

**APPLETON AREA SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020**



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**APPLETON AREA SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Appleton Area School District, Appleton, Wisconsin (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 auditors consider 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.

Opinion

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

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 50 to 53 be presented to supplement the basic financial statements. Such information, although not 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.

Prior-Year Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are also not a required part of the basic financial statements.

To the Board of Education
Appleton Area School District

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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

Sheboygan, Wisconsin
November 30, 2020

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The management of the Appleton Area School District offers readers of the District's basic financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. Readers should consider the information presented in the Management Discussion and Analysis in conjunction with the basic financial statements and the notes to the financial statements, which follow this narrative.

Financial Highlights

- Due to moving students to virtual learning the last 10 weeks of the school year savings were incurred in the following areas; transportation, cleaning, utilities, substitute staffing, and co-curricular expenses.
- Due to closing all buildings during the State mandated closure the following areas incurred savings that will be expended during the 2020-2021 fiscal year; capital projects, facilities maintenance, technology purchases, school level supplies and equipment.
- Fund Balance in the general fund increased by \$9,451,403 and total fund balance for all funds increased by \$9,488,672.

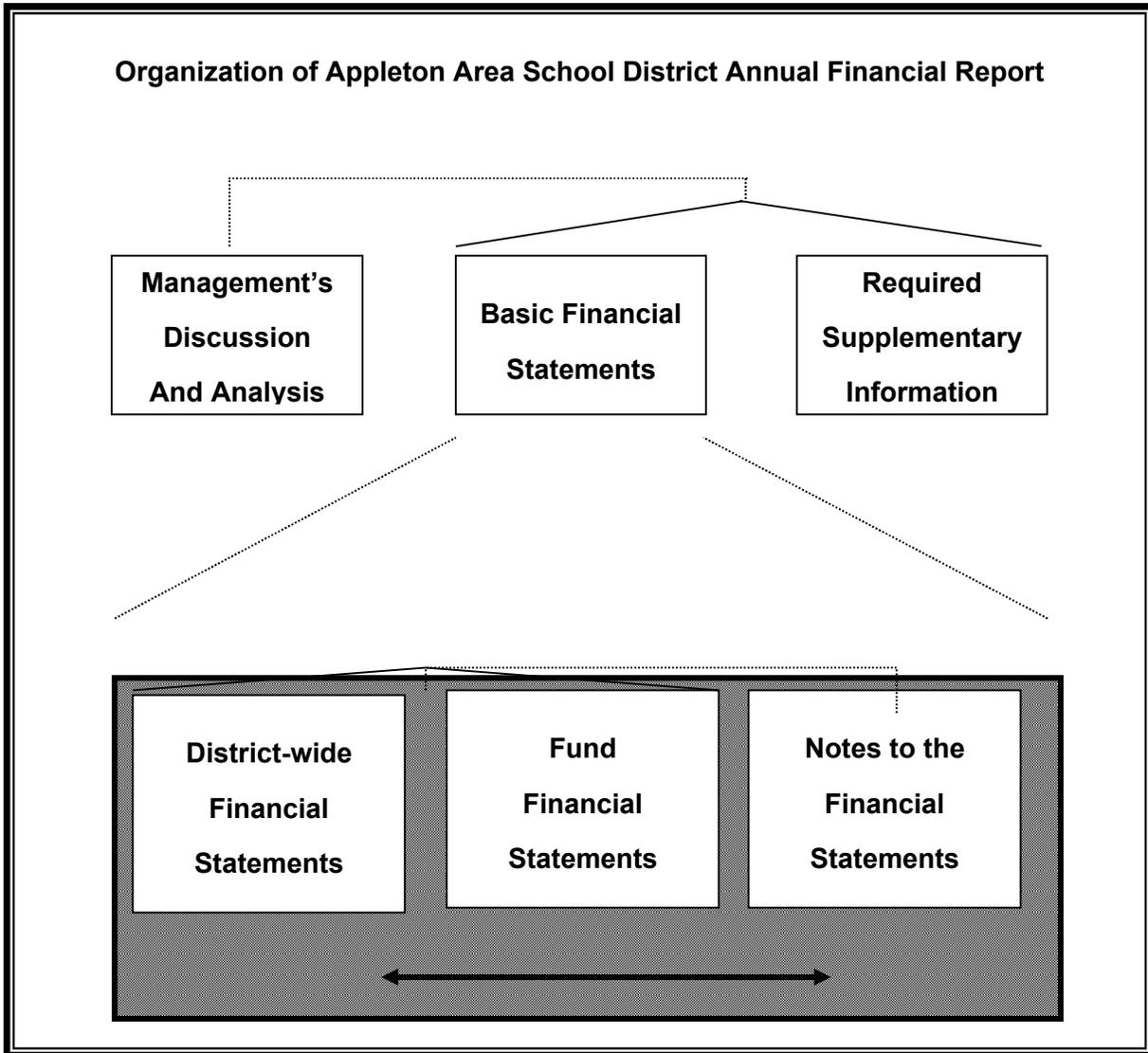
Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The basic financial statements include two types of statements that present different financial perspectives of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the district's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operations in more detail than district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The following chart shows how the parts of this annual report are arranged and relate to one another.

APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020



**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

District-wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the related cash is received or paid.

- The district-wide statements report the district's net position and how it has changed. Governmental activities are financed mostly with property taxes and state formula aid. The net position, which is the difference between district assets and deferred outflows of resources compared to liabilities and deferred inflows, is one way to measure the districts' financial position.
- Over time, increases or decreases in the district's net position are an indicator of whether its financial position is improving or declining, respectively.
- To assess the districts overall financial position, you also need to consider additional nonfinancial factors such as changes in the property tax base and condition of school district facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds, not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The district has two kinds of funds:

Governmental funds: Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Fiduciary funds: The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Major Features of the District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/ Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Out flow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	ALL ADDITIONS AND DEDUCTIONS DURING THE YEAR, REGARDLESS OF WHEN CASH IS RECEIVED OR PAID

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Financial Analysis of the District as a Whole

Net Position. The District's combined net position was more on June 30, 2020 than it was the year before.

**Figure A-1
Condensed Statement of Net Position**

The District's total net position increased to \$110,335,008 in 2019-2020. This is an increase of \$25,628,051.

	<u>2020</u> Governmental Activities	<u>2019</u> Governmental Activities
Current and Other Assets	\$ 97,031,641	\$ 70,563,337
Capital Assets	<u>31,320,881</u>	<u>88,248,683</u>
Total Assets	<u>128,352,522</u>	<u>158,812,020</u>
Deferred Outflows of Resources		
Loss on Advance Refunding	211,644	336,782
Pension Related Amounts	43,188,194	58,066,939
Other Postemployment Related Amounts	<u>4,869,447</u>	<u>3,173,057</u>
	<u>48,269,285</u>	<u>61,576,778</u>
Long-Term Obligations	41,418,781	79,077,100
Other Liabilities	<u>21,352,127</u>	<u>24,687,767</u>
Total Liabilities	<u>62,770,908</u>	<u>103,764,867</u>
Deferred Inflows of Resources		
Pension Related Amounts	60,408,688	30,782,801
Other Postemployment Related Amounts	<u>3,107,203</u>	<u>1,134,173</u>
	<u>63,515,891</u>	<u>31,916,974</u>
Net Position		
Net Investment in Capital Assets	67,641,282	57,553,992
Restricted	31,745,523	11,053,312
Unrestricted	10,948,203	16,099,653
Total Net Position	<u>\$ 110,335,008</u>	<u>\$ 84,706,957</u>

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

- The users of the district's programs financed some of the cost. (7.9%).
- Certain programs were subsidized with grants and contributions from the federal and state governments (13.0%).
- The remaining portion of governmental activities was financed with \$69,810,496 in property taxes and \$106,585,938 of unrestricted state aid based on the statewide equalization aid formula.

Financial Analysis of the District's Funds

The strong financial status of the district as a whole is reflected in its general fund balance of \$43,018,270 which is included in the total fund balance of all governmental funds of \$55,729,981. As the district completed the year, its governmental activities reported combined net position of \$110,335,008.

General Fund Budgetary Highlights

In addition to savings due to COVID, over the course of the year the district revised the annual operating budget a number of times. These budget amendments fall into three categories:

- New Grant Revenues and Expenditures
- Site Budget Transfers
- Operating Transfers

The result of these revisions generally was a decrease of \$1,342,956 in the budgeted net change in fund balance. Actual results were substantially better than budget.

**APPLETON AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Capital Asset and Debt Administration

Capital Assets. By the end of the 2019-2020 fiscal year, the district had invested in a broad range of capital assets including land, buildings, athletic facilities, computer and audio-visual equipment, and other instructional or support equipment. (More detailed information about capital assets can be found in Note 2.B to the financial statements.) Total depreciation expense for the year for governmental activities was \$5,912,872.

**Figure A-3
Capital Assets**

	2020 Governmental Activities	2019 Governmental Activities
Land	\$ 7,593,005	\$ 7,593,005
Buildings and Improvements	152,737,693	149,297,617
Machinery and Equipment	13,523,897	7,978,903
Accumulated Depreciation	<u>(82,533,714)</u>	<u>(76,620,842)</u>
Total	<u>\$ 91,320,881</u>	<u>\$ 88,248,683</u>

Long-Term Obligations

At year-end, the District had \$22,760,000 in general obligation bonds and notes as well as \$2,873,424 in other long-term liabilities and retirement obligations outstanding. (More detailed information about the District's long-term liabilities is presented in Note 2.E to the financial statements.)

**Figure A-4
Outstanding Long-Term Obligations**

	2020 Total District	2019 Total District
General Obligation Debt	\$ 22,760,000	\$ 30,580,000
Other	2,873,424	48,497,100
Total	<u>\$ 25,633,424</u>	<u>\$ 79,077,100</u>

Contacting the District's Financial Management

The financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of the Appleton Area School District at 131 E. Washington Street, Suite 1A, Appleton, WI or by calling (920) 832-6128.

BASIC FINANCIAL STATEMENTS

APPLETON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019)

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 57,367,844	\$ 50,643,952
Receivables		
Taxes	15,067,480	13,798,419
Accounts	114,519	92,962
Due from Other Governments	4,095,346	5,865,858
Inventories and Prepaid Items	232,715	162,146
Net Pension Asset	20,153,737	-
Capital Assets		
Nondepreciable	8,506,855	7,593,005
Depreciable, Net	82,814,026	80,655,678
Total Assets	188,352,522	158,812,020
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Advance Refunding	211,644	336,782
Pension Related Amounts	43,188,194	58,066,939
Other Postemployment Related Amounts	4,869,447	3,173,057
Total Deferred Outflows of Resources	48,269,285	61,576,778
LIABILITIES		
Accounts Payable	1,810,612	5,680,585
Accrued and Other Current Liabilities	18,698,133	17,902,429
Accrued Interest Payable	204,299	365,834
Unearned Revenues	-	3,035
Deposits Payable	137,898	133,602
Health and Dental Claims Payable	501,185	602,282
Long-Term Obligations		
Due in One Year	4,149,057	5,641,029
Due in More Than One Year	21,484,367	30,040,964
Other Postemployment Benefits Liability	15,785,357	21,041,943
Net Pension Liability	-	22,353,164
Total Liabilities	62,770,908	103,764,867
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	60,408,688	30,782,801
Other Postemployment Related Amounts	3,107,203	1,134,173
Total Deferred Inflows of Resources	63,515,891	31,916,974
NET POSITION		
Net Investment in Capital Assets	67,641,282	57,553,992
Restricted	31,745,523	11,053,312
Unrestricted	10,948,203	16,099,653
Total Net Position	\$ 110,335,008	\$ 84,706,957

See accompanying Notes to Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED AMOUNTS AS OF JUNE 30, 2019)**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2020	2019
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 112,598,368	\$ 13,815,767	\$ 13,920,861	\$ (84,861,740)	\$ (93,157,784)
Support Services	61,779,997	1,390,246	10,352,372	(50,037,379)	(61,037,945)
Community Services	2,031,635	21,435	-	(2,010,200)	(2,052,107)
Nonprogram	10,023,509	1,821	865,165	(9,156,523)	(6,979,297)
Interest and Fiscal Charges	1,238,391	-	93,011	(1,145,380)	(1,342,413)
Depreciation - Unallocated	5,912,872	-	-	(5,912,872)	(4,769,261)
Total Governmental Activities	\$ 193,584,772	\$ 15,229,269	\$ 25,231,409	(153,124,094)	(169,338,807)
GENERAL REVENUES					
Property Taxes				69,809,776	68,347,217
Other Taxes				720	823
State and Federal Aids Not Restricted to Specific Functions				106,585,938	101,267,068
Interest and Investment Earnings				587,218	766,072
Gain on Disposal of Capital Assets				3,562	7,746
Gifts and Donations				494,992	616,402
Miscellaneous				1,269,939	236,206
Total General Revenues				178,752,145	171,241,534
CHANGE IN NET POSITION				25,628,051	1,902,727
Net Position - July 1				84,706,957	82,804,230
NET POSITION - JUNE 30				\$ 110,335,008	\$ 84,706,957

See accompanying Notes to Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019)**

	General	Other Governmental Funds	Totals	
			2020	2019
ASSETS				
Cash and Investments	\$ 52,654,330	\$ 4,713,514	\$ 57,367,844	\$ 50,643,952
Receivables				
Taxes	15,067,480	-	15,067,480	13,798,419
Accounts	93,456	21,063	114,519	92,962
Due from Other Funds	-	8,602,198	8,602,198	11,102,543
Due from Other Governments	3,877,673	217,673	4,095,346	5,865,858
Inventories and Prepaid Items	232,715	-	232,715	162,146
	<u>\$ 71,925,654</u>	<u>\$ 13,554,448</u>	<u>\$ 85,480,102</u>	<u>\$ 81,665,880</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,160,725	\$ 649,887	\$ 1,810,612	\$ 5,680,585
Accrued and Other Current Liabilities	18,693,955	4,178	18,698,133	17,902,429
Accrued Interest Payable	95	-	95	95
Due to Other Funds	8,551,424	50,774	8,602,198	11,102,543
Unearned Revenues	-	-	-	3,035
Deposits Payable	-	137,898	137,898	133,602
Health and Dental Claims Payable	501,185	-	501,185	602,282
Total Liabilities	<u>28,907,384</u>	<u>842,737</u>	<u>29,750,121</u>	<u>35,424,571</u>
FUND BALANCES				
Nonspendable	232,715	34,345	267,060	206,757
Restricted	67,818	11,454,383	11,522,201	11,419,146
Assigned	34,043,196	1,223,053	35,266,249	31,181,519
Unassigned	8,674,541	(70)	8,674,471	3,433,887
Total Fund Balances	<u>43,018,270</u>	<u>12,711,711</u>	<u>55,729,981</u>	<u>46,241,309</u>
Total Liabilities and Fund Balances	<u>\$ 71,925,654</u>	<u>\$ 13,554,448</u>	<u>\$ 85,480,102</u>	<u>\$ 81,665,880</u>

See accompanying Notes to Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019)**

	2020	2019
Total fund balances as shown on previous page	\$ 55,729,981	\$ 46,241,309
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	91,320,881	88,248,683
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Loss on Advance Refunding	211,644	336,782
Deferred Outflows Related to Pensions	43,188,194	58,066,939
Deferred Inflows Related to Pensions	(60,408,688)	(30,782,801)
Deferred Outflows Related to Other Postemployment Benefits	4,869,447	3,173,057
Deferred Inflows Related to Other Postemployment Benefits	(3,107,203)	(1,134,173)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and Notes Payable	(22,760,000)	(30,580,000)
Premium on Debt	(891,729)	(1,126,493)
Compensated Absences	(1,981,695)	(2,375,500)
Other Postemployment Benefits Liability	(15,785,357)	(22,641,943)
Net Pension Asset (Liability)	20,153,737	(22,353,164)
Accrued Interest on Long-Term Obligations	(204,204)	(365,739)
Net Position of governmental Activities (Statement of Net Position (see page 12))	\$ 110,335,008	\$ 84,706,957

See accompanying Notes to Financial Statements.

APPLETON AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED AMOUNTS AS OF JUNE 30, 2019)

	General	Other Governmental Funds	Totals	
			2020	2019
REVENUES				
Property Taxes	\$ 56,234,718	\$ 13,575,778	\$ 69,810,496	\$ 68,348,040
Other Local Sources	1,520,921	1,761,536	3,282,457	4,175,382
Interdistrict Sources	12,934,347	-	12,934,347	12,007,034
Intermediate Sources	13,967	-	13,967	15,383
State Sources	118,461,919	109,335	118,571,254	112,237,310
Federal Sources	8,609,362	4,077,669	12,687,031	13,364,703
Other Sources	1,310,859	643,346	1,954,205	603,779
Total Revenues	<u>199,086,093</u>	<u>20,167,664</u>	<u>219,253,757</u>	<u>210,751,631</u>
EXPENDITURES				
Instruction				
Regular Instruction	68,825,578	67,809	68,893,387	69,086,795
Vocational Instruction	3,641,317	37,981	3,679,298	3,601,425
Special Education Instruction	27,433,124	-	27,433,124	26,754,845
Other Instruction	12,625,478	7,172	12,632,650	12,361,827
Total Instruction	<u>112,525,497</u>	<u>112,962</u>	<u>112,638,459</u>	<u>111,804,892</u>
Support Services				
Pupil Services	11,033,595	9,702	11,043,297	10,768,834
Instructional Staff Services	9,550,811	24,752	9,575,563	9,683,261
General Administration Services	1,533,747	45,323	1,579,070	1,673,351
School Administration Services	9,275,581	557,761	9,833,342	9,788,402
Business Services	1,160,218	46,828	1,207,046	1,149,068
Operations and Maintenance of Plant	15,514,151	2,658,036	18,172,187	21,164,274
Pupil Transportation Services	4,683,934	2,757	4,686,691	5,515,767
Food Services	-	6,111,369	6,111,369	5,931,252
Central Services	7,475,775	74,300	7,550,075	7,520,954
Insurance	1,271,539	-	1,271,539	1,291,719
Other Support Services	5,571,282	-	5,571,282	5,107,426
Total Support Services	<u>67,070,633</u>	<u>9,530,828</u>	<u>76,601,461</u>	<u>79,594,308</u>
Debt Service				
Principal	-	7,820,000	7,820,000	6,495,000
Interest and Fiscal Charges	21,175	1,488,377	1,509,552	1,382,522
Total Debt Service	<u>21,175</u>	<u>9,308,377</u>	<u>9,329,552</u>	<u>7,877,522</u>
Community Service	-	1,175,666	1,175,666	1,230,731
Nonprogram				
General Tuition Payments	6,565,626	2,562	6,568,188	6,214,457
Special Education Tuition Payments	141,765	-	141,765	141,784
Adjustments and Refunds	225,750	-	225,750	40,784
Voucher Payments	3,087,806	-	3,087,806	1,812,484
Total Nonprogram	<u>10,020,947</u>	<u>2,562</u>	<u>10,023,509</u>	<u>8,209,509</u>
Total Expenditures	<u>189,638,252</u>	<u>20,130,395</u>	<u>209,768,647</u>	<u>208,716,962</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>9,447,841</u>	<u>37,269</u>	<u>9,485,110</u>	<u>2,034,669</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	3,562	-	3,562	7,746
Transfers In	-	-	-	653,069
Transfers Out	-	-	-	(653,069)
Total Other Financing Sources (Uses)	<u>3,562</u>	<u>-</u>	<u>3,562</u>	<u>7,746</u>
NET CHANGES IN FUND BALANCES	<u>9,451,403</u>	<u>37,269</u>	<u>9,488,672</u>	<u>2,042,415</u>
Fund Balances - July 1	<u>33,566,867</u>	<u>12,674,442</u>	<u>46,241,309</u>	<u>44,198,894</u>
FUND BALANCES - JUNE 30	<u>\$ 43,018,270</u>	<u>\$ 12,711,711</u>	<u>\$ 55,729,981</u>	<u>\$ 46,241,309</u>

See accompanying Notes to Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED AMOUNTS AS OF JUNE 30, 2019)**

	2020	2019
Net change in fund balances as shown on previous page	\$ 9,488,672	\$ 2,042,415
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.		
Capital Assets Reported as Capital Outlay Reported in Governmental Fund Statements	8,985,070	5,283,733
Depreciation Expense Reported in the Statement of Activities	(5,912,872)	(4,769,261)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Repaid	7,820,000	6,495,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued Interest on Long-Term Debt	161,535	33,913
Amortization of Premiums on debt	109,626	(40,235)
Compensated Absences	393,805	208,776
Net Pension Liability/Asset	42,506,901	(40,917,873)
Deferred Outflows of Resources Related to Pensions	(14,878,745)	26,627,844
Deferred Inflows of Resources Related to Pensions	(29,625,887)	5,792,615
Other Postemployment Benefits	6,856,586	1,584,204
Deferred Outflows of Resources Related to Other Postemployment Benefits	1,696,390	(183,665)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(1,973,030)	(254,739)
Change in Net Position of Governmental Activities (Statement of Activities)	\$ 25,628,051	\$ 1,902,727

See accompanying Notes to Financial Statements.

APPLETON AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION — FIDUCIARY FUNDS
JUNE 30, 2020
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019)

	Private Purpose Trust	Agency Pupil Activity	Totals	
			2020	2019
ASSETS				
Cash and Investments	\$ 319,434	\$ 2,651,601	\$ 2,971,035	\$ 2,929,960
LIABILITIES				
Due to Student Organizations	-	2,651,601	2,651,601	2,602,456
NET POSITION				
Restricted	\$ 319,434	-	\$ 319,434	\$ 327,504

See accompanying Notes to Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION —
PRIVATE PURPOSE TRUST FIDUCIARY FUND
YEAR ENDED JUNE 30, 2020
(WITH SUMMRIZED AMOUNTS AS OF JUNE 30, 2019)**

	Private Purpose Trust Fund	
	2020	2019
ADDITIONS		
Other Local Sources	\$ 7	\$ 199,355
Investment Earnings	3,399	1,105
Total Additions	<u>3,406</u>	<u>200,460</u>
DEDUCTIONS		
Trust Fund Disbursements	<u>11,476</u>	<u>12,777</u>
CHANGE IN NET POSITION	(8,070)	187,683
Net Position - July 1	<u>327,504</u>	<u>139,821</u>
NET POSITION - JUNE 30	<u><u>\$ 319,434</u></u>	<u><u>\$ 327,504</u></u>

See accompanying Notes to Financial Statements.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is organized as a unified school district. The District, governed by an elected seven member board, operates grades K through 12 and is comprised of all or parts of seven taxing districts. In accordance with GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

B. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental fund:

General Fund

This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

General Fund (Continued)

Additionally, the District reports the following fund types:

- The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.
- The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund — Financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to employee benefit programs (compensated absences) and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

2. Property Taxes

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

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for nonpayment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

3. Accounts Receivable

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

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

5. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

6. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are expensed in the periods benefitted.

Prepaid items of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities Years
Land Improvements	20 - 50
Buildings and Improvements	20 - 50
Machinery and Equipment	5 - 20

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

8. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the district-wide statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

9. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

10. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Pensions

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

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

12. Other Postemployment Benefits Other Than Pensions (OPEB)

Qualifying retired employees are provided with other postemployment benefits. The OPEB is a single employer defined benefit plan administered by the District. For purposes of measuring the OPEB liability, related deferred outflows and inflows and OPEB expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

13. Fund Equity

Governmental Fund Financial Statements

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance. Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

Restricted Fund Balance. Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

Committed Fund Balance. Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.

Assigned Fund Balance. Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized a specific employee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.

Unassigned Fund Balance. Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The District has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

13. Fund Equity (Continued)

District-Wide Statements

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

Net Investment in Capital Assets. Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.

Restricted Net Position. Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position. Net position that is neither classified as restricted nor as net investment in capital assets.

E. Use of Estimates

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

F. Prior Year Information

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The debt service and capital project funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the fiduciary fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$60,338,879 on June 30, 2020 as summarized below:

Deposits with Financial Institutions	\$ 27,547,490
Investments	
Wisconsin Investment Series Cooperative	32,791,389
Total	<u>\$ 60,338,879</u>

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and Investments	\$ 57,367,844
Fiduciary Fund Statement of Net Position	
Private Purpose Trust Fund	319,434
Agency Fund	2,651,601
Total	<u>\$ 60,338,879</u>

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District currently has no investments that are subject to fair value measurement.

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

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk

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

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of June 30, 2020, \$2,106,043 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

Credit Risk

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

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

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Wisconsin Investment Series Cooperative	\$ 32,791,389	\$ -	\$ -	\$ -	\$ 32,791,389

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

Interest Rate Risk

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

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin Investment Series Cooperative	\$ 32,791,389	\$ 32,791,389	\$ -	\$ -	\$ -

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$32,791,389 at year-end invested in the Cash Management Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin International Cooperate Statute, Wisconsin Statute, Section 66.031. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 7,593,005	\$ -	\$ -	\$ 7,593,005
Construction in Progress	-	913,850	-	913,850
Total Capital Assets, Nndepreciable	<u>7,593,005</u>	<u>913,850</u>	<u>-</u>	<u>8,506,855</u>
Capital Assets, Depreciable:				
Land Improvements	8,120,778	474,731	-	8,595,509
Buildings and Improvements	141,176,839	2,051,495	-	143,228,334
Machinery and Equipment	7,978,903	5,544,994	-	13,523,897
Subtotals	<u>157,276,520</u>	<u>8,071,220</u>	<u>-</u>	<u>165,347,740</u>
Less Accumulated Depreciation for:				
Land Improvements	2,846,690	408,139	-	3,254,829
Buildings and Improvements	70,492,503	3,670,496	-	74,162,999
Machinery and Equipment	3,281,649	1,834,237	-	5,115,886
Subtotals	<u>76,620,842</u>	<u>5,912,872</u>	<u>-</u>	<u>82,533,714</u>
Total Capital Assets, Depreciable, Net	<u>80,655,678</u>	<u>2,158,348</u>	<u>-</u>	<u>82,814,026</u>
Governmental Activities Capital Assets, Net	<u>\$ 88,248,683</u>	<u>\$ 3,072,198</u>	<u>\$ -</u>	91,320,881
Less: Capital Related Debt				22,760,000
Less: Debt Premium				891,729
Less: Construction Related Accounts Payable				239,514
Add: Loss on Advance Refunding (Capital Related Portion)				<u>211,644</u>
Net Investment in Capital Assets				<u>\$ 67,641,282</u>

The District's capital assets are shared by many governmental functions. Accordingly, it was not considered practical to allocate depreciation expense.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables and Payables

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2020 are detailed below:

	Interfund Receivables	Interfund Payables
To Account for Expenditures Paid and Receipts Received by Other Funds		
Governmental Funds		
General	\$ -	\$ 8,551,424
Special Revenue Funds		
Donations	1,010,090	-
Indian Education	-	1,353
Food Service	3,052,922	-
General Community Service	1,456,331	-
Debt Service Funds		
Nonreferendum	-	49,276
Referendum	-	75
Capital Project Funds		
Other Capital Projects	-	70
Capital Expansion	3,082,855	-
Totals	\$ 8,602,198	\$ 8,602,198

D. Short-Term Obligations

The District issued a tax and revenue anticipation promissory note in advance of property tax collections for the purpose of meeting cash requirements. The note is needed because District expenses for the year begin in July whereas tax collections are not received until January. The note was issued for \$7,500,000 and was fully available for the year ended June 30, 2020 with an interest rate of 2% above the Federal Funds rate (effectively 3.55% at the note date). The note was renewed under the same terms subsequent to year end.

Short-term debt activity for the year ended June 30, 2020 was as follows:

	Outstanding 7/1/19	Issued	Retired	Outstanding 6/30/20
Tax and Revenue Anticipation Note	\$ -	\$ 7,500,000	\$ 7,500,000	\$ -

Total interest paid for the year on short-term debt totaled \$20,425.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2020:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt					
Bonds	\$ 27,225,000	\$ -	\$ 7,215,000	\$ 20,010,000	\$ 2,525,000
Notes	3,355,000	-	605,000	2,750,000	1,360,000
Total General Obligation Debt	30,580,000	-	7,820,000	22,760,000	3,885,000
Debt Premium	1,126,493	-	234,764	891,729	71,988
Compensated Absences	2,375,500	192,069	585,874	1,981,695	192,069
Governmental Activities Long-Term Obligations	<u>\$ 34,081,993</u>	<u>\$ 192,069</u>	<u>\$ 8,640,638</u>	<u>\$ 25,633,424</u>	<u>\$ 4,149,057</u>

Total interest paid during the year on long-term debt totaled \$1,473,477.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/20
General Obligation Note	7/16/12	3/1/22	2.00% - 2.25%	\$ 2,750,000	\$ 2,750,000
General Obligation Bond	7/16/13	7/16/25	2.00% - 2.30%	7,135,000	6,420,000
General Obligation Bond	6/2/14	3/1/31	2.00% - 4.00%	29,075,000	13,590,000
Total Outstanding General Obligation Debt					<u>\$ 22,760,000</u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$22,760,000 on June 30, 2020 are detailed below:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,885,000	\$ 622,273	\$ 4,507,273
2022	3,020,000	530,573	3,550,573
2023	1,675,000	457,498	2,132,498
2024	1,715,000	418,498	2,133,498
2025	1,755,000	376,168	2,131,168
2026-2030	9,605,000	1,097,115	10,702,115
2031	1,105,000	35,913	1,140,913
Total	<u>\$ 22,760,000</u>	<u>\$ 3,538,038</u>	<u>\$ 26,298,038</u>

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

Defeasance of Existing Debt

During 2020, the District placed \$4,484,462 into an irrevocable trust to in-substance defease \$4,035,000 of general obligation bond issued in 2014. Amount placed in the trust was used to defease a portion of the principal balance due in 2032 and 2033 and all remaining principal due in 2031, and will make the required principal payments when due. The resources placed into the irrevocable trust fund were used to purchase United States Treasury Certificates of Indebtedness, Notes and/or Bonds - State and Local Government Series (SLGs). As a result, the portion of the 2032 and 2033 and all of the remaining 2031 principal payments are considered to be defeased and the liability has been removed from the financial statements. The defeasance was undertaken to reduce total debt service payments over the next 13 years by \$5,653,844 and to obtain an economic savings from the defeasance of \$1,154,482.

During 2019, the District placed \$2,996,545 into an irrevocable trust to in-substance defease \$2,820,000 of general obligation bond issued in 2014. Amount placed in the trust was used to defease a portion of the principal balance due in 2033 and all remaining principal due in 2034, and will make the required principal payments when due. The resources placed into the irrevocable trust fund were used to purchase United States Treasury Certificates of Indebtedness, Notes and/or Bonds - State and Local Government Series (SLGs). As a result, the portion of the 2033 and all of the remaining 2034 principal payments are considered to be defeased and the liability has been removed from the financial statements. The defeasance was undertaken to reduce total debt service payments over the next bonds term by \$4,300,313 and to obtain an economic savings from the defeasance of \$1,303,768.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Defeasance of Existing Debt (Continued)

At June 30, 2020, \$7,800,000 of outstanding general obligation bonds are considered defeased.

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2020 was \$846,564,797 as follows:

Equalized Valuation of the District	\$ 8,693,247,965
Statutory Limitation Percentage	<u>(x) 10%</u>
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	869,324,797
Total Outstanding General Obligation Debt Applicable to Debt Limitation	<u>22,760,000</u>
Legal Margin for New Debt	<u><u>\$ 846,564,797</u></u>

F. Operating Leases

The District leases office space and various equipment under long-term operating leases. Following is a schedule, by years, of future minimum rental payments required under long-term operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,704,878
2022	1,362,448
2023	1,327,112
2024	<u>872,579</u>
Total Minimum Payments Required	<u><u>\$ 5,267,017</u></u>

Rent expense under all operating leases for the year ended June 30, 2020 amounted to \$1,908,356.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan

WRS Pension Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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.

Employees who retire at or after age 65 (54 for protective occupations, 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 occupation employees) 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.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

Post-Retirement Adjustments

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

<u>Year Ending June 30,</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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%	20.0%
2016	0.5%	-5.0%
2017	2.0%	4.0%
2018	2.4%	17.0%
2019	0.0%	-10.0%

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, executives and elected officials. Starting on January 1, 2016, the executives and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period ending June 30, 2020, the WRS recognized \$6,604,757 in contributions from the District.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

Contributions (Continued)

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives and Elected Officials)	6.75 %	6.75 %
Protective with Social Security	6.75 %	11.65 %
Protective without Social Security	6.75 %	16.25 %

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

At June 30, 2020, the District reported an asset of \$20,153,737 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 asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension 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 0.62502742%, which was an decrease of 0.00327877% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$7,606,697.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,256,401	\$ 19,144,768
Net differences between projected and actual earnings on pension plan investments	-	41,201,404
Changes in assumptions	1,570,511	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,337	62,516
Employer contributions subsequent to the measurement date	3,345,945	-
Total	<u>\$ 43,188,194</u>	<u>\$ 60,408,688</u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

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

The \$3,345,945 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Expense</u>
2021	\$ (6,098,104)
2022	(4,557,679)
2023	698,436
2024	(10,609,091)
Total	<u>\$ (20,566,438)</u>

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
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-Retirement Adjustments*	1.9%

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

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

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
Core Fund Asset Class			
Global Equities	49.0 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9.0	6.3	3.5
Private Equity/Debt	8.0	10.6	7.6
Multi-Asset	4.0	6.9	4.0
Cash	<u>(10.0)</u>	0.9	N/A
Total Core Fund	100.0 %	7.5 %	4.6 %
Variable Fund Asset Class			
U.S. Equities	70.0	7.5	4.6
International Equities	30.0	8.2	5.3
Total Variable Fund	100.0	7.8	4.9

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

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

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Pension Plan (Continued)

Actuarial Assumptions (Continued)

Single Discount Rate. A single discount rate of 7.00% was used to measure the total pension liability, for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a long-term 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 members 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.

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

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 51,899,475	\$ (20,153,737)	\$ (74,021,800)

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-andstudies/financial-reports-and-statements>.

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$1,698,720 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2020.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits

Plan Description

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plan. District paid medical benefits are paid for as indicated below. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Separate financial statements are not issued by the plan. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

Benefits Provided

Union/Group	Attained Age	Retirees on or before Applicable Date	Service	District Contribution
Teachers/ Administrators	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the group health insurance premium and any increases occurring during the first ninety-six months of premium payments for the plan (single or family) in which the teacher was enrolled at the time of retirement at a ratio of one year's premium for each five years of service (one year's premium for each three years of service for service prior to July 1, 2015) in the District, to a maximum premium payment of one hundred twenty months or to age 65, whichever is sooner. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
				For retirees prior to June 30, 2007, the District shall pay health insurance premiums for up to ten years or age 65, whichever is sooner, for any teacher who voluntarily retires pursuant to the Teacher Emeritus Program, in addition to the benefits above. Retirees may continue in the plan by paying 100% of the premium.
				For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.
Secretary/ Clerical	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 91% of the premium for one year for every eight years of continuous service, up to three years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
				For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

Benefits Provided (Continued)

Union/Group	Attained Age	Retirees on or before Applicable Date	Service	District Contribution
Maintenance	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the premium for one year for every eight years of continuous service, up to three years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium. For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Para-Professionals	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 91% of the premium for one year for every twelve years of continuous service, up to two years after 24 years of continuous service. Retirees may continue in the plan by paying 100% of the premium. For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		
Administrative Support Unit	55	6/30/2014	10	For retirees prior to July 1, 2015, the District shall pay 88% of the premium for one year for every six years of continuous service up to six years after 36 years of continuous service. Retirees may continue in the plan by paying 100% of the premium. For retirees after July 1, 2015, retirees may continue in the plan by paying 100% of the premium.
	56	6/30/2016		
	57	6/30/2018		
	58	After 6/30/2018		

Employees Covered by Benefit Terms

At July 1, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	207
Active Employees	1,911
Total	<u><u>2,118</u></u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry Age Normal
Salary Increases:	0.2% to 5.6% (based on longevity)
Discount Rate:	3.50%
Healthcare Cost Trend Rates:	2020 - 6.50%
	2021 - 5.00%
	2022 - 5.60%
	2023 - 5.10%
	Ultimate - 3.70%

Mortality rates are the same as those used in the December 2018 Wisconsin Retirement System's annual report.

The actuarial assumptions used in the July 1, 2019 valuation were based on the "Wisconsin Retirement System 2015 - 2017 Experience Study".

Discount Rate. The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates.

Changes in the Total OPEB Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
	(a)
Balance at July 1, 2018	<u>\$ 22,641,943</u>
Changes for the Year:	
Service Cost	1,339,310
Interest	867,258
Effect of Plan Changes	(5,562,388)
Effect of Liability Gains or Losses	(2,326,379)
Effect of Assumptions Changes or Inputs	1,998,670
Benefit Payments	<u>(3,173,057)</u>
Net Changes	<u>(6,856,586)</u>
Balance at June 30, 2019	<u>\$ 15,785,357</u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

Changes in the Total OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Total OPEB Liability	\$ 16,654,814	\$ 15,785,357	\$ 14,936,365

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 14,647,587	\$ 15,785,357	\$ 17,108,033

Funding Policy

The entire cost of these benefits is paid by the District. Benefits are currently funded on a pay-as-you-go basis and no assets exist to prefund retiree benefits.

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$3,515,147. At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,107,529
Changes in assumptions	1,810,648	999,674
District contributions subsequent to the measurement date	3,058,799	-
Total	\$ 4,869,447	\$ 3,107,203

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Inflows of Resources Related to OPEB (Continued)

The \$3,058,799 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020, and reported in the year ended June 30, 2021. Amounts reported as deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

<u>Year Ending June 30,</u>	<u>Expense</u>
2021	\$ (159,327)
2022	(159,327)
2023	(159,327)
2024	(159,327)
2025	(159,327)
Thereafter	(499,920)
Total	<u>\$ (1,296,555)</u>

Payable to the OPEB Plan

At June 30, 2020, the District reported no outstanding contribution to the Plan required for the year ended June 30, 2020.

I. Fund Equity

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2020, nonspendable fund balance was as follows:

	<u>General</u>	<u>Donations</u>
Nonspendable		
Inventories and Prepaid Items	\$ 232,715	\$ -
Legally Required to Remain Intact	-	34,345
Total Nonspendable Fund Balance	<u>\$ 232,715</u>	<u>\$ 34,345</u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity (Continued)

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2020, restricted fund balance was as follows:

General Fund		
Restricted for Future Grant Expenditures	\$	67,818
Special Revenue Funds		
Restricted for		
Scholarships		1,037,158
Food Service		<u>2,980,280</u>
Total Special Revenue Fund Restricted Fund Balance		<u>4,017,438</u>
Debt Service Funds		
Restricted for		
Nonreferendum Long-Term Debt Retirement		132,309
Referendum Long-Term Debt Retirement		<u>3,706,251</u>
Total Debt Service Fund Restricted Fund Balance		<u>3,838,560</u>
Capital Project Funds		
Restricted for		
Long-Term Capital Improvement		757,636
Capital Expansion		<u>2,840,749</u>
Total Capital Projects Fund Restricted Fund Balance		<u>3,598,385</u>
Total Restricted Fund Balance	\$	<u><u>11,522,201</u></u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Equity (Continued)

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2020, fund balance was assigned as follows:

General Fund	
Assigned for	
Retiree Health Insurance	\$ 2,528,063
Building Carryover	1,564,724
Health Reimbursement Accounts Carryover	3,080,430
Cash Flows Assigned for Subsequent Year	16,908,063
Post Retirement Defined Contribution	1,345,302
Self-funded Dental	604,516
Technology Services RLE Carryover	1,089,898
COVID Related Expenses	6,922,200
	<u>34,043,196</u>
Special Revenue Fund	
General Community Service	<u>1,223,053</u>
Total	<u><u>\$ 35,266,249</u></u>

Restricted Fiduciary Fund Net Position

In the fund financial statements, portions of fiduciary fund net position are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2020, restricted fiduciary fund net position was as follows:

Fiduciary Funds	
Restricted for Scholarships	<u><u>\$ 319,434</u></u>

Net Position

The District reports restricted net position at June 30, 2020 as follows:

Governmental Activities	
Restricted for	
Grant Expenditures	\$ 67,818
Scholarships	1,071,503
Food Service	2,980,280
Retirement of Long-Term Debt	3,634,356
Future Capital Projects	3,837,829
Net Pension Asset	20,153,737
Total Restricted Net Position	<u><u>\$ 31,745,523</u></u>

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 OTHER INFORMATION

A. 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; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. The amount of actual settlements has not exceeded the insurance coverage amounts in any of the three most recent years.

In addition to the above, the District accounts for the following risk management program in the General Fund:

Self-funded Insurance Program

The District has a self-insured dental benefit plan for its employees. The Plan administrator, Delta Dental, is responsible for the approval, processing, and payment of claims, after which they bill the District's trustee for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2020. The District has no stop-loss coverage for the dental plan.

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

At June 30, 2020, the District has reported a liability of \$501,185 which includes \$133,788 representing reported and unreported claims which were incurred on or before June 30, 2020, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2019 and June 30, 2020 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2020	\$ 602,282	\$ 2,316,968	\$ 2,418,065	\$ 501,185
2019	675,670	2,466,425	2,539,813	602,282

B. Contingencies

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 OTHER INFORMATION (CONTINUED)

B. Contingencies (Continued)

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

C. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue 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 referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

D. Select Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for your reporting period ending on June 30, 2021. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for your reporting period ending June 30, 2022. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

E. COVID-19 Risks and Uncertainties

During the District's fiscal year, the World Health Organization declared the spread of 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 2020-2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes 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 events have continued to occur subsequent to year-end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — GENERAL FUND — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 56,234,997	\$ 56,234,997	\$ 56,234,718	\$ (279)
Other Local Sources	1,865,475	1,865,475	1,508,139	(357,336)
Interdistrict Sources	12,117,500	12,117,500	12,747,055	629,555
State Sources	108,946,194	109,101,799	110,567,775	1,465,976
Federal Sources	4,671,760	4,391,840	4,789,640	397,800
Other Sources	200,000	200,000	1,310,859	1,110,859
Total Revenues	<u>184,035,926</u>	<u>183,911,611</u>	<u>187,158,186</u>	<u>3,246,575</u>
EXPENDITURES				
Instruction				
Regular Instruction	70,921,310	70,935,121	68,825,580	2,109,541
Vocational Instruction	3,521,077	3,518,208	3,636,487	(118,279)
Other Instruction	15,701,966	13,861,131	12,557,721	1,303,410
Total Instruction	<u>90,144,353</u>	<u>88,314,460</u>	<u>85,019,788</u>	<u>3,294,672</u>
Support Services				
Pupil Services	5,835,948	5,834,865	6,224,362	(389,497)
Instructional Staff Services	8,524,160	8,811,332	8,544,655	266,677
General Administration Services	1,841,745	1,844,340	1,533,606	310,734
School Administration Services	9,542,506	9,527,029	9,275,581	251,448
Business Services	1,306,405	1,312,930	1,113,451	199,479
Operations and Maintenance of Plant	16,543,006	16,515,937	15,501,114	1,014,823
Pupil Transportation Services	3,065,763	3,075,019	2,606,934	468,085
Central Services	6,464,432	7,745,309	7,434,432	310,877
Insurance	1,365,000	1,365,000	1,271,539	93,461
Other Support Services	8,033,597	6,691,442	5,571,282	1,120,160
Total Support Services	<u>62,522,561</u>	<u>62,723,202</u>	<u>59,076,956</u>	<u>3,646,246</u>
Debt Service				
Interest and Fiscal Charges	16,000	16,021	21,175	(5,154)
Nonprogram				
General Tuition Payments	6,327,500	6,327,500	6,565,626	(238,126)
Adjustments and Refunds	115,000	115,000	225,750	(110,750)
Voucher Payments	3,004,767	3,004,767	3,087,806	(83,039)
Total Nonprogram	<u>9,447,267</u>	<u>9,447,267</u>	<u>9,879,182</u>	<u>(431,915)</u>
Total Expenditures	<u>162,130,181</u>	<u>160,500,950</u>	<u>153,997,101</u>	<u>6,503,849</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>21,905,746</u>	<u>23,410,661</u>	<u>33,161,085</u>	<u>9,750,424</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	8,500	8,500	3,562	(4,938)
Transfers Out	(24,874,658)	(24,762,117)	(23,713,244)	1,048,873
Total Other Financing Sources (Uses)	<u>(24,866,158)</u>	<u>(24,753,617)</u>	<u>(23,709,682)</u>	<u>1,043,935</u>
NET CHANGE IN FUND BALANCE	(2,960,412)	(1,342,956)	9,451,403	10,794,359
Fund Balance - July 1	<u>33,566,867</u>	<u>33,566,867</u>	<u>33,566,867</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ 30,606,455</u>	<u>\$ 32,223,911</u>	<u>\$ 43,018,270</u>	<u>\$ 10,794,359</u>

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — SPECIAL EDUCATION SPECIAL REVENUE FUND —
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Other Local Sources	\$ -	\$ -	\$ 12,782	\$ 12,782
Interdistrict Sources	-	-	187,292	187,292
Intermediate Sources	-	-	13,967	13,967
State Sources	8,012,459	8,125,000	7,894,144	(230,856)
Federal Sources	4,072,885	4,072,885	3,819,722	(253,163)
Total Revenues	<u>12,085,344</u>	<u>12,197,885</u>	<u>11,927,907</u>	<u>(269,978)</u>
EXPENDITURES				
Instruction				
Regular Instruction	19,655	19,655	-	19,655
Vocational Instruction	-	-	4,830	(4,830)
Special Education Instruction	28,485,370	28,497,449	27,433,124	1,064,325
Other Instruction	81,399	80,864	67,757	13,107
Total Instruction	<u>28,586,424</u>	<u>28,597,967</u>	<u>27,505,711</u>	<u>1,092,256</u>
Support Services				
Pupil Services	4,635,956	4,630,590	4,809,233	(178,643)
Instructional Staff Services	799,376	844,976	1,006,156	(161,180)
General Administration Services	-	-	141	(141)
Business Services	47,000	47,000	46,767	233
Operations and Maintenance of Plant	14,025	16,925	13,037	3,888
Pupil Transportation Services	2,830,336	2,822,544	2,077,000	745,544
Central Services	600	-	41,341	(41,341)
Total Support Services	<u>8,327,293</u>	<u>8,362,035</u>	<u>7,993,675</u>	<u>368,360</u>
Nonprogram				
Special Education Tuition Payments	46,285	-	141,765	(141,765)
Total Expenditures	<u>36,960,002</u>	<u>36,960,002</u>	<u>35,641,151</u>	<u>1,318,851</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(24,874,658)</u>	<u>(24,762,117)</u>	<u>(23,713,244)</u>	<u>1,048,873</u>
OTHER FINANCING SOURCES				
Transfers In	24,874,658	24,762,117	23,713,244	(1,048,873)
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - July 1	-	-	-	-
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 MEASUREMENT YEARS ***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service Cost	\$ 1,339,310	\$ 1,295,633	\$ 1,402,339
Interest	867,258	854,123	748,236
Changes of Benefit Terms	(5,562,388)	-	-
Differences Between Expected and Actual Experience	(2,326,379)	-	-
Changes of Assumptions	1,998,670	(377,238)	(972,006)
Benefit Payments	<u>(3,173,057)</u>	<u>(3,356,722)</u>	<u>(3,582,737)</u>
Net Change in Total OPEB Liability	(6,856,586)	(1,584,204)	(2,404,168)
Total OPEB Liability - Beginning	<u>22,641,943</u>	<u>24,226,147</u>	<u>26,630,315</u>
Total OPEB Liability - Ending	<u><u>\$ 15,785,357</u></u>	<u><u>\$ 22,641,943</u></u>	<u><u>\$ 24,226,147</u></u>
Covered Employee Payroll	\$ 98,938,195	\$ 94,517,909	\$ 88,913,658
District's Total OPEB Liability as a Percentage of Covered Employee Payroll	16%	24%	27%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT YEARS**

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll (Plan year)</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/14	0.63069221%	\$ (15,491,526)	\$ 87,953,382	17.61%	102.74%
12/31/15	0.62692309%	10,187,379	88,611,191	11.50%	98.20%
12/31/16	0.62549638%	5,155,584	90,249,176	5.71%	99.12%
12/31/17	0.62525994%	(18,564,709)	93,206,041	19.92%	102.93%
12/31/18	0.62830619%	22,353,164	97,264,608	22.98%	96.45%
12/31/19	0.62502742%	(20,153,737)	98,543,402	20.45%	102.96%

**SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST 10 MEASUREMENT YEARS**

<u>District Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (Fiscal year)</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/15	\$ 6,073,215	\$ 6,073,215	\$ -	\$ 88,362,345	6.87%
6/30/16	5,933,997	5,933,997	-	88,923,093	6.67%
6/30/17	6,242,053	6,242,053	-	92,790,864	6.73%
6/30/18	6,453,759	6,453,759	-	95,813,152	6.74%
6/30/19	6,697,786	6,697,786	-	101,457,415	6.60%
6/30/20	6,604,757	6,604,757	-	98,938,195	6.68%

See Notes to Required Supplementary Information.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 WISCONSIN RETIREMENT SYSTEM

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

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLANS

Assumptions are consistent with the prior valuation. The amounts reported for each fiscal year were determine as of June 30 of the prior fiscal year-end. No assets have been accumulated in an irrevocable trust.

The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- The DPI requires the District to separate special education revenues and expenditures from other General Fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2020.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund in accordance with requirements from the Wisconsin Department of Public Instruction. In accordance with generally accepted accounting principles, this fund is included as part of the general fund in these financial statements. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP General Fund basis is summarized below:

	General	Special Education Fund
Revenues		
Actual Amounts (Budgetary Basis)	\$ 187,158,186	\$ 11,927,907
Reclassification of Special Education	11,927,907	(11,927,907)
Total Revenues	199,086,093	-
Expenditures		
Actual Amounts (Budgetary Basis)	153,997,101	35,641,151
Reclassification of Special Education	35,641,151	(35,641,151)
Total Expenditures	189,638,252	-
Excess of Revenues Over (Under) Expenditures		
Actual Amounts (Budgetary Basis)	33,161,085	(23,713,244)
Reclassification of Special Education	(23,713,244)	23,713,244
Excess of Revenues Over (Under) Expenditures	9,447,841	-
Other Financing Sources (Uses)		
Actual Amounts (Budgetary Basis)	(23,713,244)	23,713,244
Reclassification of Special Education	23,713,244	(23,713,244)
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance		
Actual Amounts (Budgetary Basis)	9,451,403	-
Net Change in Fund Balance	9,451,403	-
Fund Balance - July 1		
Actual Amounts (Budgetary Basis)	33,566,867	-
Fund Balance - July 1	33,566,867	-
Fund Balance - June 30		
Actual Amounts (Budgetary Basis)	\$ 43,018,270	\$ -

SUPPLEMENTARY INFORMATION

**APPLETON AREA SCHOOL DISTRICT
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Special Revenue			
	Donations	Indian Education	Food Service	General Community Service
ASSETS				
Cash and Investments	\$ 45,882	\$ -	\$ 22,085	\$ -
Receivables				
Accounts	21,063	-	-	-
Due from Other Funds	1,010,090	-	3,052,922	1,456,331
Due from Other Governments	-	2,584	215,089	-
	<u>-</u>	<u>2,584</u>	<u>215,089</u>	<u>-</u>
Total Assets	<u>\$ 1,077,035</u>	<u>\$ 2,584</u>	<u>\$ 3,290,096</u>	<u>\$ 1,456,331</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 2,539	\$ 46	\$ 171,918	\$ 233,278
Accrued and Other Current Liabilities	2,993	1,185	-	-
Due to Other Funds	-	1,353	-	-
Deposits Payable	-	-	137,898	-
Total Liabilities	<u>5,532</u>	<u>2,584</u>	<u>309,816</u>	<u>233,278</u>
FUND BALANCES				
Nonspendable	34,345	-	-	-
Restricted	1,037,158	-	2,980,280	-
Assigned	-	-	-	1,223,053
Unassigned	-	-	-	-
Total Fund Balances	<u>1,071,503</u>	<u>-</u>	<u>2,980,280</u>	<u>1,223,053</u>
Total Liabilities and Fund Balances	<u>\$ 1,077,035</u>	<u>\$ 2,584</u>	<u>\$ 3,290,096</u>	<u>\$ 1,456,331</u>

Debt Service		Capital Projects			Total Nonmajor Governmental Funds
Nonreferendum Debt Service	Referendum Debt Service	Other Capital Projects	Long-term Capital Improvement	Capital Expansion	
\$ 181,585	\$ 3,706,326	\$ -	\$ 757,636	\$ -	\$ 4,713,514
-	-	-	-	-	21,063
-	-	-	-	3,082,855	8,602,198
-	-	-	-	-	217,673
<u>\$ 181,585</u>	<u>\$ 3,706,326</u>	<u>\$ -</u>	<u>\$ 757,636</u>	<u>\$ 3,082,855</u>	<u>\$ 13,554,448</u>
\$ -	\$ -	\$ -	\$ -	\$ 242,106	\$ 649,887
-	-	-	-	-	4,178
49,276	75	70	-	-	50,774
-	-	-	-	-	137,898
<u>49,276</u>	<u>75</u>	<u>70</u>	<u>-</u>	<u>242,106</u>	<u>842,737</u>
-	-	-	-	-	34,345
132,309	3,706,251	-	757,636	2,840,749	11,454,383
-	-	-	-	-	1,223,053
-	-	(70)	-	-	(70)
<u>132,309</u>	<u>3,706,251</u>	<u>(70)</u>	<u>757,636</u>	<u>2,840,749</u>	<u>12,711,711</u>
<u>\$ 181,585</u>	<u>\$ 3,706,326</u>	<u>\$ -</u>	<u>\$ 757,636</u>	<u>\$ 3,082,855</u>	<u>\$ 13,554,448</u>

**APPLETON AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

	Special Revenue			
	Donations	Indian Education	Food Service	General Community Service
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ 1,957,515
Other Local Sources	176,531	-	1,434,721	21,435
State Sources	-	-	109,335	-
Federal Sources	-	18,077	4,059,592	-
Other Sources	-	-	550,335	-
Total Revenues	<u>176,531</u>	<u>18,077</u>	<u>6,153,983</u>	<u>1,978,950</u>
EXPENDITURES				
Instruction				
Regular Instruction	51,999	15,810	-	-
Vocational Instruction	37,981	-	-	-
Other Instruction	7,172	-	-	-
Total Instruction	<u>97,152</u>	<u>15,810</u>	<u>-</u>	<u>-</u>
Support Services				
Pupil Services	9,702	-	-	-
Instructional Staff Services	22,787	1,965	-	-
General Administration Services	-	-	-	45,323
School Administration Services	-	-	-	557,761
Business Services	-	-	-	46,828
Operations and Maintenance of Plant	95,018	-	135,244	155,052
Pupil Transportation Services	2,455	302	-	-
Food Services	-	-	6,111,369	-
Central Services	1,895	-	-	72,405
Total Support Services	<u>131,857</u>	<u>2,267</u>	<u>6,246,613</u>	<u>877,369</u>
Debt Service				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community Service	-	-	-	1,175,666
Nonprogram				
General Tuition Payments	2,562	-	-	-
Total Expenditures	<u>231,571</u>	<u>18,077</u>	<u>6,246,613</u>	<u>2,053,035</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(55,040)</u>	<u>-</u>	<u>(92,630)</u>	<u>(74,085)</u>
NET CHANGE IN FUND BALANCES	(55,040)	-	(92,630)	(74,085)
Fund Balances - July 1	1,126,543	-	3,072,910	1,297,138
FUND BALANCES - JUNE 30	<u>\$ 1,071,503</u>	<u>\$ -</u>	<u>\$ 2,980,280</u>	<u>\$ 1,223,053</u>

		Capital Projects				
Non-Referendum Debt Service	Referendum Debt Service	Other Capital Projects	Long-term Capital Improvement	Capital Expansion	Total Nonmajor Governmental Funds	
\$ 1,460,728	\$ 7,697,535	\$ -	\$ -	\$ 2,460,000	\$ 13,575,778	
61,318	61,229	-	4,323	1,979	1,761,536	
-	-	-	-	-	109,335	
-	-	-	-	-	4,077,669	
93,011	-	-	-	-	643,346	
<u>1,615,057</u>	<u>7,758,764</u>	<u>-</u>	<u>4,323</u>	<u>2,461,979</u>	<u>20,167,664</u>	
-	-	-	-	-	67,809	
-	-	-	-	-	37,981	
-	-	-	-	-	7,172	
-	-	-	-	-	<u>112,962</u>	
-	-	-	-	-	9,702	
-	-	-	-	-	24,752	
-	-	-	-	-	45,323	
-	-	-	-	-	557,761	
-	-	-	-	-	46,828	
-	-	70	-	2,272,652	2,658,036	
-	-	-	-	-	2,757	
-	-	-	-	-	6,111,369	
-	-	-	-	-	74,300	
-	-	70	-	2,272,652	<u>9,530,828</u>	
1,340,000	6,480,000	-	-	-	7,820,000	
170,705	1,317,672	-	-	-	1,488,377	
<u>1,510,705</u>	<u>7,797,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,308,377</u>	
-	-	-	-	-	1,175,666	
-	-	-	-	-	2,562	
<u>1,510,705</u>	<u>7,797,672</u>	<u>70</u>	<u>-</u>	<u>2,272,652</u>	<u>20,130,395</u>	
<u>104,352</u>	<u>(38,908)</u>	<u>(70)</u>	<u>4,323</u>	<u>189,327</u>	<u>37,269</u>	
104,352	(38,908)	(70)	4,323	189,327	37,269	
<u>27,957</u>	<u>3,745,159</u>	<u>-</u>	<u>753,313</u>	<u>2,651,422</u>	<u>12,674,442</u>	
<u>\$ 132,309</u>	<u>\$ 3,706,251</u>	<u>\$ (70)</u>	<u>\$ 757,636</u>	<u>\$ 2,840,749</u>	<u>\$ 12,711,711</u>	

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER COSTS
YEAR ENDED JUNE 30, 2020**

		Appleton Bilingual	Appleton Eschool	Appleton Public Montessori	Appleton Technical Academy	Classical School
	<u>Object</u>					
OPERATING ACTIVITY						
Employee Salaries	100	\$ 1,491	\$ 1,491	\$ 1,491	\$ 1,491	\$ 1,491
Employee Benefits	200	367	367	367	367	367
Purchased Services	300	-	-	-	-	-
Noncapital Objects	400	-	-	-	-	-
Capital Objects	500	-	-	-	-	-
Short-Term Debt	600	-	-	-	-	-
Insurance and Judgments	700	-	-	-	-	-
Other	900	-	-	-	-	-
Total		<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>

Fox Cities Leadership Academy	Fox River Academy	Kaleidoscope Academy	Renaissance School For the Arts	Stephen Foster Elementary	Tesla Engineering Charter School	Valley New School	Wisconsin Connections Academy
\$ 1,491 367	\$ 1,491 367	\$ 1,491 367	\$ 1,491 367	\$ 1,491 367	\$ 1,491 367	\$ 1,491 367	\$ 1,491 367
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,858</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Appleton Area School District, Appleton, Wisconsin, (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, and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

To the Board of Education
Appleton Area School District

Compliance and Other Matters

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

Appleton Area School District's Response to Findings

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

Purpose of the Report

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



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
November 30, 2020

FEDERAL AND STATE AWARDS



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

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

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

To the Board of Education
Appleton Area School District

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-002 that we consider to be a significant deficiency.

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



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
November 30, 2020

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/2019	Cash Received	Accrued (Deferred) Revenue 6/30/2020	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2020-440147-DPI-SB-546	\$ (139,886)	\$ 806,537	\$ -	\$ 666,651	\$ -
COVID-19 School Breakfast Program	10.553	WI DPI	2020-440147-DPI-SB-546	-	62,895	-	62,895	-
National School Lunch Program	10.555	WI DPI	2020-440147-DPI-NSL-547	(383,542)	2,167,146	-	1,783,604	-
COVID-19 National School Lunch Program	10.555	WI DPI	2020-440147-DPI-NSL-547	-	165,243	-	165,243	-
Donated Commodities	10.555	WI DPI	2020-440147-NSL-547	-	453,712	-	453,712	-
Total National School Lunch Program				<u>(383,542)</u>	<u>2,786,101</u>	<u>-</u>	<u>2,402,559</u>	<u>-</u>
Summer Food Service Program for Children	10.559	WI DPI	2020-440147-DPI-SFSP-566	(61,603)	109,368	-	47,765	-
COVID-19 Summer Food Service Program for Children	10.559	WI DPI	2020-440147-DPI-SFSP-566	-	541,725	215,089	756,814	-
Total Child Nutrition Cluster				<u>(585,031)</u>	<u>4,306,626</u>	<u>215,089</u>	<u>3,936,684</u>	<u>-</u>
Fresh Fruit and Vegetable Program	10.582	WI DPI	2020-440147-2018-19 DP-594	(16,599)	139,505	-	122,906	-
Total U.S. Department of Agriculture				<u>(601,630)</u>	<u>4,446,131</u>	<u>215,089</u>	<u>4,059,590</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2020-440147-TIA-141	(298,297)	1,886,114	410,045	1,997,862	-
Title I Grants to Local Educational Agencies-Private	84.010	WI DPI	2020-440147-Title I-141	(71,156)	71,156	8,309	8,309	-
Title I Grants to Local Educational Agencies-Delinquent	84.010	WI DPI	2020-440147-TI-D Delin-140	(942)	1,409	6,498	6,965	-
Title I Grants to Local Educational Agencies-Reservation	84.010	WI DPI	2020-440147-Title I-141	(697,379)	697,379	-	-	-
Total Title I Grants to Local Educational Agencies				<u>(1,067,774)</u>	<u>2,656,058</u>	<u>424,852</u>	<u>2,013,136</u>	<u>-</u>
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2020-440147-DPI-IDEA-F-341	(1,123,551)	3,843,700	804,811	3,524,960	-
Special Education Preschool Grants	84.173	WI DPI	2020-440147-DPI-IDEA-P-347	(33,997)	104,793	28,066	98,862	-
Total Special Education Cluster (IDEA)				<u>(1,157,548)</u>	<u>3,948,493</u>	<u>832,877</u>	<u>3,623,822</u>	<u>-</u>
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2020-440147-CP-CTE-400	(24,130)	24,130	-	-	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2020-440147-CP-CTE-401	-	72,982	25,269	98,251	-
Indian Education - Grants to Local Educational Agencies	84.060A	Direct Program	N/A	(6,843)	22,337	2,584	18,078	-
School Climate Transformation	84.184G	Direct Program	N/A	(170,624)	336,737	-	166,113	-
Education for Homeless Children and Youth	84.196	WI DPI	2020-440147-DPI-EHCY-335	(10,952)	38,036	7,860	34,944	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2020-440147-CLC DPI-367	-	97,222	11,529	108,751	-
English Language Acquisition State Grants	84.365	WI DPI	2019-440147-Title III A-391	(93,991)	253,773	57,403	217,185	-
Improving Teacher Quality State Grants	84.367	WI DPI	2020-440147-TIIA-365	(136,493)	434,420	122,900	420,827	-
Student Support and Academic Enrichment Program	84.424A	WI DPI	2020-440147-TIVA - DPI-381	(11,834)	94,555	22,149	104,870	-
Total U.S. Department of Education				<u>(2,680,189)</u>	<u>7,978,743</u>	<u>1,507,423</u>	<u>6,805,977</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Refugee School Impact Grant	93.576	WI DPI	FY2020-440147-Refugee-538	-	11,100	8,838	19,938	-
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	N/A	-	1,801,526	-	1,801,526	-
Total U.S. Department of Health and Human Services				<u>-</u>	<u>1,812,626</u>	<u>8,838</u>	<u>1,821,464</u>	<u>-</u>
Total Federal Awards				<u>\$ (3,281,819)</u>	<u>\$ 14,237,500</u>	<u>\$ 1,731,350</u>	<u>\$ 12,687,031</u>	<u>\$ -</u>
Reconciliation to the Basic Financial Statements:								
Federal Sources							<u>\$ 12,687,031</u>	

See Notes to the Schedules of Expenditures of Federal and State Awards.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/2019	Cash Received	Accrued (Deferred) Revenue 6/30/2020	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	440147-100	\$ -	\$ 7,739,898	\$ -	\$ 7,739,898	\$ -
State School Lunch Aid	255.102	Direct Program	440147-107	-	61,524	-	61,524	-
Common School Fund Library Aid	255.103	Direct Program	440147-104	-	755,186	-	755,186	-
Bilingual Bicultural Aid lea	255.106	Direct Program	440147-111	-	406,640	-	406,640	-
General Transportation Aid	255.107	Direct Program	440147-102	-	85,813	-	85,813	-
Equalization Aids	255.201	Direct Program	440147-116	(1,490,981)	93,636,668	1,534,801	93,680,488	-
High Cost Special Education Aid	255.210	Direct Program	440147-119	-	154,246	-	154,246	-
Aid for School Mental Health Programs	255.227	Direct Program	Unknown	-	206,545	-	206,545	-
Supplemental Per Pupil Aid	255.245	Direct Program	440147-181	-	50,259	-	50,259	-
School Based Mental Health Services Grant	255.297	Direct Program	Unknown	-	55,229	8,325	63,554	-
Alcohol and Other Drug Abuse	255.306	Direct Program	440147-143	(4,221)	17,964	1,043	14,786	-
AODA Program Grants	255.321	Direct Program	440147-142	(1,000)	1,000	-	-	-
State School Breakfast Aid	255.344	Direct Program	440147-108	-	47,811	-	47,811	-
Early College Credit Program	255.445	Direct Program	440147-178	-	5,809	-	5,809	-
Achievement Gap Reduction (AGR)	255.504	Direct Program	440147-160	-	1,774,315	-	1,774,315	-
Educator Effective Evaluation System	255.940	Direct Program	440147-154	(26,280)	119,880	3,760	97,360	-
Per Pupil Aid	255.945	Direct Program	440147-113	-	11,109,224	-	11,109,224	-
Career and Technical Education Incentive Grants	255.950	Direct Program	440147-171	-	59,426	(44,817)	14,609	-
Assessments of Reading Readiness	255.956	Direct Program	440147-166	-	42,365	-	42,365	-
Robotics League Participation Grants	255.959	Direct Program	Unknown	(2,126)	2,126	4,359	4,359	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	440147-168	-	-	-	-	-
Total Wisconsin Department of Public Instruction				(1,524,608)	116,331,928	1,507,471	116,314,791	-
WISCONSIN DEPARTMENT OF JUSTICE								
School Safety Initiative Grant	455.206	Direct Program	13216	(277,553)	395,734	70,196	188,377	-
School Safety Initiative Grant	455.206	Direct Program	14404	(79,493)	914,713	1,112	836,332	-
Total Wisconsin Department of Justice				(357,046)	1,310,447	71,308	1,024,709	-
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Expanded Wisconsin Fast Forward	445.109	Direct Program	Unknown	(26,101)	26,101	59,963	59,963	-
Total State Programs				\$ (1,907,755)	\$ 117,668,476	\$ 1,638,742	\$ 117,399,463	\$ -

Reconciliation to the basic financial statements:

State sources	\$ 118,571,254
Less: State sources not considered state financial assistance	
State tax computer and personal property aid	(1,171,791)
Total state awards	<u>\$ 117,399,463</u>

See Notes to the Schedules of Expenditures of Federal and State Awards.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards for the Appleton Area School District are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2020 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

The District has not elected to charge a de minimis rate of 10% of modified total costs.

NOTE 3 SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2019 - 2020 eligible costs under the State Special Education Program as reported by the District are \$29,871,520. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

**APPLETON AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 5 OVERSIGHT AGENCIES

The federal and state oversight agencies for the District are as follows:

Federal - U.S. Department of Education
State - Wisconsin Department of Public Instruction

NOTE 6 PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services
WI DPI - Wisconsin Department of Public Instruction

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Basic Financial Statements

1. Type of auditor’s report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Were significant deficiency(ies) identified not considered to be a material weakness(es)? X Yes _____ No
3. Noncompliance material to basic financial statements noted? _____ Yes X No

Federal and State Awards

1. Internal control over compliance:
- Material weakness(es) identified? _____ Yes X No
 - Were significant deficiency(ies) identified not considered to be a material weakness(es)? X Yes _____ No
2. Type of auditor’s report issued on compliance for major programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X Yes _____ No
4. Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*? _____ Yes x No

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program
10.553	<i>Child Nutrition Cluster:</i>
10.555	School Breakfast Program
10.559	National School Lunch Program
	Summer Food Service Program for Children
84.027	<i>Special Education Cluster:</i>
84.173	Special Education Grants to States
	Special Education Preschool Grants
93.778	<i>Medicaid Cluster</i>
	Medical Assistance Program

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

Finding No.	Control Deficiencies
2020-001	Preparation of Annual Financial Reporting
Type of Finding:	Significant deficiency in internal control over financial reporting.
Condition:	Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement format, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.
Criteria:	The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required state financial reports.
Context:	The audit firm has developed reporting templates as a convenience to our clients.
Cause:	District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without CLA involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the District continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.
Views of Responsible Officials:	Management continues to believe the cost to hire additional staff to eliminate the control deficiency outweigh the benefits to be received. Management reviews the financial report and the single audit report prepared by CLA prior to issuance.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section III – Federal and State Findings and Questioned Costs

FINDING NO.	COMPLIANCE DEFICIENCIES
2020-002	<p>Review of Child Nutrition Claims</p> <p><i>Federal ID – 10.553, 10.555, 10.556, 10.559 Child Nutrition Cluster</i></p>
Type of Finding:	Significant deficiency in internal control over compliance.
Condition:	District personnel did not review and approve Nutrition claim forms prior to submission.
Criteria:	Review of claim forms to supporting documentation is a key control intended to prevent or decrease the occurrence of errors or intentional fraud.
Context:	The District didn't have a process in place to review Child Nutrition claim forms.
Cause:	The lack of review and approval of claim forms could cause errors or intentional fraud.
Effect:	The District submit claims to Child Nutrition for ineligible costs.
Questioned costs:	Not applicable.
Recommendation:	We recommend District personnel implement a process to review and approve claim forms to prevent or decrease the occurrence of errors or intentional fraud.
Views of Responsible Officials:	There is no disagreement with the audit finding.

**APPLETON AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section IV – Other Issues

- | | |
|---|---|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : | |
| Department of Health Services | No |
| Department of Public Instruction | No |
| Department of Justice | No |
| Department of Workforce Development | No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | 

Bryan Grunewald, CPA |
| 5. Date of report | November 30, 2020 |