



DEERFIELD COMMUNITY SCHOOL DISTRICT  
DEERFIELD, WISCONSIN  
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT  
For the Year Ended June 30, 2020

Deerfield Community School District  
For the Year Ended June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Deerfield Community School District  
Deerfield, Wisconsin

### **Report on the Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, effective July 1, 2019, the Deerfield Community School District adopted the provision of GASB Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page iv through page xi, budgetary comparison information, schedules of changes in the Deerfield Community School District's total OPEB liability, other pension benefits, and related ratios, the Local Retiree Life Insurance Fund schedules, and Wisconsin Retirement System schedules on pages 45 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Deerfield Community School District's basic financial statements. The combining schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Wisconsin Department of Public Instruction in the Wisconsin Public School District Audit Manual and are also not a required part of the basic financial statements.

The supplementary information listed in the table of contents is 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 October 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.

*Johnson Block and Company, Inc.*

Johnson Block and Company, Inc.  
October 30, 2020

**DEERFIELD SCHOOL DISTRICT**  
Deerfield, Wisconsin  
Management Discussion and Analysis  
June 30, 2020

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

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close of fiscal 2020 by \$10,375,365 (*net position*). For the year, net position increased by \$1,146,236.

Total governmental funds revenue were \$12,709,493; including \$5,625,537 in local revenue, \$6,052,261 of state aid, \$404,606 of Federal aid, \$574,358 of Inter-district payments, and \$52,731 of other services. Total governmental fund expenditures were \$11,901,428; including \$5,803,732 for direct instruction.

The following financial events took place during fiscal year 2020.

- 2019-20 was the final year of a successful 4-year operational referendum (\$400,000 per year).
- The District was closed abruptly on March 16, 2020 due to emergency orders from the state in response to the COVID-19 pandemic. Following a 2-week spring break, students and staff returned to school using a virtual learning model until the end of the school year.
- District expenses were down approximately 5% for the year due to the impact of the pandemic and revenues were down slightly.

The following are events are expected for the 2021 fiscal year.

- The School Board moved forward with plans to ask taxpayers to renew the long standing operational referendum. The referendum is on the November 3, 2020 ballot. It is a 5-year non-recurring operational referendum in the amount of \$500,000 each year for a total of \$2,500,000 and beginning in the 2020-21 fiscal year.
- The District engaged an architectural firm to perform a facility study in preparation for future capital improvements.
- Fund 46 has reached a balance of \$1,028,500 and is available for possible capital project expenses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

**DEERFIELD SCHOOL DISTRICT**  
Deerfield, Wisconsin  
Management Discussion and Analysis  
June 30, 2020

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Major Features of the District-wide and Fund Financial Statements**

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



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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**DISTRICT WIDE STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

The District has one kind of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.

**DEERFIELD SCHOOL DISTRICT**  
Deerfield, Wisconsin  
Management Discussion and Analysis  
June 30, 2020

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 1, below, provides a summary of the District's net position at June 30, 2020.

**TABLE 1**  
**Condensed Statement of Net Position**  
*(In thousands of dollars)*

	<u>2020</u>	<u>2019</u>	<u>\$ VAR</u>
Current and other assets	\$ 4,276	\$ 3,495	\$ 781
Restricted assets	528	480	48
Capital assets	14,190	14,739	(549)
Restricted assets	<u>1,071</u>	<u>-</u>	<u>1,071</u>
Total Assets	20,065	18,714	1,351
Deferred pension outflows	2,341	3,105	(764)
Deferred OPEB outflows	306	184	122
Deferred supplemental pension outflows	37	33	4
Deferred amount on refunding	<u>72</u>	<u>98</u>	<u>(26)</u>
Total Deferred Outflows	2,756	3,420	(664)
Long-term Obligations	7,755	9,985	(2,230)
Other Liabilities	<u>1,121</u>	<u>1,181</u>	<u>(60)</u>
Total Liabilities	8,876	11,166	(2,290)
Deferred pension inflows	3,215	1,645	1,570
Deferred OPEB inflows	<u>355</u>	<u>167</u>	<u>188</u>
Total Deferred Inflows	3,570	1,812	1,758
Net Position:			
Net investment in capital assets	8,079	7,626	453
Restricted	1,808	1,000	808
Unrestricted	<u>488</u>	<u>530</u>	<u>(42)</u>
Total Net Position	<u>\$ 10,375</u>	<u>\$ 9,156</u>	<u>\$ 1,219</u>

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Table 2 provides summarized operating results and their impact on net position.

**TABLE 2**  
**Changes in Net Position from Operating Results**  
*(in thousands of dollars)*

	<u>2020</u>	<u>2019</u>	<u>\$ VAR</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 356	\$ 480	\$ (124)
Operating grants & contributions	1,703	1,743	(40)
General Revenues			
Property taxes	5,077	4,844	233
State formula aid	5,476	5,298	178
Other	97	449	(352)
Total Revenues	<u>12,709</u>	<u>12,814</u>	<u>(105)</u>
<b>Expenses</b>			
Instruction	5,920	6,378	(458)
Pupil & Instructional Services	985	1,007	(22)
General Administration Services	369	340	29
Building Administration Services	405	425	(20)
Business Administration	1,769	1,896	(127)
Central Services	202	237	(35)
Insurance	102	102	-
Other Support Services	807	835	(28)
Food Services	387	400	(13)
Community Services	55	67	(12)
Interest on Debt	170	200	(30)
Other Support Services	392	392	-
Total Expenses	<u>11,563</u>	<u>12,279</u>	<u>(716)</u>
<b>Increase (Decrease) in Net Position</b>	<u>1,146</u>	<u>535</u>	<u>611</u>
Net Position-January 1, as previously reported	9,156	8,621	535
Prior period adjustments-implementation of GASB Statement No. 84	73	-	73
Net Position-January 1, as restated	<u>9,229</u>	<u>-</u>	<u>9,229</u>
Net Position-December 31	<u>\$ 10,375</u>	<u>\$ 9,156</u>	<u>\$ 1,219</u>

**DEERFIELD SCHOOL DISTRICT**  
Deerfield, Wisconsin  
Management Discussion and Analysis  
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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

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

**TABLE 3**  
**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Total Cost of Services		Less Charges For Services		Less Operating Grants & Contributions		Net Cost of Services	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Expenses</b>								
Instruction	\$ 5,920	\$ 6,378	\$ 116	\$ 171	\$ 1,306	\$ 1,322	\$ 4,498	\$ 4,885
Pupil & Instructional Services	985	1,007	-	-	140	108	845	899
General Administration Services	369	340	-	-	11	-	358	340
Building Administration Services	405	425	24	21	-	-	381	404
Business Administration	1,769	1,896	-	-	15	93	1,754	1,803
Central Services	202	237	-	-	-	-	202	237
Insurance	102	102	-	-	-	-	102	102
Other Support Services	807	835	-	-	65	91	742	744
Food Service	387	400	188	257	166	129	33	14
Community Services	55	67	28	31	-	-	27	36
Interest on Debt	170	200	-	-	-	-	170	200
Other	392	392	-	-	-	-	392	392
<b>Total Expenses</b>	<b>\$ 11,563</b>	<b>\$ 12,279</b>	<b>\$ 356</b>	<b>\$ 480</b>	<b>\$ 1,703</b>	<b>\$ 1,743</b>	<b>\$ 9,504</b>	<b>\$ 10,056</b>

The cost of all governmental activities this year was \$11,563,256. Individuals who directly participated or benefited from a program offering paid for \$355,792 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$1,702,964. The net cost of governmental activities of \$9,504,500, decreased by \$551,556 from the previous year.

The composition of governmental revenues by source is illustrated below:

	Governmental Revenue by Source		
	2020	2019	\$ VAR
Local	\$ 5,625,537	\$ 5,950,288	\$ (324,751)
Interdistrict	574,358	551,783	22,575
State	6,052,261	5,894,010	158,251
Federal	404,606	408,534	(3,928)
Other	52,731	44,380	8,351
Total	<b>\$ 12,709,493</b>	<b>\$ 12,848,995</b>	<b>\$ (139,502)</b>

The composition of governmental expenditures by type is illustrated below:

	Governmental Expense by Type		
	2020	2019	\$ VAR
Instruction	\$ 5,803,732	\$ 5,972,162	\$ (168,430)
Support Services	6,097,696	6,578,788	(481,092)
Total	<b>\$ 11,901,428</b>	<b>\$ 12,550,950</b>	<b>\$ (649,522)</b>

**DEERFIELD SCHOOL DISTRICT**  
Deerfield, Wisconsin  
Management Discussion and Analysis  
June 30, 2020

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**FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS**

The District completed the year with a total governmental fund balance of \$3,731,056 compared to last year's restated ending fund balance of \$2,922,991. The increase in fund balance is mainly due to decreased expenditures during the pandemic. Areas such as transportation, substitute teachers and disposable supplies were all significantly under budget at the fiscal year end.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District adopts a preliminary budget in September for the fiscal year beginning July 1<sup>st</sup>. Consistent with current state statutes and regulations an *original* budget is adopted in October following determination of official enrollment and certification of states aids. Generally, the original budget which is passed in October is not significantly modified. There were no modifications to the Original Budget during the 2019-20 fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2020, the District had invested \$24,815,279 in capital assets, including buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$10,625,292. Asset acquisitions for governmental activities totaled \$178,285. The District recognized depreciation expense of \$727,417. (Detailed information about capital assets can be found in Note 4 to the financial statements.)

**TABLE 4**  
**Capital Assets**  
*(net of depreciation, in thousands of dollars)*

	Governmental Activities		Total % change
	2020	2019	19-20
Land	\$ 646	\$ 646	0.00%
Buildings and Improvements	21,744	21,745	0.00%
Furniture and Equipment	2,425	2,601	-6.77%
Accumulated Depreciation	(10,625)	(10,253)	3.63%
Total	\$ 14,190	\$ 14,739	-3.72%

Notes: Totals may not add due to rounding.

**DEERFIELD SCHOOL DISTRICT**  
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Management Discussion and Analysis  
June 30, 2020

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-term Debt**

At year-end the District had \$6,287,407 in bonds payable and other long-term debt outstanding – a decrease of \$1,033,047 (16%) from fiscal 2019. (Detailed information about the District’s long-term liabilities is presented in Note 5 to the financial statements.)

**TABLE 5**  
**Outstanding Long-term Obligation**  
*(in thousands of dollars)*

	Total School District		Total % Change 19-20
	2020	2019	
General Obligation Debt	\$ 6,010	\$ 7,020	-14.39%
Unamortized Debt Premium (Discount)	130	148	-12.16%
Capital Lease	43	43	0.00%
Compensated Absences	105	110	-4.55%
<b>Total</b>	<b>\$ 6,288</b>	<b>\$ 7,321</b>	<b>-14.11%</b>

Note: Totals may not add due to rounding.

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

**FACTORS BEARING ON THE DISTRICT’S FUTURE**

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

- The on-going pandemic will have a significant on the main business of teaching students as the District is not having students learning at school in-person at this time.
- There is also the possibility of a significant impact on school funding from both the state and federal governments in the near future.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Doreen Treuden, Business Manager, Deerfield School District, (608) 764-5431, Deerfield School District, 300 Simonson Blvd, Deerfield, WI 53531.

## BASIC FINANCIAL STATEMENTS

Exhibit A-1  
Deerfield Community School District  
Statement of Net Position  
June 30, 2020

	Governmental Activities
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,730,180
Restricted cash and cash equivalents	528,092
Receivables:	
Taxes receivable	1,302,111
Other	13,550
Due from other governmental units	230,247
Total current assets	4,804,180
Noncurrent assets:	
Land	645,588
Capital assets being depreciated	24,169,691
Less: accumulated depreciation	(10,625,292)
Net capital assets	14,189,987
Restricted assets:	
Net pension asset	1,071,164
Total noncurrent assets	15,261,151
Total Assets	20,065,331
Deferred Outflows of Resources:	
Deferred pension outflows - Wisconsin Retirement System	2,341,431
Deferred OPEB outflows - group life insurance plan	174,816
Deferred OPEB outflows - District health insurance plan	131,044
Deferred supplemental pension outflows	36,776
Deferred loss on refunding	71,793
Total Deferred Outflows of Resources	2,755,860
Total Assets and Deferred Outflows of Resources	\$ 22,821,191



Exhibit A-1  
Deerfield Community School District  
Statement of Net Position  
June 30, 2020

	Governmental Activities
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 189,203
Accrued salaries and wages	402,120
Payroll taxes and withholdings	459,764
Accrued interest payable	51,050
Food service deposits	19,037
Current portion of long-term obligations	1,063,289
Total current liabilities	2,184,463
Noncurrent liabilities:	
Long-term obligations	6,182,693
Compensated absences	104,715
Supplemental pension stipend benefits	606,276
OPEB - group life insurance plan	415,302
OPEB - District health insurance plan	445,967
Less: Current portion of long-term obligations	(1,063,289)
Total noncurrent liabilities	6,691,664
Total Liabilities	8,876,127
Deferred Inflows of Resources:	
Unearned revenue	3,000
Deferred pension inflows - Wisconsin Retirement System	3,215,402
Deferred OPEB inflows - group life insurance plan	73,217
Deferred OPEB inflows - District health insurance plan	180,618
Deferred supplemental pension inflows	97,462
Total Deferred Inflows of Resources	3,569,699
Net Position:	
Net investment in capital assets	9,150,251
Restricted for:	
Capital projects	1,037,387
Debt service	312,720
Donor restricted	228,079
Community service	92,236
Other restrictions	138,149
Unrestricted	(583,457)
Total Net Position	10,375,365
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 22,821,191

Exhibit A-2  
Deerfield Community School District  
Statement of Activities  
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,740,498	\$ 52,416	\$ 575,476	\$ (3,112,606)
Vocational education	271,117	-	12,309	(258,808)
Special education	1,283,280	31,463	522,356	(729,461)
Other instruction	625,356	32,152	195,451	(397,753)
Total instruction	<u>5,920,251</u>	<u>116,031</u>	<u>1,305,592</u>	<u>(4,498,628)</u>
Support services:				
Pupil services	514,384	-	52,817	(461,567)
Instructional staff services	471,026	-	87,314	(383,712)
General administration services	368,877	-	11,453	(357,424)
Building administration services	404,908	23,954	-	(380,954)
Business administration	1,768,763	-	14,548	(1,754,215)
Central services	201,707	-	-	(201,707)
Insurance	101,757	-	-	(101,757)
Other support services	807,406	-	65,441	(741,965)
Food services	387,147	188,291	165,799	(33,057)
Community services	55,198	27,516	-	(27,682)
Interest and fiscal charges on long-term debt	169,983	-	-	(169,983)
Depreciation-Unallocated	384,286	-	-	(384,286)
Amortization expense	7,563	-	-	(7,563)
Total support services	<u>5,643,005</u>	<u>239,761</u>	<u>397,372</u>	<u>(5,005,872)</u>
Total governmental activities	<u>\$ 11,563,256</u>	<u>\$ 355,792</u>	<u>\$ 1,702,964</u>	<u>(9,504,500)</u>
General revenues:				
Property taxes:				
General purposes				3,612,041
Debt services				1,400,000
Community services				65,000
Federal and State aid not restricted for specific purposes				
General				5,476,336
Interest and investment earnings				44,628
Miscellaneous				52,731
Total general revenues				<u>10,650,736</u>
Changes in net position				1,146,236
Net position - beginning of year, as restated				9,229,129
Net position - end of year				<u>\$ 10,375,365</u>

Exhibit A-3  
Deerfield Community School District  
Balance Sheet  
Governmental Funds  
June 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 2,025,847	\$ -	\$ 312,720	\$ 391,613	\$ 2,730,180
Restricted cash and investments	-	528,092	-	-	528,092
Receivables:					
Taxes	1,302,111	-	-	-	1,302,111
Accounts	6,121	-	-	7,429	13,550
Due from other governments	208,514	-	-	21,733	230,247
Due from other funds	-	509,295	-	-	509,295
Total Assets	<u>\$ 3,542,593</u>	<u>\$ 1,037,387</u>	<u>\$ 312,720</u>	<u>\$ 420,775</u>	<u>\$ 5,313,475</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 181,699	\$ -	\$ -	\$ 7,504	\$ 189,203
Due to other funds	509,295	-	-	-	509,295
Accrued salaries and wages	394,834	-	-	7,286	402,120
Payroll taxes and withholdings	453,765	-	-	5,999	459,764
Food service deposits	-	-	-	19,037	19,037
Total Liabilities	<u>1,539,593</u>	<u>-</u>	<u>-</u>	<u>39,826</u>	<u>1,579,419</u>
Deferred Inflows of Resources:					
Unearned revenue	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Total Deferred Inflows of Resources	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Fund Balances:					
Restricted	77,515	1,037,387	312,720	380,949	1,808,571
Unassigned	<u>1,922,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,922,485</u>
Total Fund Balances	<u>2,000,000</u>	<u>1,037,387</u>	<u>312,720</u>	<u>380,949</u>	<u>3,731,056</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,542,593</u>	<u>\$ 1,037,387</u>	<u>\$ 312,720</u>	<u>\$ 420,775</u>	<u>\$ 5,313,475</u>

Exhibit A-4  
Deerfield Community School District  
Reconciliation of the Governmental Funds Balance Sheet  
with the Statement of Net Position  
June 30, 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds:		\$	3,731,056
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds:			
Governmental capital assets			24,815,279
Governmental accumulated depreciation			(10,625,292)
			14,189,987
The net pension asset is not a current financial resource and is, therefore, not reported in the fund statements.			
			1,071,164
Pension and other benefits' deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan and OPEB plan. These items are reflected in the Statement of Net Position and are being amortized with pension and OPEB expense in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not current financial resources or uses and therefore are not reported in the fund statements.			
Deferred outflows of resources			2,684,067
Deferred inflows of resources			(3,566,699)
Long term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the Statement of Net Position that are not reported in the funds balance sheet are:			
General obligation debt			(6,139,812)
Capital leases			(42,881)
Accrued interest on long-term debt			(51,050)
Compensated absences			(104,715)
			(6,338,458)
Other items, including pension liabilities and OPEB liabilities, are not due and payable in the current period and, therefore, are either deferred or not reported in the fund statements.			
Deferred outflows on refunding			71,793
OPEB - group life insurance plan			(415,302)
OPEB - District health insurance plan			(445,967)
Supplemental pension stipend benefits			(606,276)
			(1,395,752)
Total net position - governmental activities		\$	10,375,365

Exhibit A-5  
Deerfield Community School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 3,612,041	\$ -	\$ 1,400,000	\$ 65,000	\$ 5,077,041
Other local sources	117,781	19,463	480	410,772	548,496
Interdistrict sources	562,764	-	-	11,594	574,358
State sources	6,045,867	-	-	6,394	6,052,261
Federal sources	245,201	-	-	159,405	404,606
Other sources	52,731	-	-	-	52,731
Total Revenues	<u>10,636,385</u>	<u>19,463</u>	<u>1,400,480</u>	<u>653,165</u>	<u>12,709,493</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	3,640,121	-	-	8,297	3,648,418
Vocational instruction	264,342	-	-	-	264,342
Special instruction	1,280,198	-	-	-	1,280,198
Other instruction	430,377	-	-	180,397	610,774
Total Instruction	<u>5,615,038</u>	<u>-</u>	<u>-</u>	<u>188,694</u>	<u>5,803,732</u>
Support Services:					
Pupil services	510,641	-	-	-	510,641
Instructional staff services	460,538	-	-	1,206	461,744
General administration services	364,399	-	-	-	364,399
Building administration services	398,593	-	-	9	398,602
Business administration	1,421,115	47,130	-	23,153	1,491,398
Central services	149,347	-	-	-	149,347
Insurance	101,757	-	-	-	101,757
Food services	-	-	-	384,629	384,629
Community service	-	-	-	54,870	54,870
Other support services	806,156	-	-	1,250	807,406
Total Support Services	<u>4,212,546</u>	<u>47,130</u>	<u>-</u>	<u>465,117</u>	<u>4,724,793</u>
Total Current Expenditures	<u>9,827,584</u>	<u>47,130</u>	<u>-</u>	<u>653,811</u>	<u>10,528,525</u>
Capital Outlay	184,503	-	-	-	184,503
Debt Service	-	-	1,188,400	-	1,188,400
Total Expenditures	<u>10,012,087</u>	<u>47,130</u>	<u>1,188,400</u>	<u>653,811</u>	<u>11,901,428</u>
Excess (deficiency) of revenues over expenditures	<u>624,298</u>	<u>(27,667)</u>	<u>212,080</u>	<u>(646)</u>	<u>808,065</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	(521,184)	-	-	-	(521,184)
Transfers in	-	509,295	-	11,889	521,184
Total Other Financing Sources (Uses)	<u>(521,184)</u>	<u>509,295</u>	<u>-</u>	<u>11,889</u>	<u>-</u>
Net Change in Fund Balances	103,114	481,628	212,080	11,243	808,065
Fund Balance-beginning of year, as restated	1,896,886	555,759	100,640	369,706	2,922,991
Fund Balance-end of year	<u>\$ 2,000,000</u>	<u>\$ 1,037,387</u>	<u>\$ 312,720</u>	<u>\$ 380,949</u>	<u>\$ 3,731,056</u>

Exhibit A-6  
Deerfield Community School District  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2020

Net change in fund balances-total governmental funds		\$ 808,065
Amounts reported for governmental activities in the Statement of Activities are different because:		
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
Capital outlay reported in governmental fund statements	178,285	
Depreciation expenses reported in the Statement of Activities	<u>(727,417)</u>	
Amount by which capital outlays are greater (less) than depreciation in the current period.		(549,132)
The District disposed of equipment resulting in a reduction of capital assets and recapture of prior year depreciation expense reported on the Statement of Activities as a net loss and has no effect on the governmental fund statements		
The value of the capital assets disposed of during the year was:	(355,092)	
The amount of depreciation recapture for the year was:	<u>355,092</u>	
The difference in the value of assets net of recaptured depreciation		-
Vested employee benefits are reported in the governmental funds when amounts are paid. The Statement of Activities reports the value of benefits earned during the year.		
Decrease in compensated absences that occurred during the year		4,502
Net other post-employment benefits obligation expense		(25,996)
Net supplemental pension stipend benefits expense		(32,893)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the Statement of Net Position and does not affect the Statement of Activities.		
The amount of long-term debt principal retired in the current year		1,028,544
The difference between the amount paid to the refunding bond escrow and the principal amount defeased is reported in the governmental funds as an other financing use, but is reported as a deferred charge in the Statement of Net Position and allocated over the life of the debt issue as amortization expense in the Statement of Activities.		
		(26,107)
In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid. In the Statement of Activities, interest is reported as incurred.		
The amount of interest paid during the current period	178,400	
The amount of interest accrued during the current period	<u>(169,983)</u>	
Interest paid is greater (less) than interest accrued by		8,417
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement on Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension asset from the prior year to the current year, with some adjustments.		
Amount of current year required contributions into the defined benefit pension plan	337,793	
Actuarially determined change in net pension asset between years, with adjustments	<u>(406,957)</u>	
		<u>(69,164)</u>
Change in net position-governmental activities		<u>\$ 1,146,236</u>

Exhibit A-7  
Deerfield Community School District  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2020

	Private Purpose Trust
Additions:	
Gifts	\$ -
Interest	-
	-
Total Additions	-
Deductions:	
Scholarships awarded	-
	-
Total Deductions	-
Change in net position	-
Net position-Beginning, as previously reported	47,009
Prior period adjustments:	
Implementation of GASB Statement No. 84	(47,009)
	-
Net Position-Beginning, as restated	-
Net position-Ending	\$ -

NOTES TO THE FINANCIAL STATEMENTS



Deerfield Community School District  
June 30, 2020

Index to Notes to Financial Statements

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Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Deerfield Community School District (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 common school district governed by an elected seven-member school board. The District operates grades 4 year old kindergarten through grade 12. The District is comprised of all or parts of five taxing districts.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity nor does it have any component units.

The financial reporting entity for the District consists of (a) organizations for which the stand-alone government is financially accountable and (b) the stand-alone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the District comprise the stand-alone government.

B. Basis of Presentation

***District-wide Statements***

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except for fiduciary funds, which are presented in the fund financial statements by type. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District does not report any business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Internally dedicated resources are reported as general revenues rather than as program revenues.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

Funds are organized as major funds or non-major funds within the governmental and fiduciary statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

***Governmental Activities***

Governmental funds are identified as either general, special revenue, debt service, capital projects, or permanent funds based upon the following guidelines:

General Fund - The General Fund is the general operating fund of the District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

***Major Funds***

The District reports the following major governmental funds:

General Fund  
Capital Projects Fund  
Debt Service Fund

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Nonmajor Funds***

The District reports the following nonmajor funds:

Special Revenue Funds:

Food Service - accounts for the activities of the District's food service, generally school hot lunch program.

Community Service - accounts for activities associated with providing recreational and enrichment programs to the community.

Package Cooperative - accounts for programs provided on a cooperative basis with other Districts.

Special Revenue Trust - accounts for trust funds that can be used for District operations. The source of such funds is gifts and donations from private parties.

C. Measurement Focus and Basis of Accounting

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

The aggregate District levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1<sup>st</sup> full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31<sup>st</sup>, and the final payment no later than the following July 31<sup>st</sup>. On or before January 15<sup>th</sup>, and by the 20<sup>th</sup> 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<sup>th</sup>, the County Treasurer makes full settlement to the District for any remaining balance. The County assumes all responsibility for delinquent real property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. All property taxes are considered due on January 1<sup>st</sup>, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. The District's standard accounting policy considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Normally, all taxes are collected within 60 days of June 30 and are deemed available to pay current liabilities. Due to the COVID-19 pandemic, under State of Wisconsin 2019 Act 185, counties could pass a resolution to waive penalties for late property tax payments through October 1, 2020. Dane County passed such a resolution. This resolution delayed the District's final tax settlement until September 2020. While this date is greater than 60 days after June 30, 2020, the delayed settlement is considered as unusual circumstance. Accordingly, the District's full tax levy that was certified in November 2019 will be recognized as revenue for the year ending June 30, 2020.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

For governmental fund financial statements, deferred inflows of resources arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the District has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, deferred inflows of resources is removed from the balance sheet and revenue is recognized.

D. Assets and Liabilities

***Cash and Investments***

The District has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund’s portion of total cash and investments is reported as cash and cash equivalents/investments by the District’s individual major funds, and in the aggregate for nonmajor and agency funds. Interest earned is distributed monthly to the various funds based on each fund’s proportionate equity in the cash and investments pool.

All deposits of the District are made in board designated official depositories and are secured as required by State Statute. The District may designate, as an official depository, any bank or savings association. Also, the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

Investments with remaining maturities at the time of purchase of one year or less are stated at amortized cost which approximates fair value. Investments with a maturity of more than one year at acquisition and nonmoney market investments are carried at fair value as determined by quoted market prices.

***Accounts Receivable***

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since such allowance would not be material.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventory in the general fund and governmental activities consist of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Prepaid items represent payments made by the District for which benefits extend beyond June 30.

***Capital Assets***

District-wide Statements

In the district-wide financial statements, capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated acquisition value at the time received.

All capital assets, or groups of assets, that meet the District's capitalization threshold of \$5,000 are capitalized and updated for additions. Assets that are returned are taken off on an annual basis. All improvements to capital assets are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are expensed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Computer equipment	5-10 years
Vehicles and buses	8 years
Other equipment	5-15 years
Site improvements	20 years
Buildings	50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

***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 the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 8(A) for additional information.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Vested Employee Benefits***

Sick Leave

Employees of the District earn varying amounts of sick time. Employees can accumulate up to 130 days depending on the employee's classification. Administration employees leaving after 10 years of service in the District and age 55 will be compensated up to 100 days at \$50 per day. Administration support staff leaving after 15 years of service in the District and age 60 will be compensated up to 100 days at \$30 per day. A teacher retiring with 10 years of service in the District will be compensated up to 130 days at \$80 per day.

The District reports compensated absences in accordance with provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other Postemployment Benefits (OPEB)

*District health insurance plan*

As provided in applicable negotiated contracts, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits directly from the District. Employees that choose not to participate in the medical plan during their retirement will instead receive a cash benefit in lieu of such coverage. See Note 9(A) for additional information.

*Group life insurance plan*

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9(B) for additional information.

Other Pension Benefits

The District provides an alternative cash benefit to administrators and non-union support staff that chose to opt out of the medical plan upon retirement. This alternative cash benefit is equal to the District's contribution to the medical plan had they chosen to continue in the medical plan.

The liabilities for vested employee benefits are reported on the district-wide financial statements. In the governmental fund financial statements, none of the liabilities are reported as it is not expected to be paid using expendable available resources. See Note 8(B) for additional information.

Deerfield Community School District  
Notes to the Basic Financial Statements  
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NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Long-Term Obligations***

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the district-wide statements. Long-term debt consists primarily of notes, bonds or loans payable, capital leases and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

E. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods and will not be recognized as an outflow of resources (expenditure) until then. The District has five items that qualifies for reporting in this category. The deferred outflows of resources are for the WRS pension system, OPEB plans, supplemental pension and the deferred amount on refunding.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resource (revenue) until then. The District reported the deferred revenue, WRS deferred pension inflow, OPEB inflows and supplemental pension inflow as deferred inflows of resources.

F. Claims and Judgments

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

G. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Interfund Activity

Charges for services between funds are reported as revenues in the seller funds and as expenditures/expense in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. These transfers are eliminated from the Statement of Activities. On the fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the Statements of Net Position.



Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Equity Classifications

***District-wide Statements***

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

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted net position - consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

***Fund Statements***

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-Spendable - includes amounts that are not in a spendable form (such as inventory/or are required to be maintained intact).
- Restricted - includes amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed - includes amounts constrained to specific purposes by the Board of Education itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Board of Education takes the same highest level action to remove or change the constraint.
- Assigned - includes amounts the Board of Education intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the Board of Education delegates the authority.
- Unassigned - includes amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education may, from time to time, commit additional amounts of fund balance to a specific purpose. Such action shall be taken in open meeting and require the approval of a majority of the School Board. Commitments of fund balance, once made, can be modified only by majority vote of the School Board.

The Board of Education authorizes and directs the District Administrator to assign the fund balance, to the extent such assignment does not create a negative unassigned fund balance.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Board of Education recognizes the need to maintain an operating reserve in the general fund for the following purposes:

1. Hold adequate working capital to meet cash flow needs during the fiscal year
2. Reduce the need for short-term borrowing
3. Serve as a safeguard for unanticipated expenditures of the District
4. Show fiscal responsibility to maintain a high credit rating which will help reduce future borrowing costs

The District strives to maintain a fund balance of not less than 10% of subsequent year's operation expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

J. Change in Accounting Principle

Effective July 1, 2019, the District adopted GASB statement No. 84, Fiduciary Activities. GASB No. 84 establishes criteria for determining what activities should be reported in the fiduciary funds and requires the recognition of a liability when an event has occurred that requires the disbursement of fiduciary resources. GASB No. 84 replaces agency fund types with custodial funds for the accumulation of assets for entities outside the government's reporting entity. Unlike agency funds, custodial funds present a Statement of Net Position and a Statement of Changes in Net Position. The Statement of Changes in Fiduciary Net Position reports additions and deductions for activity in scholarship trust accounts.

In accordance with GASB No. 84 guidance, effective July 1, 2019, operations of certain student activity accounts and scholarship accounts began to be reported as governmental activities. Prior to implementation of GASB No. 84, these operations were reported as fiduciary activities. Prior period adjustments were recorded as of July 1, 2019 to increase governmental activities net position and governmental fund balances on the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balances – governmental funds. Fiduciary net position was decreased in the Statement of Changes in Fiduciary Net Position for scholarship accounts that are now being reported as governmental activities.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective July 1, 2019, prior period adjustments have been recorded in the fund statements as follows:

	Governmental Funds	Fiduciary Fund	Total
	Special Revenue Fund	Private Purpose Trust	Net Position/ Fund Balance impact on related funds
Net position/fund balance, as previously reported	\$ 150,698	\$ 47,009	\$ 197,707
Cumulative effect for change in accounting principle (GASB No. 84)			
Reclassify pupil organization accounts	26,236	-	26,236
Reclassify scholarship accounts	47,009	(47,009)	-
Net increase (decrease)	73,245	(47,009)	26,236
Net position/fund balance, as restated	\$ 223,943	\$ -	\$ 223,943

The pupil organization accounts were reported as an agency fund in prior years and did not have net position. As of June 30, 2019, the \$26,236 of pupil organization accounts were reported as liabilities.

Effective July 1, 2019, prior period adjustments have been recorded in the statement of activities as follows:

	Governmental Activities
Net position, as previously reported	\$ 9,155,884
Cumulative effect for change in accounting principle (GASB No. 84)	
Reclassify pupil organization accounts	26,236
Reclassify scholarship accounts	47,009
Net increase (decrease)	73,245
Net position, as restated	\$ 9,229,129

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 2                    EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities in the basic financial statements represent:

- a. Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the Statement of Activities. The long-term expenses reported recognize the change in vested employee benefits.
- b. Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording depreciation expense on those items as recorded in the Statement of Activities.
- c. Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the Statement of Activities, long-term debt proceeds are recorded as a liability, interest expense is recorded as incurred, and principal payments are recorded as a reduction of liabilities.

NOTE 3                    CASH AND INVESTMENTS

At June 30, 2020, the cash and investments included the following:

Account Balances	
Deposits with financial institutions	\$ 519,646
Wisconsin Investment Series Cooperative (WISC)	1,735,225
WI Local Government Investment Pool	1,003,401
Total	\$ 3,258,272
Per Statement of Net Position:	
Cash and cash equivalents	\$ 2,730,180
Restricted cash and cash equivalents	528,092
Total	\$ 3,258,272

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Wisconsin State Statutes

Investment of District funds is restricted by state statutes. Available investments are limited to:

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

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:

<u>Investment Type</u>	<u>Investment Maturities</u>				
	<u>Amount</u>	<u>6 Months or Less</u>	<u>6 Months to 1 Year</u>	<u>1 Year to 5 Years</u>	<u>More Than 5 Years</u>
WI Local Government Investment Pool	\$ 1,003,401	\$ 1,003,401	\$ -	\$ -	\$ -
Certificates of Deposit	36,914	36,914	-	-	-
Total	<u>\$ 1,040,315</u>	<u>\$ 1,040,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The average maturity of WI Local Government Investment pool as of June 30, 2020 is 31 days (16 days as of June 30, 2019).

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. As of June 30, 2020, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
WISC Multi-Class Series	\$ 1,735,225	S&P Global Ratings - AAAM
Local Government Investment Pool	1,003,401	Not Rated
Total fair value of investments subject to credit risk	<u>\$ 2,738,626</u>	

Custodial Credit Risk

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

Deposits in each local and area bank are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 for all time and savings accounts and \$250,000 for all demand accounts. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board (SWIB). The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually.

All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool's investments. Detailed information about the SIF is available in separately issued financial statements available at <https://doa.wi.gov/Pages/StateFinances/LGIP.aspx>.

Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2020, the fair value of the District's share of the LGIP's assets was substantially equal to the amount reported above. Information on derivatives was not available to the District.

Deerfield Community School District  
Notes to the Basic Financial Statements  
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NOTE 3

CASH AND INVESTMENTS (CONTINUED)

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

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

As of June 30, 2020, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

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

NOTE 4

CAPITAL ASSETS

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

	<u>Balance</u> <u>6/30/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/20</u>
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 645,588	\$ -	\$ -	\$ 645,588
Total capital assets not being depreciated	<u>645,588</u>	<u>-</u>	<u>-</u>	<u>645,588</u>
<i>Capital assets, being depreciated:</i>				
Buildings	18,377,157	-	-	18,377,157
Site Improvements	3,368,591	-	(1,540)	3,367,051
Furniture and Equipment	2,600,750	178,285	(353,552)	2,425,483
Total capital assets, being depreciated	<u>24,346,498</u>	<u>178,285</u>	<u>(353,552)</u>	<u>24,169,691</u>
Total Capital Assets	<u>24,992,086</u>	<u>178,285</u>	<u>(353,552)</u>	<u>24,815,279</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	7,431,679	455,407	-	7,887,086
Site Improvements	961,517	132,581	(1,540)	1,092,558
Furniture and Equipment	1,859,771	139,429	(353,552)	1,645,648
Total Accumulated Depreciation	<u>10,252,967</u>	<u>727,417</u>	<u>(353,092)</u>	<u>10,625,292</u>
Total Net Capital Assets	<u>\$ 14,739,119</u>	<u>\$ (549,132)</u>	<u>\$ -</u>	<u>\$ 14,189,987</u>

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 4

CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$	5,589
Vocational instruction		3,177
Physical curriculum		5,674
Special instruction		621
Co-curricular activities		5,386
Instructional staff services		2,507
General administration		123
Business administration		273,728
Central services		44,521
Food service		1,805
Depreciation not charged to a specific function		384,286
Total depreciation for governmental activities	\$	<u><u>727,417</u></u>

Capital outlay was charged to governmental functions as follows:

Business administration	\$	46,501
Central services		<u>131,784</u>
Total capital outlay	\$	<u><u>178,285</u></u>

NOTE 5

SHORT-TERM AND LONG-TERM OBLIGATIONS

A. Short-term Notes Payable

Short-term obligations of the District consisted of a line of credit with a maximum balance of \$500,000 with an interest rate of 3.55%.

There was no short-term obligation activity for the year ended June 30, 2020.



Deerfield Community School District  
Notes to the Basic Financial Statements  
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NOTE 5

SHORT-TERM AND LONG-TERM OBLIGATIONS (CONTINUED)

B. Long-term Liabilities

Long-term liability balances and activity for the year ended June 30, 2020 were as follows:

	Beginning 7/1/2019	Increases	Decreases	Balance 6/30/2020	Current Portion
General Obligation Bonds	\$ 7,020,000	\$ -	\$ (1,010,000)	\$ 6,010,000	\$ 1,035,000
Unamortized Debt Premium (Discount)	148,356	-	(18,544)	129,812	18,545
Capital Lease	42,881	-	-	42,881	9,744
Sub-Total	<u>7,211,237</u>	<u>-</u>	<u>(1,028,544)</u>	<u>6,182,693</u>	<u>1,063,289</u>
Compensated Absences	109,217	-	(4,502)	104,715	-
Governmental Activities Long-Term Liabilities	<u>\$ 7,320,454</u>	<u>\$ -</u>	<u>\$ (1,033,046)</u>	<u>\$ 6,287,408</u>	<u>\$ 1,063,289</u>

The obligations for the compensated absences will be paid from the general fund and the food service fund.

Total interest paid and accrued during the year:

	Expense	Paid
Long-term debt	\$ 169,983	\$ 178,400
Totals	<u>\$ 169,983</u>	<u>\$ 178,400</u>

Long-term General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2020 is comprised of the following individual issues:

Description	Issue Date	Interest Rates	Date of Maturity	Balance 6/30/20
G.O. Bonds	02/06/17	2.5-2.75%	03/01/27	\$ 6,010,000
Total General Obligation Debt				<u>\$ 6,010,000</u>

The 2019 equalized valuation of the District, as certified by the Wisconsin Department of Revenue is \$486,140,053. The legal debt limit and margin of indebtedness as of June 30, 2020 in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt Limit (10% of \$486,140,053)	\$ 48,614,005
Deduct Long-term Debt Applicable to Debt Margin	<u>(6,010,000)</u>
Margin of Indebtedness	<u>\$ 42,604,005</u>

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 5 SHORT-TERM AND LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ended June 30,	Principal	Interest	Total
2021	\$ 1,035,000	\$ 153,150	\$ 1,188,150
2022	1,060,000	127,275	1,187,275
2023	1,085,000	100,775	1,185,775
2024	1,115,000	73,650	1,188,650
2025	555,000	45,775	600,775
2026-2027	1,160,000	48,125	1,208,125
Totals	<u>\$ 6,010,000</u>	<u>\$ 548,750</u>	<u>\$ 6,558,750</u>

NOTE 6 CAPITAL LEASES, AS LESSEE

The following is an analysis of the original cost of leased property under capital leases by major classes as of June 30, 2020.

Equipment	<u>\$ 52,038</u>
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The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2020.

Years Ended June 30,	
2021	\$ 12,489
2022	12,489
2023	12,489
2024	12,489
Sub-Total	<u>49,957</u>
Less: Interest	<u>(7,076)</u>
Total Minimum Payments	<u>\$ 42,881</u>

NOTE 7 INTERFUND ACTIVITY

During the fiscal year ended June 30, 2020, \$11,889 was transferred from the general fund to the package cooperative fund and \$509,295 was transferred from the general fund to the capital projects fund. The \$11,889 transfer was used to cover any costs not covered by direct revenues. The \$509,295 transfer was for future capital expenditures. In the Statement of Activities, these amounts have been eliminated.

Deerfield Community School District  
Notes to the Basic Financial Statements  
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NOTE 8

DEFINED BENEFIT PENSION PLANS

A. Wisconsin Retirement System

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Year	Core Fund Adjustment (%)	Variable Fund Adjustment (%)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)

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

During the reporting period, the WRS recognized \$337,793 in contributions from the employer.

Contribution rates as of June 30, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

***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 \$1,071,164 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.03321999%, which was a decrease of 0.00033679% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$414,477.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 2,033,312	\$ (1,017,536)
Changes of assumptions	83,472	-
Net difference between projected and actual earnings on pension plan investments	-	(2,189,839)
Changes in proportion and difference between District contributions and proportionate share of contributions	5,340	(8,027)
District contributions subsequent to the measurement date	219,307	-
Total	\$ 2,341,431	\$ (3,215,402)

\$219,307 reported as deferred outflows of resources related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (320,929)
2022	(243,534)
2023	35,745
2024	(564,560)
Total	\$ (1,093,278)

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset):	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-Retirement Adjustments*	1.9%

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

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

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49	8.0	5.1
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

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

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

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

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Sensitivity of the Deerfield Community School District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.** The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	\$ 2,758,439	\$ (1,071,164)	\$ (3,934,232)

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

**B. Supplemental Pension Benefits**

The District accounts for supplemental pension benefits under GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68.

**Plan Description and Vesting.** The District operates a single-employer retiree benefit plan that provides a supplemental pension benefit for eligible administrative employees, if he/she is at least fifty-five (55) years of age and has been employed as an administrator of the district for at least (10) years prior to retirement and for non-union support staff, if he/she is at least sixty (60) years of age and has been employed by the District for fifteen (15) years upon retirement.

**Funding Policy.** Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions. Benefits payments of \$15,667 were made during the reporting period.

**Benefits Provided.** Benefits and eligibility for teachers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body. Current approved benefits are as follows:

*Superintendent & Administrators:* At least age 55 with a minimum of 10 years of service:

Eligible retirees have the annual option to elect a cash benefit in lieu of their participation in the District's medical plan. The amount of this benefit is equal to the contributions that would be made on behalf of the retiree had they chosen to participate in the District's medical plan.



Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

*Administrator:* At least age 55 with a minimum of 8 years of service:

Eligible retirees have the annual option to elect a cash benefit in lieu of their participation in the District's medical plan. The amount of this benefit is equal to the contributions that would be made on behalf of the retiree had they chosen to participate in the District's medical plan.

*Current Teachers:* At least age 55 (on or before August 31 of that year) with a minimum of 15 years of service:

The District shall provide up to \$1,000 for each full year of service the District (pro-rated annually based on FTE), up to the maximum of \$30,000 paid out in three equal installments over three years into the tax-sheltered annuity (TSA).

*Non-Union Support Staff:* At least age 60 with a minimum of 15 years of service:

Eligible retirees have the annual option to elect a cash benefit in lieu of their participation in the District's medical plan. The amount of this benefit is equal to the contributions that would be made on behalf of the retiree had they chosen to participate in the District's medical plan.

There are 80 active employees and 0 retirees in the plan as of the measurement date of June 30, 2019.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.*** For the year ended June 30, 2020, the District recognized a supplemental pension expense of \$48,560.

Below is a schedule of changes in the total pension liability for the current reporting period (measurement date June 30, 2019):

Beginning Balance: 6/30/18	\$ 657,352
Changes for the Year:	
Service Costs	28,940
Interest	24,900
Changes of Benefit Terms	-
Differences Between Expected and Actual Experiences	(94,860)
Changes of Assumptions or Other Inputs	5,611
Benefit Payments	(15,667)
Net Changes	(51,076)
Ending Balance: 6/30/19	\$ 606,276

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 10,179	\$ (88,084)
Changes of assumptions	10,930	(9,378)
District contributions subsequent to the measurement date	15,667	-
Total	\$ 36,776	\$ (97,462)

At June 30, 2020, the District reported deferred outflows of resources related to the supplemental pension plan for contributions after the measurement date of \$15,667. It will be recognized as a reduction of the total supplemental pension benefits liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to supplemental pension benefits will be recognized in future supplemental pension benefits expense as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (5,280)
2022	(5,280)
2023	(5,280)
2024	(5,280)
2025	(5,280)
Thereafter	(49,953)
Total	\$ (76,353)

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

Actuarial Valuation Date:	June 30, 2019
Measurement Date of Total Pension Liability	June 30, 2019
Discount Rate*:	3.5%
Projected salary increases	.1% - 5.6% depending on service years

\* The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.5%) as of the measurement date.

Mortality assumptions are based upon Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%).

Actuarial assumptions are based upon an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 8

DEFINED BENEFIT PENSION PLANS (CONTINUED)

**Single Discount Rate.** A single discount rate of 3.5% (based upon all years of projected payments discounted at a municipal bond rate of 3.5%) was used in this valuation in calculating the supplemental pension liability. It was assumed that the District would continue to fund its retiree benefits out of its general fund assets on a pay-as-you-go basis.

**Sensitivity of the District's Net Pension Liability to Changes in the Discount Rate.** The following presents the District's net pension liability calculated using the discount rate of 3.5 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current rate:

		1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Total Supplemental Pension Liability	6/30/2019	\$646,349	\$606,276	\$567,746

NOTE 9

OTHER POSTEMPLOYMENT BENEFITS

The District accounts for other postemployment benefits under GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

A. District Sponsored Other Postemployment Benefits (OPEB)

**Plan Description.** The District operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses. There are 84 active members in the plan and 3 retired members in the plan. Benefits and eligibility for teachers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body.

**Funding Policy.** The District has not established a trust to fund its OPEB liabilities. The District will fund the policy on a pay-as-you-go basis.

**Benefits Provided.** Benefits and eligibility for teachers are established and amended through collective bargaining with the recognized bargaining agent for each group; and include postemployment health coverage. Benefits and eligibility for administrators and general support staff are established and amended by the governing body. Current approved benefits are as follows:

*Superintendent & Administrator:* At least age 55 with a minimum of 10 years of service:

The District shall pay the full cost of the single or family medical premiums on behalf of the retiree for a period of 5 years following retirement. Any increase to the District's contributions will not exceed 10% per year. Premium increases that exceed 10% will be the responsibility of the retiree.

Administrators will have the option to take cash in lieu of health insurance equal to the amount the Administrator is eligible for in health insurance each year. These payments will be made monthly on the final designated payroll cycle for each month.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

*Administrator:* At least age 55 with a minimum of 8 years of service:

The District shall pay the full cost of the single or family medical premiums on behalf of the retiree for a period of 5 years following retirement. Any increase to the District's contributions will not exceed 10% per year. Premium increased that exceed 10% will be the responsibility of the retiree.

The Administrator will have the option to take cash in lieu of health insurance equal to the amount the Administrator is eligible for in health insurance each year. These payments will be made monthly on the final designated payroll cycle for each month.

*Current Teachers:* At least age 55 (on or before August 31 of that year) with a minimum of 15 years of service:

Those who are on the District's medical insurance plan in his/her final year of employment, upon retirement, may choose to self-pay the full (100%) amount of required premiums to remain on the District's medical plan indefinitely, provided the retiree pays all required premiums.

*Non-Union Support Staff:* At least age 60 with a minimum of 15 years of service:

The District will pay the full amount (100%) of the single or family medical premiums in effect during the retiree's first year of retirement. The District's contributions shall continue, frozen at this amount for an additional 4 years (i.e. total contributions not to exceed a 5-year period).

***Employees covered by Benefit Terms.*** At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	84
	<u>87</u>

***Total OPEB Liability.*** The District's total OPEB Liability of \$445,967 was measured at June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Inflation	2.50 percent
Salary increases	3.0 percent, average, including inflation
Discount rate	3.5 percent
Healthcare cost trend rates	7.5 decreasing by .50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter

Retirees' share of benefit-related costs 30-100 percent of projected health insurance premiums for retirees

The discount rate was changed to be reflective of a 20-year AA municipal bond rate (3.5%) as of the measurement date.

Mortality assumptions are based upon Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%).

The actuarial assumptions used were based on a study conducted in 2018 using the Wisconsin Retirement System (WRS) experience from 2015-2017.

***Changes in the Total OPEB Liability – As of Measurement Date***

	<u>Total OPEB Liability</u>
Balance at 6/30/2018	\$ 552,553
Changes for the year:	
Service cost	28,940
Interest	20,252
Changes of benefit terms	-
Differences between expected and actual experience	(116,411)
Changes in assumptions or other inputs	14,552
Benefit payments	(53,919)
Net Changes	<u>(106,586)</u>
Balance at 6/30/2019	<u>\$ 445,967</u>

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (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 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

		1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	6/30/2019	\$ 475,733	\$ 445,967	\$ 417,806

**Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates.** The following represents 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 (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

		1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	6/30/2019	\$ 405,311	\$ 445,967	\$ 493,679

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** For the year ended June 30, 2020, the District recognized a OPEB expense of \$40,474. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Gain / Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 71,580	\$ (105,828)
Changes of assumptions or other inputs	14,080	(74,790)
District contributions subsequent to the measurement date	45,384	-
Total	\$ 131,044	\$ (180,618)

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

\$45,384 reported as deferred outflows related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future OPEB expense as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (8,716)
2022	(9,567)
2023	(9,567)
2024	(9,567)
2025	(9,567)
Thereafter	(47,974)
Total	<u>\$ (94,958)</u>

B. Local Retiree Life Insurance Fund

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

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

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

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

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

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

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contribution rates as of June 30, 2020 are:

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

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

Life Insurance  
Employee Contribution Rates\*  
For the year ended December 31, 2019

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

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

During the reporting period, the LRLIF recognized \$1,763 in contributions from the employer.

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

At June 30, 2020, the District reported a liability of \$415,302 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was .09753%, which was an decrease of .00351% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$45,281.



Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (18,605)
Changes of assumptions	153,207	(45,680)
Net differences between projected and actual earnings on OPEB plan investments	7,834	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,832	(8,932)
Employer contributions subsequent to the measurement date	943	-
Totals	\$ 174,816	\$ (73,217)

\$943 reported as deferred outflows related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Net Deferred Outflows (Inflows) of Resources
Year ended June 30:	
2021	\$ 17,845
2022	17,845
2023	17,000
2024	16,130
2025	12,441
Thereafter	19,395
Total	\$ 100,656

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

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

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

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

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 9

OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

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

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
District's proportionate share of the net OPEB liability (asset)	\$ 573,462	\$ 415,302	\$ 294,972

NOTE 10

GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2020 include the following:

Restricted for:	
Debt service payments	\$ 312,720
Food service activities	60,634
Donor restricted	228,079
Capital projects	1,037,387
Community service activities	92,236
Self insurance	69,905
Unspent common school fund	7,610
Total restricted fund balance	\$ 1,808,571

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 11

GOVERNMENTAL ACTIVITIES NET POSITION

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

Governmental Activities:	
Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 14,189,987
Less: related long-term debt outstanding	(6,182,693)
Add: deferred loss on refunding	71,793
Total Invested in Capital Assets	8,079,087
Restricted:	
Capital projects	1,037,387
Debt service	312,720
Community service	92,236
Food service	60,634
Self insurance	69,905
Unspent common school fund	7,610
Donor restricted	228,079
Total Restricted	1,808,571
Unrestricted	487,707
Total Governmental Activities Net Position	\$ 10,375,365

NOTE 12

RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 13

LIMITATION OF SCHOOL DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues school districts are permitted to derive from general state aids and property taxes unless a higher amount is approved by a referendum of the taxpayers. This limitation does not apply to revenues needed for the repayment of any general obligation debt (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or a referendum prior to August 12, 1993, (b) a referendum on or after August 12, 1993.

Deerfield Community School District  
Notes to the Basic Financial Statements  
June 30, 2020

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NOTE 14

SELF-FUNDED INSURANCE PROGRAM

The District established a self-funded dental benefit plan (the “Plan”) for its employees. The Plan administrator is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30<sup>th</sup>.

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, Food Service Fund, and the Community Service Fund of the District. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2020, the District has reported a liability of \$20,035, which represents reported and unreported claims which were incurred on or before June 30, 2020, but were not paid by the District as of that date. Incurred but not reported (IBNR) claims consist of claims reported to the Plan Administrator but not the District and claims which were not yet reported to either the Plan Administrator or the District.

	Accrued Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Accrued Balance at End of Year
2017-2018	\$ 26,549	\$ 139,056	\$ 141,396	\$ 24,209
2018-2019	\$ 24,209	\$ 130,073	\$ 131,395	\$ 22,887
2019-2020	\$ 22,887	\$ 82,425	\$ 85,277	\$ 20,035

NOTE 15

COMMITMENTS AND CONTINGENCIES

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

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

NOTE 16

EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

GASB has adopted GASB Statement No. 87, Leases. When this becomes effective, application of this standard may restate portions of these financial statements.

NOTE 17

SUBSEQUENT EVENTS

The District put a referendum to exceed the revenue limit by \$500,000 per year for five years on the November 3, 2020's election.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit B-1  
Required Supplementary Information  
Deerfield Community School District  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
Revenues:					
Property taxes	\$ 3,612,041	\$ 3,612,041	\$ 3,612,041	\$ -	\$ -
Other local sources	140,094	140,094	117,781	(22,313)	(22,313)
Interdistrict sources	494,388	494,388	520,337	25,949	25,949
State sources	5,632,496	5,632,496	5,607,216	(25,280)	(25,280)
Federal sources	59,032	59,032	66,457	7,425	7,425
Other sources	49,000	49,000	52,731	3,731	3,731
Total Revenues	<u>9,987,051</u>	<u>9,987,051</u>	<u>9,976,563</u>	<u>(10,488)</u>	<u>(10,488)</u>
Expenditures:					
Current:					
Instruction:					
Undifferentiated instruction	2,513,478	2,513,478	2,440,498	72,980	72,980
Regular instruction	1,317,363	1,317,363	1,199,623	117,740	117,740
Vocational instruction	272,478	272,478	264,342	8,136	8,136
Physical instruction	219,905	219,905	175,401	44,504	44,504
Cocurricular activities	212,541	212,541	206,565	5,976	5,976
Special needs	48,798	48,798	48,411	387	387
Total instruction	<u>4,584,563</u>	<u>4,584,563</u>	<u>4,334,840</u>	<u>249,723</u>	<u>249,723</u>
Support Services:					
Pupil services	292,687	292,687	246,028	46,659	46,659
Instructional staff services	364,182	364,182	355,473	8,709	8,709
General administration services	385,479	385,479	364,399	21,080	21,080
Building administration services	402,029	402,029	398,593	3,436	3,436
Business administration	1,483,472	1,483,472	1,370,235	113,237	113,237
Central services	171,174	171,174	149,347	21,827	21,827
Insurance	108,230	108,230	101,757	6,473	6,473
Other support services	749,393	749,393	722,026	27,367	27,367
Total support services	<u>3,956,646</u>	<u>3,956,646</u>	<u>3,707,858</u>	<u>248,788</u>	<u>248,788</u>
Total Current Expenditures	<u>8,541,209</u>	<u>8,541,209</u>	<u>8,042,698</u>	<u>498,511</u>	<u>498,511</u>
Capital Outlay	180,203	180,203	184,503	(4,300)	(4,300)
Debt Service	12,489	12,489	-	12,489	12,489
Total Expenditures	<u>8,733,901</u>	<u>8,733,901</u>	<u>8,227,201</u>	<u>506,700</u>	<u>506,700</u>
Excess (deficiency) of revenues over expenditures	<u>1,253,150</u>	<u>1,253,150</u>	<u>1,749,362</u>	<u>496,212</u>	<u>496,212</u>
Other Financing Sources (Uses):					
Transfers out	(1,253,150)	(1,253,150)	(1,646,248)	(393,098)	(393,098)
Total Other Financing Sources (Uses)	<u>(1,253,150)</u>	<u>(1,253,150)</u>	<u>(1,646,248)</u>	<u>(393,098)</u>	<u>(393,098)</u>
Net Change in Fund Balance	-	-	103,114	103,114	103,114
Fund Balance-beginning of year	1,896,886	1,896,886	1,896,886	-	-
Fund Balance-end of year	<u>\$ 1,896,886</u>	<u>\$ 1,896,886</u>	<u>\$ 2,000,000</u>	<u>\$ 103,114</u>	<u>\$ 103,114</u>

Exhibit B-2  
Required Supplementary Information  
Deerfield Community School District  
Budgetary Comparison Schedule for the Special Education Fund  
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original to Actual	Final to Actual
Revenues:					
Interdistrict sources	\$ 77,731	\$ 77,731	\$ 42,427	\$ (35,304)	\$ (35,304)
State sources	447,308	447,308	438,651	(8,657)	(8,657)
Federal sources	272,616	272,616	178,744	(93,872)	(93,872)
Total Revenues	<u>797,655</u>	<u>797,655</u>	<u>659,822</u>	<u>(137,833)</u>	<u>(137,833)</u>
Expenditures:					
Current:					
Instruction:					
Special instruction	1,461,322	1,461,322	1,280,198	181,124	181,124
Total instruction	<u>1,461,322</u>	<u>1,461,322</u>	<u>1,280,198</u>	<u>181,124</u>	<u>181,124</u>
Support Services:					
Pupil services	271,830	271,830	264,613	7,217	7,217
Instructional staff services	138,788	138,788	105,065	33,723	33,723
Business administration	63,195	63,195	50,880	12,315	12,315
Other support services	103,801	103,801	84,130	19,671	19,671
Total support services	<u>577,614</u>	<u>577,614</u>	<u>504,688</u>	<u>72,926</u>	<u>72,926</u>
Total Current Expenditures	<u>2,038,936</u>	<u>2,038,936</u>	<u>1,784,886</u>	<u>254,050</u>	<u>254,050</u>
Total Expenditures	<u>2,038,936</u>	<u>2,038,936</u>	<u>1,784,886</u>	<u>254,050</u>	<u>254,050</u>
Excess (deficiency) of revenues over expenditures	<u>(1,241,281)</u>	<u>(1,241,281)</u>	<u>(1,125,064)</u>	<u>116,217</u>	<u>116,217</u>
Other Financing Sources (Uses):					
Transfer from general fund	1,241,281	1,241,281	1,125,064	(116,217)	(116,217)
Total Other Financing Sources (Uses)	<u>1,241,281</u>	<u>1,241,281</u>	<u>1,125,064</u>	<u>(116,217)</u>	<u>(116,217)</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balance-beginning of year	-	-	-	-	-
Fund Balance-end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Exhibit B-3  
Required Supplementary Information  
Deerfield Community School District  
Schedules of Changes in the District's Total OPEB Liability,  
Other Pension Benefits, and Related Ratios  
June 30, 2020

Other Postemployment Benefits \*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total OPEB Liability - Health Insurance</b>					
Service costs	\$ 28,940	\$ 30,108	\$ 16,493	\$ 15,142	\$ 15,142
Interest	20,252	19,585	8,565	13,073	16,434
Changes in benefit terms	-	-	313,875	-	-
Differences between expected and actual experience	(116,411)	-	98,424	-	-
Changes of assumptions or other inputs	14,552	(8,248)	(93,557)	4,247	-
Benefit payments	(53,919)	(66,830)	(86,258)	(106,197)	(136,210)
Net change in total OPEB	(106,586)	(25,385)	257,542	(73,735)	(104,634)
Total OPEB Liability- Beginning	552,553	577,938	320,396	394,131	498,765
Total OPEB Liability- Ending	<u>\$ 445,967</u>	<u>\$ 552,553</u>	<u>\$ 577,938</u>	<u>\$ 320,396</u>	<u>\$ 394,131</u>
<b>Covered Employee Payroll</b>	<u>\$ 5,177,604</u>	<u>\$ 4,102,104</u>	<u>\$ 4,102,104</u>	<u>\$ 563,959</u>	<u>\$ 563,959</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	8.61%	13.47%	14.09%	56.81%	69.89%

Other Pension Benefits\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total supplemental pension stipend benefits</b>					
Service Costs	\$ 28,940	\$ 52,588	\$ 23,411	\$ 21,383	\$ 21,383
Interest	24,900	22,051	6,539	7,362	6,961
Changes of Benefit Terms	-	-	373,361	-	-
Differences Between Expected and Actual Experiences	(94,860)	-	12,957	-	-
Changes of Assumptions or Other Inputs	5,611	(10,480)	(504)	9,536	-
Benefit Payments	(15,667)	(21,100)	(15,434)	(19,876)	(15,434)
Net Changes in total supplemental pension stipend benefits	(51,076)	43,059	400,330	18,405	12,910
Total supplemental pension stipend benefits - Beginning	657,352	614,293	213,963	195,558	182,648
Total supplemental pension stipend benefits - Ending	<u>\$ 606,276</u>	<u>\$ 657,352</u>	<u>\$ 614,293</u>	<u>\$ 213,963</u>	<u>\$ 195,558</u>
<b>Covered Employee Payroll</b>	<u>\$ 4,213,179</u>	<u>\$ 4,050,404</u>	<u>\$ 4,050,404</u>	<u>\$ 449,283</u>	<u>\$ 449,283</u>
<b>Total supplemental pension stipend benefits as a percentage of covered-employee payroll</b>	14.39%	16.23%	15.17%	47.62%	43.53%

\* Date shown above is as of the measurement date.

Exhibit B-4  
Required Supplementary Information  
Deerfield Community School District  
Local Retiree Life Insurance Fund  
June 30, 2020

Schedule of District's Proportionate Share of the Net OPEB Liability (Asset)  
As of the Measurement Date  
Last 10 Years\*

Year ended December 31,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered- employee payroll	Collective net OPEB liability (asset) as a percentage of District's covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability (asset)
2019	0.09753000%	\$ 415,302	\$ 4,982,000	8.34%	37.58%
2018	0.10104000%	260,717	5,003,000	5.21%	48.69%
2017	0.09971800%	300,010	4,193,427	7.15%	44.81%

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

Schedule of District's Contributions  
Last 10 Years\*\*

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2020	\$ 1,918	\$ (1,918)	\$ -	\$ 4,987,224	0.04%
2019	1,915	(1,915)	-	5,122,142	0.04%
2018	1,942	(1,942)	-	5,089,489	0.04%

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

Exhibit B-5  
Required Supplementary Information  
Deerfield Community School District  
Wisconsin Retirement System  
June 30, 2020

Schedule of Proportionate Share of the Net Pension Liability (Asset)  
As of the Measurement Date  
Last 10 Years\*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Collective net pension liability (asset) as a percentage of District's covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2019	0.03321999%	\$ (1,071,164)	\$ 5,157,147	-20.77%	102.96%
2018	0.03355678%	1,193,845	5,092,821	23.44%	96.45%
2017	0.03373165%	(1,001,532)	5,103,004	-19.63%	102.93%
2016	0.03345089%	275,715	4,794,722	5.75%	99.12%
2015	0.03423503%	556,313	4,777,591	11.64%	98.20%
2014	0.03535561%	(868,192)	4,695,918	-18.49%	102.74%

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

Schedule of District's Contributions  
For the Year Ended  
Last 10 Years\*\*

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2020	\$ 344,645	\$ (344,645)	\$ -	\$ 5,162,555	6.68%
2019	338,318	(338,318)	-	5,122,142	6.61%
2018	342,871	(342,871)	-	5,089,489	6.74%
2017	335,524	(335,524)	-	4,985,887	6.73%
2016	320,116	(320,116)	-	4,796,904	6.67%
2015	326,693	(326,693)	-	4,753,247	6.87%

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

Deerfield Community School District  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

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NOTE 1

BUDGET SCHEDULE

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

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

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

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

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

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

NOTE 2

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

No functions/subfunctions had an excess of actual expenditures over budget for the year ended June 30, 2020.

Deerfield Community School District  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

NOTE 3

EXPLANATIONS OF DIFFERENCES BETWEEN BUDGETARY  
INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES

	General Fund	Special Education Fund
A) Sources/Inflows of Resources:		
Actual amounts "total revenues" from the budgetary comparison schedules	\$ 9,976,563	\$ 659,822
Reclassification:		
Special education fund revenues are reclassified to the general fund, required for GAAP reporting	659,822	(659,822)
The general fund revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 10,636,385	\$ -
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures" from the budgetary comparison schedules	\$ 8,227,201	\$ 1,784,886
Reclassification:		
Special education fund expenditures are reclassified to the general fund, required for GAAP reporting	1,784,886	(1,784,886)
The general fund expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 10,012,087	\$ -

NOTE 4

WISCONSIN RETIREMENT SYSTEM SCHEDULES

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

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

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

Deerfield Community School District  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2020

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NOTE 5

LOCAL RETIREE LIFE INSURANCE SCHEDULES

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

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

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

NOTE 6

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 5 preceding years.

**Changes of Benefit Terms.** There were no changes of benefit terms since the prior valuation.

**Changes of Assumptions.** Actuarial assumptions are based upon an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017. The projection of cash flows used to determine single discount rate assumed that the plan would continue to be funded on a pay-as-you-go basis. Based on these assumptions, the 20-year AA municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. A discount rate of 3.50% was used in calculating the District's OPEB liabilities (based upon all projected payments discounted at a municipal bond rate of 3.50%). The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve as of the week of the measurement date.

**Assets.** There are no assets accumulated in a trust that meet the criteria in Governmental Accounting Standards to pay related benefits.

NOTE 7

SUPPLEMENTAL PENSION SCHEDULES

Governmental Accounting Standards Board Statement No. 73 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 5 preceding years.

**Changes of Benefit Terms.** There were no changes of benefit terms since the prior valuation.

**Changes of Assumptions.** Actuarial assumptions are based upon an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017. The projection of cash flows used to determine single discount rate assumed that the plan would continue to be funded on a pay-as-you-go basis. Based on these assumptions, the 20-year AA municipal bond rate was applied to all periods of projected benefit payments to determine the total pension liability. A discount rate of 3.50% was used in calculating the District's Pension liabilities (based upon all projected payments discounted at a municipal bond rate of 3.50%). The discount rate is based on the Bond Buyer Go 20-Year AA Bond Index published by the Federal Reserve as of the week of the measurement date.

**Assets.** There are no assets accumulated in a trust that meet the criteria in Governmental Accounting Standards to pay related benefits.

SUPPLEMENTARY INFORMATION

Exhibit C-1  
Deerfield Community School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service	Community Service	Special Revenue Trust	
<b>ASSETS</b>				
Cash and investments	\$ 67,701	\$ 93,363	\$ 230,549	\$ 391,613
Accounts receivable	7,429	-	-	7,429
Due from other governments	21,733	-	-	21,733
<b>Total Assets</b>	<b>\$ 96,863</b>	<b>\$ 93,363</b>	<b>\$ 230,549</b>	<b>\$ 420,775</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 4,279	\$ 755	\$ 2,470	\$ 7,504
Accrued salaries and wages	7,286	-	-	7,286
Payroll taxes and withholdings	5,627	372	-	5,999
Food service deposits	19,037	-	-	19,037
<b>Total Liabilities</b>	<b>36,229</b>	<b>1,127</b>	<b>2,470</b>	<b>39,826</b>
Fund Balances:				
Restricted for:				
Community service	-	92,236	-	92,236
Food service	60,634	-	-	60,634
Trust	-	-	228,079	228,079
<b>Total Restricted Fund Balances</b>	<b>60,634</b>	<b>92,236</b>	<b>228,079</b>	<b>380,949</b>
<b>Total Fund Balances</b>	<b>60,634</b>	<b>92,236</b>	<b>228,079</b>	<b>380,949</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 96,863</b>	<b>\$ 93,363</b>	<b>\$ 230,549</b>	<b>\$ 420,775</b>



Exhibit C-2  
Deerfield Community School District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2020

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Food Service	Community Service	Package Cooperative	Special Revenue Trust	
<b>REVENUES:</b>					
Property taxes	\$ -	\$ 65,000	\$ -	\$ -	\$ 65,000
Other local sources	188,291	27,516	-	194,965	410,772
Interdistrict sources	-	-	11,594	-	11,594
State sources	6,394	-	-	-	6,394
Federal sources	159,405	-	-	-	159,405
Total Revenues	<u>354,090</u>	<u>92,516</u>	<u>11,594</u>	<u>194,965</u>	<u>653,165</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	-	-	-	8,297	8,297
Other instruction	-	-	16,091	164,306	180,397
Total Instruction	<u>-</u>	<u>-</u>	<u>16,091</u>	<u>172,603</u>	<u>188,694</u>
Support Services:					
Instructional staff services	-	-	-	1,206	1,206
Building administration services	-	-	-	9	9
Business administration	-	-	7,392	15,761	23,153
Food services	384,629	-	-	-	384,629
Community services	-	54,870	-	-	54,870
Other support services	-	-	-	1,250	1,250
Total Support Services	<u>384,629</u>	<u>54,870</u>	<u>7,392</u>	<u>18,226</u>	<u>465,117</u>
Total Expenditures	<u>384,629</u>	<u>54,870</u>	<u>23,483</u>	<u>190,829</u>	<u>653,811</u>
Excess (deficiency) of revenues over expenditures	<u>(30,539)</u>	<u>37,646</u>	<u>(11,889)</u>	<u>4,136</u>	<u>(646)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	11,889	-	11,889
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,889</u>	<u>-</u>	<u>11,889</u>
Net Change in Fund Balances	(30,539)	37,646	-	4,136	11,243
Fund Balances-beginning of year, as restated	91,173	54,590	-	223,943	369,706
Fund Balances-end of year	<u>\$ 60,634</u>	<u>\$ 92,236</u>	<u>\$ -</u>	<u>\$ 228,079</u>	<u>\$ 380,949</u>

Exhibit C-3  
Deerfield Community School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020

Administering Agency Pass-Through Agency Award Description	Federal Catalog Number	Pass-through Entity ID Number	Receivable July 1, 2019	Receipts	Expenditures	Receivable June 30, 2020
<u><i>U.S. DEPARTMENT OF AGRICULTURE</i></u>						
Wisconsin Department of Public Instruction:						
Food Distribution	10.555	Not Available	\$ -	\$ 28,684	\$ 28,684	\$ -
National School Lunch Program	10.555	2020-131309-DPI-NSL-547	1,504	63,193	61,689	-
COVID-19-Unanticipated School Closing 2019-20	10.555	2020-131309-DPI-NSL-547	-	47,299	69,032	21,733
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,504	139,176	159,405	21,733
<u><i>U.S. DEPARTMENT OF EDUCATION</i></u>						
Wisconsin Department of Public Instruction:						
Title I	84.010	2020-131309-TIA-141	-	9,937	26,627	16,690
Title IV	84.424	2020-131309-TIVA - DPI-381	-	11,937	11,937	-
Title II - Part A	84.367	2020-131309-TIIA-365	19,075	25,606	15,754	9,223
Special Education Cluster:						
IDEA Discretionary	84.027	2020-131309-DPI-IDEA-F-341	59,352	168,012	152,791	44,131
Preschool Entitlement	84.173	2020-131309-DPI-IDEA-P-347	2,061	2,061	195	195
Total Special Education Cluster			61,412	170,073	152,986	44,326
Total Wisconsin Department of Public Instruction			80,487	217,553	207,305	70,239
Pass through Johnson Creek School District						
Carl Perkins	84.048	2020-131309-CTE-400	-	3,102	3,102	-
TOTAL U.S. DEPARTMENT OF EDUCATION			80,487	220,655	210,407	70,239
<u><i>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</i></u>						
School Based Services	93.778	Not Available	1,531	39,429	37,898	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,531	39,429	37,898	-
TOTALS			\$ 83,523	\$ 399,260	\$ 407,709	\$ 91,972

Exhibit C-4  
Deerfield Community School District  
Schedule of Expenditures of State Awards.  
For the Year Ended June 30, 2020

Administering Agency Pass-Through Agency Award Description	State I.D. Number	Pass-through Entity ID Number	Receivable July 1, 2019	Receipts	Expenditures	Receivable June 30, 2020	Pass-through to Subrecipients
<i>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</i>							
<i>Major State Programs</i>							
General Equalization	255.201	131309-116	\$ 79,659	\$ 4,888,419	\$ 4,888,831	\$ 80,071	\$ -
Per Pupil Adjustment Aid	255.945	131309-113	-	575,050	575,050	-	-
Total - Major State Programs			79,659	5,463,469	5,463,881	80,071	-
<i>Nonmajor State Programs:</i>							
Special Education and School Age Parents	255.101						
Direct State Payments		131309-100	-	423,280	423,280	-	-
Pass through Cambridge School District							
Transit of State Aid		Not Available	-	10,964	10,964	-	-
Total Special Education and School Age Parents Program			-	434,244	434,244	-	-
State Lunch	255.102	131309-107	-	4,073	4,073	-	-
School Day Milk	255.115	131309-109	-	2,321	2,321	-	-
Youth Alcohol & Other Drug Abuse	255.306	131309-143	7,967	7,967	8,000	8,000	2,932
Common School Fund	255.103	131309-104	-	33,180	33,180	-	-
High Cost Special Education Aid	255.210	131309-119	-	12,371	12,371	-	-
Supplemental Per Pupil Aid	255.245	131309-181	-	2,602	2,602	-	-
Early College Credit Program	255.445	131309-178	-	663	663	-	-
Pupil Transportation	255.107	131309-102	-	6,438	6,438	-	-
Educator Effectiveness Grant	255.940	131309-154	-	6,720	6,720	-	-
Assessments of Reading Readiness	255.956	131309-166	-	951	951	-	-
Spec. Ed Transition Grant	255.960	131309-168	-	3,000	3,000	-	-
Financial Literacy	255.950	131309-171	-	9,207	9,207	-	-
Mental Health Grant	255.297	131309-177	-	-	29,519	29,519	4,974
Total - Nonmajor State Programs			7,967	523,737	553,288	37,519	7,906
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			87,626	5,987,206	6,017,169	117,590	7,906
<i>WISCONSIN DEPARTMENT OF JUSTICE</i>							
DOJ Public Safety Grant	455.206	Not Available	-	8,110	8,110	8,110	-
TOTAL WISCONSIN DEPARTMENT OF JUSTICE			-	8,110	8,110	8,110	-
TOTALS			\$ 87,626	\$ 5,995,316	\$ 6,025,279	\$ 125,699.53	\$ 7,906

Deerfield Community School District  
Notes to the Schedules of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2020

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NOTE 1

BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal and State Awards include the federal and state grant activity of the Deerfield Community School District and are presented on the modified accrual basis of accounting. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2

SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

2019-2020 eligible costs under the State Special Education Program are \$1,557,484.

NOTE 3

MEDICAL ASSISTANCE

Expenditures presented for the Medicaid SBS Benefit represent only the federal funds for the program that the District receives from DHS. District records should be consulted to determine the total amount expended for this program.

NOTE 4

FOOD DISTRIBUTION

The District received commodities totaling \$28,684 that is reflected as part of the activity in program CFDA #10.555.

NOTE 5

DE MINIMIS COST RATE

The District did not elect to use the 10% de minimis indirect cost rate.



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

Board of Education  
Deerfield Community School District  
Deerfield, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deerfield Community School District (the “District”, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Deerfield Community School District’s basic financial statements, and have issued our report thereon dated October 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items #2020-001 and #2020-002 that we consider to be significant deficiencies.

## **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*.

## **Deerfield Community School District's Response to Findings**

Deerfield Community School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Deerfield Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Johnson Block and Company, Inc.*

*Johnson Block and Company, Inc.*  
October 30, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH STATE PROGRAM  
WITH LIMITED REQUIRED PROCEDURES AND FOR EACH MAJOR STATE PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE WISCONSIN  
DEPARTMENT OF PUBLIC INSTRUCTION

Board of Education  
Deerfield Community School District  
Deerfield, Wisconsin

**Report on Compliance for Each State Program**

We have audited the Deerfield Community School District's ("District") compliance with the types of compliance requirements described in the *Wisconsin Public School District Audit Manual*, issued by the Wisconsin Department of Public Instruction, that are required to be conducted on each of the District's state programs with limited required procedures and those that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2020. The District's state programs that have limited required procedures and the District's major state programs are identified in the accompanying schedule of findings and responses.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on the limited compliance requirements for each of the District's state programs with limited required procedures based on our audit of the limited procedures required. It is also our responsibility to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School District Audit Manual*. Those standards and compliance requirements 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 the major state programs 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 with the limited compliance requirements for each state program with limited required procedures and on compliance for each major state program. However, our audit does not provide a legal determination on the District's compliance.

## **Opinion on Each State Program**

In our opinion, the District complied, in all material respects, with the limited requirements referred to above for each of its state programs with limited required procedures and with the types of requirements referred to above that could have a direct and material effect on each of its major 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 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 limited requirements that could have an effect on each state program with limited required procedures and over compliance with the types of requirements that could have a direct and material effect on each major state program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *Wisconsin Public School District Audit Manual*, 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 the type of compliance requirement of a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and responses as item #2020-001 to be a significant deficiency in internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed above, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.



### **District's Response to Finding**

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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 testing based on requirements of the *Wisconsin Public School District Audit Manual*. Accordingly, this report is not suitable for any other purpose.

*Johnson Block and Company, Inc.*

Johnson Block and Company, Inc.  
October 30, 2020

Deerfield Community School District  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2020

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**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material Weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

State Awards

Internal Control over major programs:

- Material Weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Wisconsin Public School District Audit Manual? \_\_\_\_\_ Yes   X   No

Management Letter Issued? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.201	General Equalization Aids
255.945	Per Pupil Adjustment Aid

Dollar threshold for distinguishing Types A and B programs: \$250,000

Other Programs with Limited Required Procedures

Internal Control over programs with required procedures:

- Material Weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency (ies) identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None Reported

Any audit findings disclosed that are required to be reported in accordance with the Wisconsin Public School District Audit Manual? \_\_\_\_\_ Yes   X   No

Identification of other programs with limited required procedures:

<u>State ID Number</u>	<u>Name of State Program</u>
255.101	Special Education and School Age Parents

Deerfield Community School District  
Schedule of Findings and Responses  
For the Year Ended June 30, 2020

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**Section II – Financial Statement Findings**

Finding #2020-001 – Segregation of Duties

**Condition:** The responsibility for the District’s bookkeeping and accounting functions is assumed by a limited number of individuals. The Business Manager enters and makes deposits, enters and approves journal entries and reconciles all bank accounts.

**Criteria:** Internal controls should be in place that provide adequate segregation of duties and reduce overlapping accounting functions, especially in cash receipts and disbursements. In addition, those functions should be segregated from those overseeing overall finances.

**Cause:** The District has determined that hiring additional staff to perform separate accounting duties would be too costly and not an effective use of resources.

**Effect:** Because of the lack of segregation of duties, errors or irregularities could occur and not be detected on a timely basis.

**Recommendation:** The District should be aware of the need for separation of duties and provide for as much separation of duties as feasible in the circumstances.

**Response:** Management of the District is aware that the current number of accounting staff does not allow for full segregation of duties. Segregation of duties is enhanced whenever possible and the Board of Education and management assumes an active roll through monthly review of receipts and disbursements and monthly financial reports. The Superintendent and Business Manager are in constant communication regarding the District’s finances. The Superintendent is not involved in processing day to day financial transactions.

Finding #2020-002 – Preparation of Financial Statements

**Condition:** Due to the complex nature of various elements of the financial statements and required disclosures, the District staff does not prepare the financial statements and accompanying notes. The District relies on the auditor to assist in preparing the financial statements and notes but has designated individuals responsible for reviewing and accepting the financial statements and related notes.

**Criteria:** Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

**Cause:** The District does not prepare the financial statements and related notes.

**Effect:** Because District staff relies on the auditor to assist with the preparation of the financial statements, the District’s system of internal control may not prevent, detect, or correct misstatements in the financial statements.

**Recommendation:** The auditor will work with the District to make personnel more knowledgeable about its responsibility for the financial statements.

**Response:** The auditors prepare the financial statements but we review them and accept the statements prior to them being issued. We prepare financial reports that are reviewed by management and the Board of Education on a monthly basis. Any concerns or questions are addressed throughout the year.

**Section III – State Awards Findings**

See Finding #2020-001 noted in Section II .

Deerfield Community School District  
Schedule of Prior Year Findings and Responses  
For the Year Ended June 30, 2020

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#2019-001- This is still a finding. See #2020-001

#2019-002- This is still a finding. See #2020-002