195,956 |
| Benefit Payments | (1,120,257) | (1,245,214) | (1,821,255) | (1,294,945) | (1,340,550) | (1,315,609) |
| Administrative Expenses | - | (36,234) | (28,299) | (24,472) | (20,705) | (20,741) |
| Net Change in Fiduciary Net Position | 13,187,979 | 3,514 | (1,891,115) | (1,301,722) | (244,463) | (140,394) |
| Plan Fiduciary Net Position - Beginning | - | 13,187,979 | 13,191,493 | 11,300,378 | 9,998,656 | 9,754,193 |
| Plan Fiduciary Net Position - Ending | 13,187,979 | 13,191,493 | 11,300,378 | 9,998,656 | 9,754,193 | 9,613,799 |
| Net Pension (Asset) Liability | $ - | $ (125,376) | $ 1,284,116 | $ 2,233,776 | $ 1,567,827 | $ 1,170,110 |
| Plan Fiduciary Nnet Position as a Percentage of the Total Pension Liability | 100.00% | 100.96% | 89.80% | 81.74% | 86.15% | 89.15% |
| Covered-Employee Payroll | $ 21,339,399 | $ 21,030,020 | $ 17,667,496 | $ 20,401,347 | $ 27,229,528 | $ 27,229,528 |
| Net Pension (Asset) Liability as a Percentage of Covered-Employee Payroll | 0.00% | -0.60% | 7.27% | 10.95% | 5.76% | 4.30% |

*See accompanying Notes to Required Supplementary Information.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS CONTRIBUTIONS
# LAST TEN FISCAL YEARS
## (SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| District's Actuarially Determined Contributions | $ 795,916 | $ 929,473 | $ 864,836 | $ 698,434 |
| District Contributions in Relation to the Actuarially Determined Contributions | - | - | - | - |
| Contribution Deficiency (Excess) | 795,916 | 929,473 | 864,836 | 698,434 |
| District's Covered-Employee Payroll | 31,295,246 | 32,234,103 | 33,201,126 | 34,197,160 |
| District's Contributions as a Percentage of Covered-Employee Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

*See accompanying Notes to Required Supplementary Information.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT BENEFITS ASSET AND RELATED RATIOS
# LAST TEN FISCAL YEARS
### (SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Total OPEB Liability | | | | |
| Service Cost | $ 795,916 | $ 929,473 | $ 864,836 | $ 698,434 |
| Interest on Total OPEB Liability | 807,791 | 720,954 | 710,352 | 499,018 |
| Changes in Benefit Terms | - | - | - | - |
| Differences Between Expected and Actual Experience | (1,154,478) | 431,790 | (3,300,138) | 127,094 |
| Changes in Assumptions | (545,607) | - | 238,277 | - |
| Benefit Payments | (2,699,778) | (2,148,242) | (1,681,396) | (2,145,507) |
| Net Change in Total OPEB Liability | (2,796,156) | (66,025) | (3,168,069) | (820,961) |
| Total OPEB Liability - Beginning | 20,748,757 | 17,952,601 | 17,886,576 | 14,718,507 |
| Total OPEB Liability - Ending | 17,952,601 | 17,886,576 | 14,718,507 | 13,897,546 |
| Plan Fiduciary Net Position | | | | |
| Contributions - Employer | - | - | - | - |
| Net Investment Income (Loss) | (76,611) | 31,394 | 1,985,409 | 2,126,146 |
| Benefit Payments | (2,699,778) | (2,148,242) | (1,681,396) | (2,145,507) |
| Administrative Expenses | (50,526) | (45,382) | (36,808) | (36,872) |
| Net Change in Fiduciary Net Position | (2,826,915) | (2,162,230) | 267,205 | (56,233) |
| Plan Fiduciary Net Position - Beginning | 25,198,361 | 22,371,446 | 20,209,216 | 20,476,421 |
| Plan Fiduciary Net Position - Ending | 22,371,446 | 20,209,216 | 20,476,421 | 20,420,188 |
| Net OPEB (Asset) Liability | $ (4,418,845) | $ (2,322,640) | $ (5,757,914) | $ (6,522,642) |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 124.61% | 112.99% | 139.12% | 146.93% |
| Covered-Employee Payroll | $ 20,482,131 | $ 20,401,347 | $ 33,201,126 | $ 34,197,160 |
| Net OPEB (Asset) Liability as a Percentage of Covered-Employee Payroll | -21.57% | -11.38% | -17.34% | -19.07% |

*See accompanying Notes to Required Supplementary Information.*

**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
**SCHEDULE OF INVESTMENT RETURNS**
**LAST TEN FISCAL YEARS**
**(SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)**

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Annual Money-Weighted Rate of Return, Net of Investment Expense. | -0.08% | 0.04% | 2.44% | 2.60% |

*See accompanying Notes to Required Supplementary Information.*

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET LOCAL RETIREE LIFE INSURANCE FUND LIABILITY
## LAST TEN FISCAL YEARS
### (SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)

| Measurement Date: December 31, | 2017 | 2018 | 2019 |
|---|---|---|---|
| District's Proportion of the Net LRLIF Liability (Asset) | 0.43910900% | 0.46553900% | 0.45734700% |
| District's Proportionate Share of the Net LRLIF Liability (Asset) | $ 1,321,095 | $ 1,201,248 | $ 1,947,473 |
| District's Covered-Employee Payroll | $ 18,465,790 | $ 22,137,000 | $ 20,832,000 |
| District's Proportionate Share of the Net LRLIF Liability (Asset) as a Percentage of its Covered-Employee Payroll | 7.15% | 5.43% | 9.35% |
| Plan Fiduciary Net Position as a Percentage of the Total LRLIF Liability (Asset) | 44.81% | 48.69% | 37.58% |

## SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE LOCAL RETIREE LIFE INSURANCE FUND
## LAST TEN FISCAL YEARS
### (SCHEDULE PRESENTED PROSPECTIVELY FROM IMPLEMENTATION)

| Fiscal Year Ended: June 30, | 2018 | 2019 |
|---|---|---|
| District's Contractually Required Contribution | $ 8,969 | $ 8,267 |
| District's Contributions in Relation to the Contractually Required Contributions | (8,969) | (8,267) |
| Contribution Deficiency (Excess) | $ - | $ - |
| District's Covered-Employee Payroll | $ 22,137,000 | $ 20,832,000 |
| District's Contributions as a Percentage of Covered-Employee Payroll | 0.04% | 0.04% |

*See accompanying Notes to Required Supplementary Information.*

## BUDGETARY INFORMATION

GASB Statement No. 34 requires the presentation of budgetary comparison schedules for the general fund and for each major special revenue fund. Budgetary information for the general fund is derived from the District's annual operating budget.

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 District's legally adopted budget and budgetary expenditure control is exercised at the one digit function level in the general fund and at the fund level for all other funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

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

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

Budget amounts in the financial statements include both the original adopted budget and the final budget.

## EXCESS OF EXPENDITURES OVER BUDGET

Comparisons of actual revenues and expenditures to budgeted amounts for the District's general fund are presented as required supplementary information following the basic financial statements. Expenditures in excess of budgeted amounts at the legally adopted levels for the general fund is shown in that schedule.

# SUPPLEMENTARY INFORMATION

# COMBINING AND INDIVIDUAL FUND STATEMENTS

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# OTHER NONMAJOR GOVERNMENTAL FUNDS
# COMBINING BALANCE SHEET
# YEAR ENDED JUNE 30, 2020

| | Special Revenue Fund | Capital Expansion Fund | Community Services Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Investments | $ 113,203 | $ 683,108 | $ 555,444 | $ 1,351,755 |
| Due from Other Funds | 549,300 | - | 6,340 | 555,640 |
| Due from Employee Benefit Trust Fund | - | - | 1,859 | 1,859 |
| Total Assets | $ 662,503 | $ 683,108 | $ 563,643 | $ 1,909,254 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts Payable | $ 250 | $ - | $ - | $ 250 |
| Accrued Salaries and Related Items | 878 | - | - | 878 |
| Due to Other Funds | 24,759 | - | 261,528 | 286,287 |
| Total Liabilities | 25,887 | - | 261,528 | 287,415 |
| **FUND BALANCES** | | | | |
| Capital Expansion | - | 683,108 | - | 683,108 |
| Special Projects | 636,616 | - | - | 636,616 |
| Assigned | - | - | 302,115 | 302,115 |
| Total Fund Balances | 636,616 | 683,108 | 302,115 | 1,621,839 |
| Total Liabilities and Fund Balances | $ 662,503 | $ 683,108 | $ 563,643 | $ 1,909,254 |

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# OTHER NONMAJOR GOVERNMENTAL FUNDS
# COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
# YEAR ENDED JUNE 30, 2020

| | Special Revenue Fund | Capital Expansion Fund | Community Services Fund | Nonmajor Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Local Sources: | | | | |
| Property Taxes | $ - | $ 1,000 | $ 612,301 | $ 613,301 |
| Other Local Sources | 660,348 | - | 75,776 | 736,124 |
| Other Sources | 12 | 9,748 | - | 9,760 |
| Total Revenues | 660,360 | 10,748 | 688,077 | 1,359,185 |
| **EXPENDITURES** | | | | |
| Instruction: | | | | |
| Regular Instruction | 309,048 | - | - | 309,048 |
| Vocational Instruction | 3,558 | - | - | 3,558 |
| Co-Curricular Activities | 202,549 | - | - | 202,549 |
| Physical Curriculum | 600 | - | - | 600 |
| Support Services: | | | | |
| General Administration | 7,495 | - | - | 7,495 |
| School Administration | 1,247 | - | 163,230 | 164,477 |
| Business Services | 41,292 | - | - | 41,292 |
| Operation and Maintenance of Plant | - | - | 37,388 | 37,388 |
| Pupil Transportation Services | 11,718 | - | - | 11,718 |
| Central Services | - | - | 33,674 | 33,674 |
| Community Services | - | - | 319,146 | 319,146 |
| Other Support Services | 2,113 | - | - | 2,113 |
| Total Expenditures | 579,620 | - | 553,438 | 1,133,058 |
| **NET CHANGE IN FUND BALANCES** | 80,740 | 10,748 | 134,639 | 226,127 |
| Fund Balances - Beginning of Year | 555,876 | 672,360 | 167,476 | 1,395,712 |
| **FUND BALANCES - END OF YEAR** | $ 636,616 | $ 683,108 | $ 302,115 | $ 1,621,839 |

**VERONA AREA SCHOOL DISTRICT**
**VERONA, WISCONSIN**
**SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS**
**YEAR ENDED JUNE 30, 2020**

| Operating Activity | WUFAR Object Code | Cost |
|---|---|---|
| Employee Salaries | 100 | $ 10,425 |
| Employee Benefits | 200 | 2,178 |
| | | $ 12,603 |

# VERONA AREA SCHOOL DISTRICT
# VERONA, WISCONSIN
# ANALYSIS OF LOCAL LEVY
# JUNE 30, 2020

| | 2018 Taxes Receivable July 1, 2019 | Total 2019 Levy | Collections | 2019 Taxes Receivable June 30, 2020 |
|---|---|---|---|---|
| City of Fitchburg | $ 3,987,739 | $ 15,139,630 | $ (14,777,335) | $ 4,350,034 |
| City of Verona | 13,120,231 | 37,918,402 | (36,461,178) | 14,577,455 |
| Town of Verona | 1,190,451 | 4,556,690 | (4,519,474) | 1,227,667 |
| City of Madison | 366,655 | 2,255,174 | (2,208,499) | 413,330 |
| Town of Springdale | 352,210 | 1,208,928 | (1,217,504) | 343,634 |
| Town of Montrose | 85,932 | 328,707 | (319,923) | 94,716 |
| Town of Middleton | 50,744 | 201,134 | (196,123) | 55,755 |
| Total | $ 19,153,962 | $ 61,608,665 | $ (59,700,036) | $ 21,062,591 |