

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2020

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**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Audited Financial Statements**

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## Independent Auditors' Report

To the District Board  
Stoughton Area School District  
Stoughton, 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 Stoughton Area 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 District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to previously 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 District as of June 30, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1R, the District adopted new accounting guidance during the year ended June 30, 2020, GASB Statement 84, *Fiduciary Activities*. Our opinion is 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 and required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is 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 Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and The Wisconsin State Single Audit Guidelines, are not a required part of the basic financial statements.

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The 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.

November 9, 2020  
Milwaukee, Wisconsin

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2020

To the Board of Education  
Stoughton Area School District

The discussion and analysis of the Stoughton Area School District's ("District") of 2019-2020 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 plus deferred outflows of resources of the District, exceeded liabilities plus deferred inflows of resources at the close of fiscal 2020 by \$57,689,445 (*net position*). This represents an increase of \$5,836,547 in net position in 2019-20. This increase includes \$2,771,828 due to a change in accounting principle.

Total District revenues were \$46,647,360 (not including loss on disposal of capital assets); including \$25,890,487 of property taxes, \$14,389,293 of federal and state aid not restricted to specific purpose, and \$285,182 of interest income. Total District expenditures were \$43,565,972; including \$24,528,387 for direct instruction.

The following events took place during fiscal 2019-2020:

- The district purchased elementary-level ELA curriculum, buses, custodial equipment, time clocks, and food service kitchen equipment. The district continues to upgrade district laptops, desktops, and Chromebooks as part of the district's digital learning plan.
- The district completed the following projects: remodel of the High School boys locker room, re-pavement of the playground area at Kegonsa, repair of a High School wall, roofing repairs at the High School and Administration Building, upgrade of the fire alarm system at the High School, and HVAC replacement at the Administration Building.
- A Long Term Capital Improvement Trust account was established at the end of June 2015. The funds are to be spent on capital improvements as identified in the District's 10-year capital improvement plan and are available after the initial five year waiting period has expired. The District transferred \$350,000 from Fund 10 to Fund 46 to continue investment in this trust account.
- The COVID-19 pandemic forced the district to close its schools on March 16, 2020 and switch to a virtual learning platform for the remainder of the 2019-20 school year. The pandemic had a wide-spread effect on all aspects of education and services, resulting in significant financial adjustments. The district experienced challenges such as availability of goods and services, delays in shipment of goods, and reprioritizing allocated monies to purchase needed PPE equipment and supplies, and changes in staffing.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2020

(Continued)

### 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.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2020

(Continued)

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

	District-wide Statements	Fund Financial 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	Accrual accounting.  Economic resources focus.	Modified accrual accounting.  Current financial resources focus.	Accrual accounting.  Economic resources focus.
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally 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.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2020

(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, deferred outflow of resources, liabilities, and deferred inflows of resources 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, liabilities, and deferred inflows of resources, 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 has 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 two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for 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.



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2020

(Continued)

**Fund Financial Statements (continued)**

- *Fiduciary funds* – The District serves as a trustee, or fiduciary, for a HRA Benefit. The assets of the HRA belong to the District's employees and retirees and not the District. The District is responsible for contributing funds on an annual basis and ensuring the funds are kept separate from District funds. The HRA is excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

Table 1, below, provides a summary of the District's net position for the years ended June 30, 2020 and June 30, 2019.

**Table 1**  
**Condensed Statement of Net Position**  
*(in thousands of dollars)*

	Governmental Activities	Governmental Activities
	2020	2019
Current Assets	\$ 27,370	\$ 22,572
Capital Assets	42,021	42,739
Non-Current Assets	4,362	--
<b>TOTAL ASSETS</b>	<b>73,753</b>	<b>65,311</b>
 Deferred outflows	 10,118	 12,824
 Long-Term liabilities	 6,012	 12,671
Other liabilities	6,595	6,666
<b>TOTAL LIABILITIES</b>	<b>12,607</b>	<b>19,337</b>
 Deferred inflows	 13,574	 6,945
 Net position:		
Net investment in capital assets	37,966	37,101
Restricted	9,070	5,608
Unrestricted	10,653	9,144
<b>TOTAL NET POSITION</b>	<b>\$ 57,689</b>	<b>\$ 51,853</b>

Note: totals may not add due to rounding.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2020

(Continued)

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

	Governmental Activities	Governmental Activities
	2020	2019
<b>Revenues</b>		
Program Revenues		
Charges for services	\$ 1,658	\$ 1,681
Operating grants & contributions	4,166	4,257
Capital Grants & contributions	--	277
General Revenues		
Property taxes	25,891	24,857
State formula aid	11,903	13,423
Other	3,013	2,777
<b>TOTAL REVENUES</b>	<b>46,631</b>	<b>47,272</b>
<b>Expenses</b>		
Instruction	24,528	25,453
Pupil & Instructional Services	4,740	4,984
Administration & Finance	2,875	3,044
Maintenance & Operations	3,806	4,412
Transportation	1,055	1,185
Interest on Debt	179	223
Other	6,383	6,273
<b>TOTAL EXPENSES</b>	<b>43,566</b>	<b>45,574</b>
<b>TOTAL INCREASE IN NET POSITION</b>	<b>\$ 3,065</b>	<b>\$ 1,698</b>
Note: totals may not add due to rounding.		

The District relies primarily on property taxes (55.5% of total governmental revenues), and state formula aid (25.5%) to fund governmental activities.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Management Discussion & Analysis**

June 30, 2020

(Continued)

Table 3 presents the cost of the seven 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)*

	Net Cost of Services	% of Services	Net Cost of Services	% of Services
	2020	2020	2019	2019
<b>Expenses</b>				
Instruction	\$ 20,132	53.34%	\$ 20,914	53.14%
Pupil & Instructional Services	4,605	12.20%	4,865	12.36%
Administration & Finance	2,875	7.62%	3,044	7.73%
Maintenance & Operations	3,689	9.77%	3,998	10.16%
Transportation	992	2.63%	1,120	2.85%
Debt Service Payments	179	0.47%	223	0.57%
Other	5,270	13.96%	5,195	13.20%
<b>TOTAL EXPENSES</b>	<b>\$ 37,742</b>	<b>100%</b>	<b>\$ 39,359</b>	<b>100%</b>

Note: totals may not add due to rounding.

The cost of all governmental activities this year was \$43,565,972. Individuals who directly participated or benefited from a program offering paid for \$1,657,973 of costs. Federal and state governments subsidized certain programs with grants and contributions of \$4,166,114. The net cost of governmental activities (\$37,741,885) was financed by general revenues of the District (\$25,853,970 property taxes, \$11,902,687 state formula aid, and \$3,049,947 other).

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

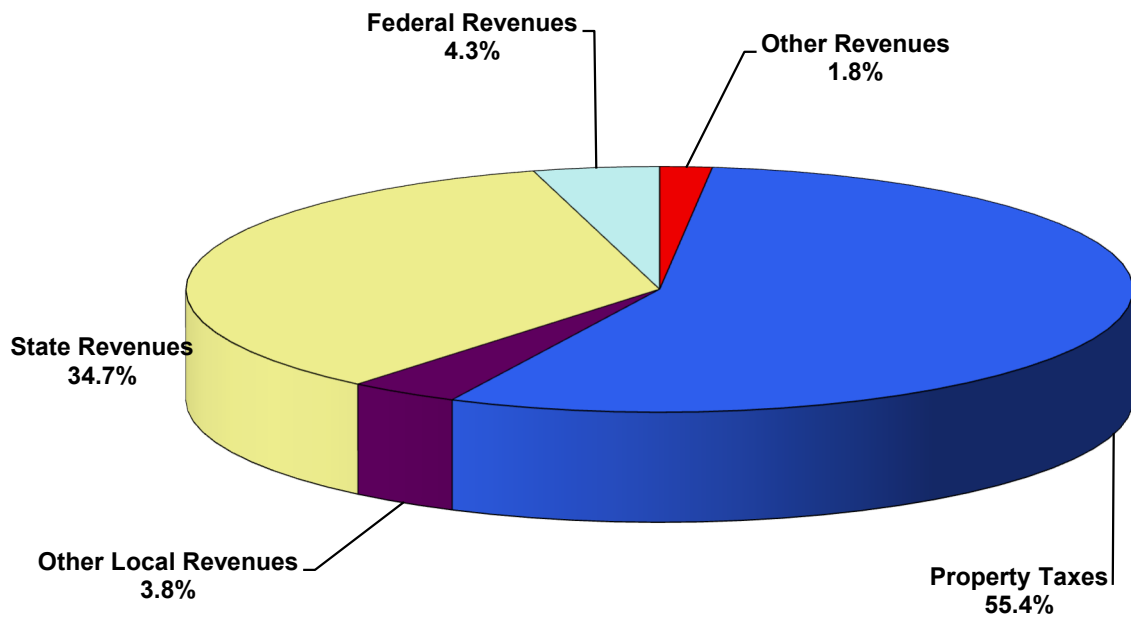
## Management Discussion & Analysis

June 30, 2020

(Continued)

The composition of governmental revenues by source is illustrated below in Chart 1. This chart does not include revenues from borrowing related to refinancing or maintenance referendum.

**Chart 1**  
**Governmental Revenue by Source**



# STOUGHTON AREA SCHOOL DISTRICT

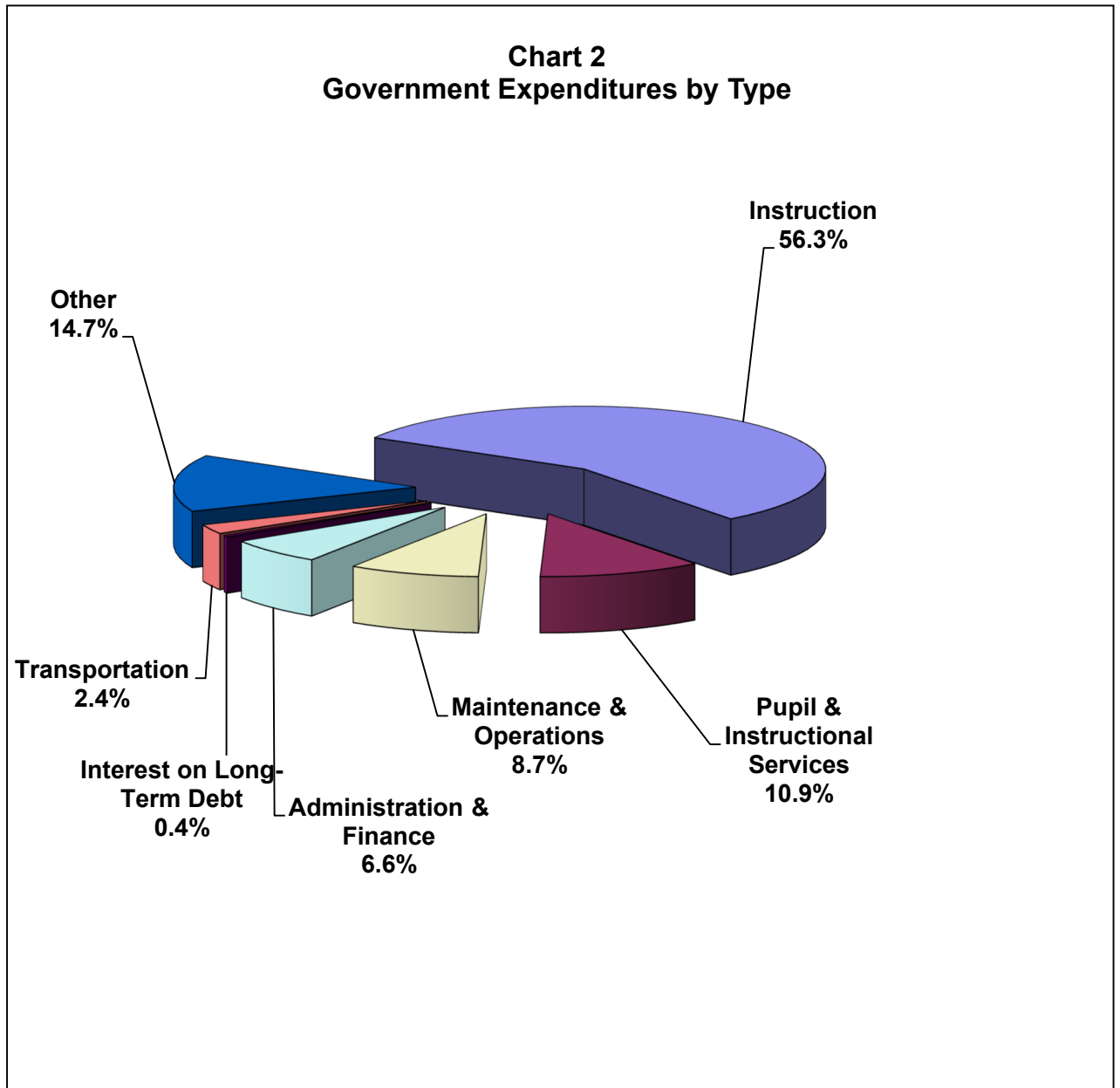
Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2020

(Continued)

The composition of governmental expenditures by type is illustrated below in Chart 2.



# **STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

## **Management Discussion & Analysis**

June 30, 2020

(Continued)

### **Financial Aspects of the District's Funds**

- The general fund had a net increase in fund balance of \$1,472,447. The district under spent budgeted salaries and benefits, personal services, utilities, supplies, and equipment.
- The capital projects funds had an increase \$365,761. The fund balance will be used to offset future capital project costs.
- The debt service funds had an increase of \$58,426. The fund balance of the debt service fund will fluctuate each year.
- The food service program (Fund 50) revenues exceeded expenses and increased the fund balance by \$142,309.

### **General Fund Budgetary Highlights**

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 is not significantly modified. The District modified its original budget in 2019-20 to reflect:

- Reallocation of budget appropriations in various buildings and departments to spend in different areas than originally identified.
- Modifications in several state and federal grants.
- An increase in library aid and corresponding expenditures when the final allocations were received from DPI in January.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Management Discussion & Analysis

June 30, 2020

(Continued)

### Capital Asset and Debt Administration

#### Capital Assets

At the end of fiscal year 2019, the District had invested \$88,681,447 in capital assets, including land, buildings, sites and equipment (see Table 4). Total accumulated depreciation on these assets was \$46,660,815. Asset acquisitions for governmental activities totaled \$2,356,978 and disposals totaled \$407,863. The District recognized depreciation expense of \$3,059,114. (Detailed information about capital assets can be found in Note 3 to the financial statements.)

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

	Governmental Activities		Total % Change
	2020	2019	2020-2019
Land	\$ 509	\$ 509	0.0%
Buildings	68,969	67,500	2.2%
Furniture and equipment	18,638	18,062	3.2%
Construction in progress	565	661	-14.5%
Accumulated depreciation	(46,661)	(43,993)	6.1%
<b>TOTAL</b>	<b>\$ 42,020</b>	<b>\$ 42,739</b>	<b>-1.7%</b>

#### Long-term Debt

At year-end the District had \$4,269,846 in notes payable and other long-term debt outstanding – a decrease of \$1,541,885 (26.5%) from fiscal 2019. This decrease resulted from required repayments of principal. (Detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.)

**Table 5**  
**Outstanding Long-term Obligations**  
(in thousands of dollars)

	Total School District		Total % Change
	2020	2019	2020-2019
General Obligation Debt	\$ 4,200	\$ 5,525	-24.0%
Capital Leases	70	287	-75.6%
<b>TOTAL</b>	<b>\$ 4,270</b>	<b>\$ 5,812</b>	<b>-26.5%</b>

Note: totals may not add due to rounding.

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.

## **STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

### **Management Discussion & Analysis**

June 30, 2020

(Continued)

#### **Factors Bearing on the District's Future**

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

- The district continues to experience declining enrollment creating significant negative impacts on future budgets. Studies performed by the Applied Population Lab at the UW anticipate this trend will continue.
- The district continues to be negatively aided at the tertiary level in the state's equalization aid formula. Negative tertiary aid will decrease the total equalization aid the district receives which may increase the tax burden to the residents of the district.
- State budgets can significantly impact the amount of funding public school districts receive. The past couple of state budget cycles have resulted in uncertainty in many variables that impact a school's financial planning. We anticipate this trend will continue and have made conservative projections on allowable revenue increases. Expansion of the state private school voucher program will likely impact public school funding and will be something the district continues to monitor.
- COVID-19 significantly disrupted the operation of the school district for the 4<sup>th</sup> quarter of the 2019-20 fiscal year and continues to do so into 2020-21. The uncertainty that accompanies this pandemic may have financial consequences for the foreseeable future that are currently unknown.
- Changing student needs will continue to impact the way the district allocates resources and creates staffing plans.

#### **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 Erica Pickett, Director of Business Services, Stoughton Area School District of Stoughton, Wisconsin, (608) 877-5011, 320 North Street, Stoughton, WI 53589.



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Statement of Net Position**  
June 30, 2020

	<b>Governmental Activities</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash	\$ 16,981,400
Investments	1,182,339
Taxes receivable	6,659,731
Accounts receivable	23,760
Due from other governments	906,615
Prepaid expense	1,568,333
Accrued interest receivable	48,236
Total current assets	27,370,414
<b>Noncurrent assets:</b>	
Net pension asset	4,361,985
<b>Capital assets:</b>	
Land and construction in progress	1,055,901
Land held for leases	18,834
Other operating capital assets (net of accumulated depreciation)	39,619,549
Other property held for leases (net of accumulated depreciation)	1,326,348
Net capital assets	42,020,632
<b>Total assets</b>	73,753,031
<b>Deferred Outflows of Resources:</b>	
Deferred outflows related to pensions	9,373,524
Deferred outflows related to other post employment benefits ("OPEB")	332,310
Deferred outflows related to OPEB - life insurance	411,747
<b>Total deferred outflows</b>	10,117,581
<b>Liabilities:</b>	
Accounts payable	1,176,642
Construction contracts payable	12,471
Withholdings and related district fringes payable	1,153,890
Accrued interest	55,296
Accrued payroll	2,607,841
Medical insurance deposits payable	48,099
Medical insurance claims payable	24,327
Security deposit payable	7,028
Unearned revenues	54,560
Other fund liabilities	475
Current portion of long-term liabilities	1,454,846
Total current liabilities	6,595,475
Long-term liabilities:	
Long-term liabilities, net of current portion	3,558,068
Unamortized debt premium	41,509
Net OPEB - life insurance liability	1,061,841
OPEB liabilities	1,350,237
Total long-term liabilities	6,011,655
<b>Total liabilities</b>	12,607,130
<b>Deferred Inflows of Resources:</b>	
Deferred inflows related to pensions	13,066,250
Deferred inflows related to other post employment benefits	270,734
Deferred inflows related to OPEB - life insurance	237,053
<b>Total deferred inflows</b>	13,574,037
<b>Net Position:</b>	
Net investment in capital assets	37,966,011
Restricted for:	
Debt service	595,292
Capital projects	4,773,065
Food service	425,862
Special revenue trust	3,176,087
Common school fund	13,099
Unrestricted	10,740,029
<b>Total net position</b>	\$ 57,689,445

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Statement of Activities**  
Year Ended June 30, 2020

		<b>Program Revenues</b>		<b>Net (Expenses) Revenues and Changes in Net Position</b>
	<b><u>Expenses</u></b>	<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 15,762,724	\$ 692,656	\$ 988,865	\$ (14,081,203)
Special education instruction	5,623,012	---	2,374,669	(3,248,343)
Vocational instruction	1,147,930	---	---	(1,147,930)
Other instruction	1,994,721	340,668	---	(1,654,053)
<b>Total instruction</b>	<b>24,528,387</b>	<b>1,033,324</b>	<b>3,363,534</b>	<b>(20,131,529)</b>
Support services:				
Pupil services	2,271,406	---	---	(2,271,406)
Instructional staff services	2,468,626	---	135,050	(2,333,576)
Administration services	2,874,563	---	---	(2,874,563)
Operation and maintenance of plant	3,805,707	116,620	---	(3,689,087)
Pupil transportation	1,054,898	28,214	35,098	(991,586)
Other support services	2,208,804	---	---	(2,208,804)
Community services	210,535	52,106	---	(158,429)
Food service	904,640	427,709	632,432	155,501
Interest on long-term debt	179,292	---	---	(179,292)
Unallocated depreciation	3,059,114	---	---	(3,059,114)
<b>Total support services</b>	<b>19,037,585</b>	<b>624,649</b>	<b>802,580</b>	<b>(17,610,356)</b>
<b>Total school district</b>	<b>\$ 43,565,972</b>	<b>\$ 1,657,973</b>	<b>\$ 4,166,114</b>	<b>(37,741,885)</b>
<b>General revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				23,663,918
Property taxes, levied for debt service				1,445,310
Property taxes, levied for specific purposes				744,742
Other taxes				36,517
Federal and state aid not restricted to specific purposes				
General				11,902,687
Other				2,486,606
Interest and investment earnings				285,182
Loss on disposal of assets				(16,669)
Miscellaneous				258,311
<b>Changes in net position</b>				<b>3,064,719</b>
<b>Net position - beginning of year</b>				<b>51,852,898</b>
<b>Change in accounting principle</b>				<b>2,771,828</b>
<b>Net position - beginning of year, as adjusted</b>				<b>54,624,726</b>
<b>Net position - end of year</b>				<b>\$ 57,689,445</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Balance Sheet**  
**Governmental Funds**  
June 30, 2020

	<u>General</u>	<u>Special Revenue Trust</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 8,700,391	\$ 2,169,436	\$ 4,986,837	\$ 1,124,736	\$ 16,981,400
Investments	10,063	1,172,276	---	---	1,182,339
Taxes receivable	6,659,731	---	---	---	6,659,731
Accounts receivable	16,497	4,396	---	2,867	23,760
Due from other governments	833,957	---	---	72,658	906,615
Prepaid expenditures	1,568,333	---	---	---	1,568,333
<b>Total assets</b>	<b>\$ 17,788,972</b>	<b>\$ 3,346,108</b>	<b>\$ 4,986,837</b>	<b>\$ 1,200,261</b>	<b>\$ 27,322,178</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 768,367	\$ 170,021	\$ 201,430	\$ 36,824	\$ 1,176,642
Construction contracts payable	129	---	12,342	---	12,471
Withholdings and related district fringes payable	1,153,079	---	---	811	1,153,890
Accrued payroll	2,607,841	---	---	---	2,607,841
Medical insurance deposits payable	48,099	---	---	---	48,099
Medical insurance claims payable	24,327	---	---	---	24,327
Security deposit payable	7,028	---	---	---	7,028
Unearned revenues	---	---	---	54,560	54,560
Other liabilities	---	---	---	475	475
<b>Total liabilities</b>	<b>4,608,870</b>	<b>170,021</b>	<b>213,772</b>	<b>92,670</b>	<b>5,085,333</b>
<b>Fund Balances:</b>					
Nonspendable	1,568,333	---	---	---	1,568,333
Restricted	49,589	3,176,087	4,773,065	1,021,154	9,019,895
Assigned	---	---	---	86,437	86,437
Unassigned	11,562,180	---	---	---	11,562,180
<b>Total fund balances</b>	<b>13,180,102</b>	<b>3,176,087</b>	<b>4,773,065</b>	<b>1,107,591</b>	<b>22,236,845</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,788,972</b>	<b>\$ 3,346,108</b>	<b>\$ 4,986,837</b>	<b>\$ 1,200,261</b>	<b>\$ 27,322,178</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position**  
June 30, 2020

<b>Total fund balances - governmental funds</b>	\$ 22,236,845
---	---------------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of the assets	\$ 88,681,447	
Accumulated depreciation	<u>(46,660,815)</u>	
		42,020,632

The District's proportionate share of the WRS pension plan asset is reported on the statement of net position, but is not reported in the governmental funds.	4,361,985
---	-----------

Deferred inflows and outflows of resources related to OPEB, OPEB - Life Insurance and pensions are applicable to future periods, and therefore, are not reported in the governmental funds.	(3,456,456)
---	-------------

The District's proportionate share of the net OPEB liability for the Local Retiree Life Insurance Fund administered by the Wisconsin Department of Employee Trust Funds is reported on the statement of net position, but is not reported in the governmental funds.	(1,061,841)
--	-------------

Governmental funds report premiums and discounts associated with the issuance of long-term debt as other financing sources and uses, but these items are amortized over the life of the debt issue on the statement of activities.	
Unamortized debt premiums	(41,509)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	4,200,000
Capital leases payable	69,846
Post-employment benefit liability	1,350,237
Compensated absences	<u>743,068</u>
	(6,363,151)

Accrued interest payable on the bonds is not due and payable in the current period, and therefore, is not reported as a liability in the funds	(55,296)
--	----------

Accrued interest subsidy is not receivable in the current period, and therefore, is not reported as an asset in the governmental funds.	<u>48,236</u>
---	---------------

<b>Total net position - governmental activities</b>	<u><u>\$ 57,689,445</u></u>
---	-----------------------------

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2020

	<u>General</u>	<u>Special Revenue Trust</u>	<u>Capital Projects</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Local	\$ 24,164,253	\$ 656,926	\$ 636,119	\$ 2,151,751	\$ 27,609,049
Interdistrict payments within Wisconsin	572,307	---	---	---	572,307
State	16,181,177	---	---	20,639	16,201,816
Federal	1,394,083	---	---	611,793	2,005,876
Other	115,793	---	4,695	137,825	258,313
<b>Total revenues</b>	<u>42,427,613</u>	<u>656,926</u>	<u>640,814</u>	<u>2,922,008</u>	<u>46,647,361</u>
<b>Expenditures:</b>					
Instruction:					
Current	22,191,015	354,544	---	14,863	22,560,422
Interdistrict	1,878,729	---	---	---	1,878,729
Capital outlay	469,154	9,083	---	---	478,237
Support Services:					
Current	14,588,025	180,557	19,330	1,142,204	15,930,116
Capital outlay	1,243,765	10,050	605,723	19,203	1,878,741
Debt service	234,478	---	---	1,536,804	1,771,282
<b>Total expenditures</b>	<u>40,605,166</u>	<u>554,234</u>	<u>625,053</u>	<u>2,713,074</u>	<u>44,497,527</u>
<b>Excess of revenues over expenditures</b>	<u>1,822,447</u>	<u>102,692</u>	<u>15,761</u>	<u>208,934</u>	<u>2,149,834</u>
<b>Other Financing Sources:</b>					
Operating transfers in	---	---	350,000	---	350,000
Operating transfers out	(350,000)	---	---	---	(350,000)
<b>Total other financing sources</b>	<u>(350,000)</u>	<u>---</u>	<u>350,000</u>	<u>---</u>	<u>---</u>
<b>Net change in fund balances</b>	<u>1,472,447</u>	<u>102,692</u>	<u>365,761</u>	<u>208,934</u>	<u>2,149,834</u>
<b>Fund Balances - Beginning of year</b>	<u>11,707,655</u>	<u>301,567</u>	<u>4,407,304</u>	<u>898,657</u>	<u>17,315,183</u>
<b>Change in accounting principle</b>	<u>---</u>	<u>2,771,828</u>	<u>---</u>	<u>---</u>	<u>2,771,828</u>
<b>Fund Balances - Beginning of year, as adjusted</b>	<u>11,707,655</u>	<u>3,073,395</u>	<u>4,407,304</u>	<u>898,657</u>	<u>20,087,011</u>
<b>Fund Balances - End of year</b>	<u>\$ 13,180,102</u>	<u>\$ 3,176,087</u>	<u>\$ 4,773,065</u>	<u>\$ 1,107,591</u>	<u>\$ 22,236,845</u>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**  
Year Ended June 30, 2020

**Total net change in fund balances - governmental funds** **\$ 2,149,834**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.

Depreciation expense	\$ (3,059,114)	
Capital outlays	<u>2,356,978</u>	
		(702,136)

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown.

(16,669)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds payable	300,000	
Notes payable	1,025,000	
Capital leases	<u>216,885</u>	
		1,541,885

Amortization of premium on debt issuances reduces the balance of the respective liability. The amortization is included in interest expense on the statement of activities, but is not shown in the governmental funds.

36,336

In the statement of activities, post-employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

171,308

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Cost of benefits earned net of employee contributions	(1,625,114)	
District pension contributions	1,405,162	
OPEB - Life Insurance expense	(66,829)	
District OPEB - Life Insurance contributions	<u>4,507</u>	
		(282,274)

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

152,666

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

13,769

**Change in net position of governmental activities** **\$ 3,064,719**

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Statement of Fiduciary Net Position**

June 30, 2020

		<b>Private Purpose Trusts</b>	<b>HRA Benefit Account</b>
	<b>ASSETS</b>		
Cash		\$ ---	\$ 4,381,355
	<b>NET POSITION</b>		
Net position:			
Restricted		---	4,381,355
<b>Total net position</b>		<b>\$ ---</b>	<b>\$ 4,381,355</b>

**Statement of Changes in Fiduciary Net Position**

Year Ended June 30, 2020

	<b>Private Purpose Trusts</b>	<b>HRA Benefit Account</b>
	<b>ADDITIONS</b>	
Interest	\$ ---	\$ 41,090
Contributions to employee benefit trust	---	2,000,185
<b>Total additions</b>	---	2,041,275
	<b>DEDUCTIONS</b>	
Trust fund disbursements	---	1,707,314
<b>Change in net position</b>	---	333,961
<b>Net position - beginning of year</b>	2,712,592	4,047,394
<b>Change in accounting principle</b>	(2,712,592)	---
<b>Net position - beginning of year, as adjusted</b>	---	4,047,394
<b>Net position - June 30, 2020</b>	<b>\$ ---</b>	<b>\$ 4,381,355</b>

The accompanying notes to financial statements  
are an integral part of these statements.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements**  
Year Ended June 30, 2020

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Stoughton Area School District ("District") is organized as a common school district. The District, governed by a nine-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the Stoughton Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the District are discussed below.

**B. Component Units**

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general-purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

**C. Basis of Presentation**

**District-wide Statements**

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The District has no 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 of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.



## STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

### Notes to Financial Statements (Continued)

Year Ended June 30, 2020

#### 1. Summary of Significant Accounting Policies (continued)

##### C. Basis of Presentation (continued)

###### Fund Financial Statements

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

The District reports the following major governmental funds:

**General Fund** - The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. It is also used to account for activities associated with providing educational programs for students with disabilities.

**Special Revenue Trust Fund** - The Special Revenue Trust Fund is the fund used to account for trust funds that can be used for district operations. The source of such funds is gifts and donations. Cash in this fund is expended pursuant to donor specifications.

**Capital Projects Fund** – This fund accounts for the resources restricted for the acquisition or construction of specific capital projects or items.

The District accounts for fiduciary activities for the District's HRA post-employment benefits and the District's HRA for current employees' health benefits in an employee benefit trust fund.

##### D. Measurement Focus and Basis of Accounting

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

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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**1. Summary of Significant Accounting Policies (continued)**

**E. Cash**

The District's cash is considered to be cash on hand, money markets and demand deposits. Cash and balances for individual funds are pooled unless maintained in segregated accounts.

**F. Investments**

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period.

As discussed in Footnote 2, the District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Interest income is recorded on the accrual basis. Interest income on commingled investments of district accounting funds is allocated based on average investment balances. Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses of the District's assets are reported in the statement of activities, statement of revenues, expenditures and changes in fund balances and in the statement of changes in fiduciary net position. Adjustments necessary to record investments at fair value are recorded in the statement of changes in fiduciary net position as unrealized gains or losses and in the statement of revenues, expenditures and changes in fund balance as local revenue.

**G. Receivables**

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 management determined that such allowance would not be material.

Property taxes are recognized as revenues in the year for which they are budgeted. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. Under the Wisconsin Statutes, Dane County and Rock County purchases the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**1. Summary of Significant Accounting Policies (continued)**

**H. Interfund Transactions**

The current portion of lending/borrowing arrangements between funds is identified as due to/from other funds. The non-current portion of outstanding balances between funds is reported as advances to/from other funds. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources. The District does not have any advances between funds.

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2020 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Transfers:</b>			
Fund the Capital Projects Fund	Capital Projects Fund	General Fund	\$ 350,000
<b>Due to/from:</b>			
None			

**I. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	45 - 60 years
Equipment and furniture	5,000	Straight-line	5 - 20 years

The capitalization thresholds of \$5,000 are based upon grouped as well as individually purchased capital assets.

**Impairment of Long-Lived Assets**

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

## STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

### Notes to Financial Statements (Continued)

Year Ended June 30, 2020

#### 1. Summary of Significant Accounting Policies (continued)

##### J. Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows and inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period(s) and thus, will not be recognized as an inflow of resources (revenue) until then.

##### K. Net Position

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

The District applies restricted resources when expense is incurred for purposes for which both restricted and unrestricted net position is available.

##### L. Fund Balance

The Governmental Accounting Standards Board ("GASB") defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the School Board. The School Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.
- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Superintendent or their designee may assign amounts for specific purposes.
- *Unassigned* – amounts are available for any purpose, and if the general fund has available resources that are not of the other previously mentioned categories, it shall be deemed unassigned.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**1. Summary of Significant Accounting Policies (continued)**

**L. Fund Balance (continued)**

**Order of Fund Balance Spending Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When the expenditure is incurred for which committed, assigned, or unassigned funds are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School Board, Business or District Administrator has provided otherwise in its commitment or assignment actions.

**Minimum Fund Balance Policy**

In the general fund, the District will strive to maintain a minimum fund balance of 20% of its budget.

**M. Accumulated Unpaid Vacation and Sick Pay**

Liabilities and the related expenses for vacation benefits are recognized when earned. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources, and therefore, the liability is not reported.

Accumulated vested sick leave benefits are recognized as long-term liabilities and expenses when the sick leave benefits vest. Sick leave days, not to exceed a maximum number of days, vest for administrators, teachers and support staff, after the employee reaches the age of 55. The amount per day, paid upon termination, varies. The liability is reported on the government-wide financial statements.

**N. Other Assets**

Expendable supplies or non-capital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance represents payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient.

**O. 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 to 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.

**P. Estimates**

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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**1. Summary of Significant Accounting Policies (continued)**

**Q. OPEB – Life Insurance**

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 life insurance liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB life insurance expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**R. Adoption of New Accounting Guidance**

As of July 1, 2019, the District elected to implement GASB Statement No. 84, Fiduciary Activities. This Statement establishes new criteria for identifying fiduciary activities which, when met, require the activities be reported in a fiduciary fund in the basic financial statements. Upon review of the District's fiduciary fund activity, the District determined there was activity in its' Private Purpose Trust Fund and Agency Fund that no longer met the definition of a fiduciary activity under GASB Statement No. 84.

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

	<b>Private Purpose Trust</b>	<b>Agency Fund</b>	<b>Special Revenue Trust</b>
Net position/fund balance as previously reported at June 30, 2019	\$ 2,712,592	\$ ---	\$ 301,567
Due to student groups at July 1, 2019	---	59,236	---
To reclassify funds due to implementation of GASB Stmt No. 84			
Scholarship Fund	(2,712,592)	---	2,712,592
Agency Fund – Student activities	---	(59,236)	59,236
Net position/fund balance as restated at July 1, 2019	\$ ---	\$ ---	\$ 3,073,395

**S. Subsequent Events**

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed November 9, 2020.

Subsequent to year end, the District signed a financing commitment for a taxable line of credit for \$2,000,000. The interest rate on the line of credit is the Wall Street Journal Prime Rate minus 1%, not to exceed 3.25%. All draws on the line of credit are to be made by June 30, 2021. The entire principal balance plus all accrued and unpaid interest is due on November 1, 2021. The note is for general district operation.

There were no additional subsequent events that required disclosure.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**2. Cash and Investments**

Cash and investments as shown on the District's statement of net position are subject to the following risks:

	<u>Amount</u>	<u>Risks</u>
<b>Cash:</b>		
Petty cash	\$ 50	
Demand deposits	21,362,706	Custodial
<b>Total cash</b>	21,362,756	
<b>Investments:</b>		
Certificates of deposit	802,585	Custodial and Interest Rate
Local government investment pool	379,753	Custodial
<b>Total investments</b>	1,182,338	
<b>Total cash and investments</b>	\$ <u>22,545,094</u>	

The District's cash and investments are reported in the financial statements as follows:

Statement of net position:	
Cash	\$ 16,981,400
Investment	1,182,339
Statement of fiduciary net position:	
Cash	<u>4,381,355</u>
<b>Total cash and equivalents</b>	\$ <u>22,545,094</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits in each local area bank and in the Wisconsin Local Government Investment Pool ("LGIP") are also insured by the State Deposit Guarantee Fund ("SDGF") in the amount of \$400,000 per financial institution. However, due to the relatively small size of the SDGF in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental entities. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

The LGIP does not have a credit quality rating and is also not subject to credit risk disclosure because investments are not issued in securities form. It is part of the State Investment Fund ("SIF") and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually and carries investments at amortized cost for purposes of calculating income to participants. At June 30, 2020, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

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

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



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**2. Cash and Investments (continued)**

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. agencies)
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

**Custodial Risk – Deposits:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for cash and investments was \$22,545,094 at June 30, 2020 and the bank's carrying value was \$22,599,182, of which \$6,219,230 was fully insured, \$15,479,952 was collateralized by pledges and \$900,000 was uninsured and uncollateralized. The District has a policy to minimize custodial risk.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. Information regarding the exposure of the District's investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)			
		Less than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Certificates of Deposit	\$ 802,585	\$ 602,585	\$ 200,000	\$ ---	\$ ---

**Credit Risk:** Generally, credit risk is the risk that an issuer of a type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The District's investment policy minimized credit risk by limiting investments to the safest type of securities.

The District categorizes the fair value measurements of its investments based on the hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

Certificates of deposit are exempt from fair value disclosure due to the investments being valued at cost plus accrued interest earned. LGIP funds are exempt from fair value disclosure due to the investments being valued at amortized cost.



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**3. Capital Assets**

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

	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance 6/30/2020</u>
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 509,421	\$ ---	\$ ---	\$ ---	\$ 509,421
Construction in progress	661,246	426,876	---	(522,808)	565,314
<b>Total not being depreciated</b>	<u>1,170,667</u>	<u>426,876</u>	<u>---</u>	<u>(522,808)</u>	<u>1,074,735</u>
Capital assets being depreciated					
Buildings	67,499,662	982,800	---	486,090	68,968,552
Equipment	18,062,003	947,302	(407,863)	36,718	18,638,160
Total being depreciated	85,561,665	1,930,102	(407,863)	522,808	87,606,712
Less accumulated depreciation	(43,992,895)	(3,059,114)	391,194	---	(46,660,815)
<b>Total being depreciated, net</b>	<u>41,568,770</u>	<u>(1,129,012)</u>	<u>(16,669)</u>	<u>522,808</u>	<u>40,945,897</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 42,739,437</u>	<u>\$ (702,136)</u>	<u>\$ (16,669)</u>	<u>\$ ---</u>	<u>\$ 42,020,632</u>

Depreciation expense of \$3,059,114 was charged to unallocated depreciation on the statement of activities.

**4. Long-Term Liabilities**

Long-term Liabilities of the District are as follows:

	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2020</u>	<u>Amounts Due Within One Year</u>
General obligation debt					
G.O. Bonds	\$ 4,500,000	\$ ---	\$ (300,000)	\$ 4,200,000	\$ 1,385,000
G.O. Notes	1,025,000	---	(1,025,000)	---	---
<b>Total general obligation debt</b>	<u>5,525,000</u>	<u>---</u>	<u>(1,325,000)</u>	<u>4,200,000</u>	<u>1,385,000</u>
Capital leases	286,731	---	(216,885)	69,846	69,846
Compensated absences	895,734	---	(152,666)	743,068	---
<b>Total long-term liabilities</b>	<u>\$ 6,707,465</u>	<u>\$ ---</u>	<u>\$ (1,694,551)</u>	<u>\$ 5,012,914</u>	<u>\$ 1,454,846</u>

Total interest paid and expensed (including accrual) for the year ended June 30, 2020 on long-term debt was \$226,530 and \$212,761 respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

General obligation debt at June 30, 2020 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Dates of Maturity</u>	<u>Issued Amount</u>	<u>Balance 6/30/2020</u>
G.O. Refunding Bonds (QSCB)	09/28/10	4.50%	03/01/23	\$ 3,260,000	\$ 3,260,000
G.O. Refunding Bonds	05/01/12	2.00 to 2.35%	03/01/23	2,895,000	940,000
					<u>\$ 4,200,000</u>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**4. Long-Term Liabilities (continued)**

The 2019 equalized value of the District as certified by the Wisconsin Department of Revenue is \$2,388,539,110. The legal debt limit and margin of indebtedness as of June 30, 2020, in accordance with Section 67.03(1)(a) of the Wisconsin Statutes is as follows:

Debt limit (10% of \$2,388,539,110)	\$ 238,853,911
Deduct long-term debt applicable to debt margin	<u>(4,200,000)</u>
Margin of indebtedness	<u>\$ 234,653,911</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest are as follows:

Year Ended June 30,	G.O. Debt Principal	G.O. Debt Interest	Interest Subsidy	Capital Lease Principal	Capital Lease Interest	Total
2021	\$ 1,385,000	\$ 168,175	\$ (146,700)	\$ 69,846	\$ 4,152	\$ 1,480,473
2022	1,400,000	161,425	(146,700)	---	---	1,414,725
2023	1,415,000	154,338	(146,700)	---	---	1,422,638
<b>Total</b>	<u>\$ 4,200,000</u>	<u>\$ 483,938</u>	<u>\$ (440,100)</u>	<u>\$ 69,846</u>	<u>\$ 4,152</u>	<u>\$ 4,317,836</u>

**Defeased Debt Outstanding**

In fiscal year 2012, the District defeased \$2,850,000 of the 2003 G.O. Refunding Bonds by placing funds in escrow sufficient to meet the future debt service requirements as they become due. Accordingly, the trust account assets and liability for the defeased debt is not included in the District's financial statements. As of June 30, 2020, a total of \$1,005,000 of the defeased bonds remained outstanding.

**Qualified School Construction Bonds**

During fiscal year 2011, the District issued \$3,260,000 Taxable General Obligation Refunding Bonds that were Qualified School Construction Bonds as defined under the Internal Revenue Code. As noted in the Internal Revenue Code, the District expects to receive a credit from the United States Treasury equal to 100% of the stated interest paid over the life of the Bonds. As part of the issuance of these Bonds, the District covenants to comply with the applicable sections of the Internal Revenue Code and to use the credits to offset the tax levy required on the Bonds. The receipt of the credits is expected by the District but cannot be assured due to the compliance requirements noted above and the possibility of future law changes.

**Premiums on Refundings**

Premiums on refundings are recognized in the year in which they occur in the fund financial statements but are deferred and amortized using the straight-line method over the life of the debt issue in the government-wide statements.

Activity for the year ended June 30, 2020 is summarized as follows:

	Balance July 1, 2019	Additions	Amortization Expense (Benefit)	Balance June 30, 2020
Premiums on issuance	\$ <u>77,845</u>	\$ <u>---</u>	\$ <u>(36,336)</u>	\$ <u>41,509</u>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**5. Fund Balances**

As of June 30, 2020, fund balance components other than unassigned fund balances consist of the following:

	<u><b>Nonspendable</b></u>		<u><b>Restricted</b></u>		<u><b>Assigned</b></u>
General fund:					
Prepaid expenditures	\$ 1,568,333	\$	---	\$	---
Self-Insurance	---		36,490		---
Common School Fund	---		13,099		---
Special revenue trust	---		3,176,087		---
Food service program	---		425,862		---
Community service	---		---		86,437
Debt service	---		595,292		---
Capital projects	---		4,773,065		---
<b>Total</b>	<b>\$ 1,568,333</b>	<b>\$</b>	<b>9,019,895</b>	<b>\$</b>	<b>86,437</b>

**6. Defined Benefit Pension Plan**

**Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds ("ETF"). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, 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 Comprehensive Annual Financial Report ("CAFR"), 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 become WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

**Benefits Provided**

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/16) 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.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**6. Defined Benefit Pension Plan (continued)**

**Benefits Provided (Continued)**

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.

**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:

<b>Year</b>	<b>Core Fund Adjustment (%)</b>	<b>Variable Fund Adjustment (%)</b>
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, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period the WRS recognized \$1,405,162 in contributions from the employer.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**6. Defined Benefit Pension Plan (continued)**

**Contributions (Continued)**

Contribution rates as of June 30, 2020 are:

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

**Pension Asset, Pension Expense and Deferred Outflows and Inflows of Resources**

At June 30, 2020, the District reported an asset of \$4,361,985 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.1353%, which was a decrease of 0.0016% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,625,114.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,280,043	\$ 4,143,608
Changes in assumptions	339,914	---
Net difference between projected and actual earnings on pension plan investments	---	8,917,448
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,663	5,194
Employer contributions subsequent to the measurement date	732,904	---
<b>Total</b>	<b>\$ 9,373,524</b>	<b>\$ 13,066,250</b>

The amount of \$732,904 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 6,086,221	\$ 7,392,519
2022	5,988,990	6,969,671
2023	4,784,517	4,628,452
2024	1,063,087	3,357,803

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**6. Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions**

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

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

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

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

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

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**6. Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2019 are summarized in the following table:

<b>Asset Allocation Targets and Expected Returns</b>			
<b>As of December 31, 2019</b>			
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	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
<u>Variable Fund Asset Class</u>			
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, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was 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.



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**6. Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions (continued)**

*Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension liability 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:

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
District's proportionate share of the net pension liability (asset)	\$ 11,232,891	\$ (4,361,985)	\$ (16,020,948)

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

Payables to the pension plan at June 30, 2020 were \$415,296. This represents contributions earned as of June 30, 2020, but for which payment was not remitted to the pension plan until subsequent to year-end.

**7. Self-Funded Insurance Program**

In a prior year, the Stoughton Area School District established a self-funded dental benefit plan (the "Plan") for its employees. The Plan administrator, Delta Dental is responsible for the approval, processing, and payment of claims, after which Delta Dental bills the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30th.

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

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 \$24,327, 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. This amount consists of claims reported to the Plan administrator but not paid by the District of \$12,164 and claims which were not yet reported to the Plan administrator of \$12,163. The amounts not yet reported were determined by the Plan administrator. Changes in the claims liability for the year ended June 30, 2020 is as follows:

	<u>Year Ended June 30, 2020</u>
Estimated Claims Outstanding July 1, 2019	\$ 27,139
Current Year Claims and Changes in Estimates	314,887
Claim Payments	(317,699)
<b>Estimated Claims Outstanding</b>	<u><u>\$ 24,327</u></u>



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**8. Other Post-Employment Benefits**

**Description**

The District offers voluntary retirement benefits to its teachers and administrators who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit ("OPEB"), the later commonly referred to as an implicit rate subsidy.

For administrators at least age 57 with a minimum of 10 years of service with the District, the District will pay the full amount of the single or family medical premiums on behalf of the retiree annually over a period of four years.

For teachers at least age 55 with a minimum of 15 years of service with the District whom retired prior to June 30, 2018, the District will contribute \$500 per month, on behalf of the retiree for a period of 5 years but not to exceed Medicare-eligibility. The funds in the HRA may be used toward continued coverage on the District's medical plan or an outside provider.

For teachers at least age 55 with a minimum of 15 years of service with the District and retiring prior to June 30, 2022, the District will contribute \$500 per month, on behalf of the retiree for a period of 5 years but not to exceed Medicare-eligibility. The funds in the HRA may only be used toward continued coverage on the District's plan for the duration of COBRA or insurance coverage with an outside provider

**Covered Employees**

Employees participating in the OPEB benefit consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Retirees currently receiving benefit payments	44
Active employees fully eligible but not yet receiving benefit payments	43
Active employees not fully eligible	295
<b>Number of participating employees</b>	<u>382</u>

**Total OPEB Liability**

No assets are accumulated in a trust that meets all the criteria in GASB Statement No. 75, paragraph 4 because the District's contributions are not into a legally established irrevocable trust. Accordingly, the District's total OPEB liability is not reduced by any assets accumulated in a trust that meets the criteria and the District must report its total OPEB liability.

The District's total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2019. Changes in the District's total OPEB liability were as follows:

<b>Balance 6/30/19 - measurement date 6/30/18</b>	\$ 1,722,500
Changes for the year:	
Service cost	81,422
Interest	60,949
Changes of benefit terms	(27,254)
Differences between expected and actual experience	(285,622)
Changes of assumptions or other input	74,066
Benefit payments	(275,824)
Net changes	<u>(372,263)</u>
<b>Balance 6/30/20 - measurement date 6/30/19</b>	<u>\$ 1,350,237</u>

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**8. Other Post-Employment Benefits (continued)**

**Actuarial Assumptions**

Actuarial assumptions used to determine the total OPEB liability as of June 30, 2020 were based on the results of an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-2017. Key assumptions, applied to all periods included in the measurement, are as follows:

Valuation date	6/30/2019
Measurement date	6/30/2019
Reporting date	6/30/2020
Actuarial cost method	Entry Age Normal – Level % of salary
Medical care trend	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount rate*	3.50% (based upon all years of projected payments discounted at a municipal bond rate of 3.50%)
Municipal bond rate source	Bond Buy 20-Bond Go Index
Mortality assumptions	Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)

\* Implicit in this rate is an assumed rate of inflation of 2.50%

The discount rate decreased from 3.75% at the prior measurement date to 3.50%.

**Discount Rate**

The following presents the total OPEB liability calculated using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.50%) or 1% higher (4.50%) than the current rate:

	<b>1% Decrease to Discount Rate (2.50%)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase to Discount Rate (4.50%)</b>
Total OPEB liability	\$ 1,393,190	\$ 1,350,237	\$ 1,308,381

**Healthcare Cost Trend Rates**

The following presents the total OPEB liability calculated using the healthcare cost trend rate of 7.5%, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.5% decreasing to 4.0%) or 1% higher (8.5% decreasing to 6.0%) than the current rate:

	<b>1% Decrease to Healthcare Cost Trend (6.5% Decreasing to 4.0%)</b>	<b>Current Healthcare Cost Trend (7.5% Decreasing to 5.0%)</b>	<b>1% Increase to Healthcare Cost Trend (8.5% Decreasing to 6.0%)</b>
Total OPEB liability	\$ 1,311,881	\$ 1,350,237	\$ 1,393,723

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**8. Other Post-Employment Benefits (continued)**

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$93,669. At June 30, 2020, the District reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Employer contributions subsequent to the measurement date	\$ 264,977	\$ ---
Differences between expected and actual experience	---	259,656
Changes of assumptions or other input	67,333	11,078
<b>Total</b>	<b>\$ 332,310</b>	<b>\$ 270,734</b>

The amount of \$264,977 reported as deferred outflows related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ (21,448)
2022	(21,448)
2023	(21,448)
2024	(21,448)
2025	(21,448)
Thereafter	(96,161)

**9. Health Reimbursement Account – Current Employees**

For teachers not eligible for retirement benefits under the OPEB plan described in Note 8, the District offers a defined contribution plan. The District contributes \$750 per year into an HRA to be used upon retirement for insurance coverage with an outside provider. The contributions are made annually into the HRA account in the year the benefit is earned.

For the year ended June 30, 2020, the District recognized expense of \$163,875 related to the defined contribution plan. Funds accumulated in the HRA for any employee who terminates employment prior to reaching eligibility requirements stated in the plan documents for retirement will revert back to the District. Total forfeited contributions for the year ending June 30, 2020 were \$14,944.

**10. Other Post-Employment Benefits – Life Insurance**

**Plan description.**

The Local Retiree Life Insurance Fund (LRLIF) is a multiple-employer defined benefit Other Post-Employment Benefit plan (OPEB). 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.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**10. Other Post-Employment Benefits – Life Insurance (Continued)**

**OPEB Plan Fiduciary Net Position.**

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

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

**Benefits provided**

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

**Contributions**

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

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

Contribution rates as of June 30, 2020 are:

<b><u>Coverage Type</u></b>	<b><u>Employer Contribution</u></b>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

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

<b>Life Insurance Employee Contribution Rates* For the year ended December 31, 2019</b>		
<b>Attained Age</b>	<b>Basic</b>	<b>Supplemental</b>
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 \$4,507 in contributions from the District.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**

Year Ended June 30, 2020

**10. Other Post-Employment Benefits – Life Insurance (Continued)****OPEB Liabilities – Life Insurance, OPEB – Life Insurance Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Life Insurance**

At June 30, 2020, the District reported a liability of \$1,061,841 for its proportionate share of the net OPEB life insurance liability. The net OPEB life insurance liability was measured as of December 31, 2019, and the total OPEB life insurance liability used to calculate the net OPEB life insurance liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB life insurance liability was based on the District's share of contributions to the OPEB Life Insurance plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was .2494%, which was a decrease of .0144% from its proportion measured as of December 31, 2018. For the year ended June 30, 2020, the District recognized OPEB – Life Insurance expense of \$66,829.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ ---	\$ 47,569
Net difference between projected and actual earnings on OPEB – Life Insurance plan investments	20,030	---
Changes in assumptions	391,717	116,794
Changes in proportion and differences between employer contributions and proportionate share of contributions	---	72,690
<b>Total</b>	<b>\$ 411,747</b>	<b>\$ 237,053</b>

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

<b>Year Ended June 30,</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2021	\$ 73,809	\$ 44,848
2022	73,809	44,848
2023	71,649	44,848
2024	69,425	44,848
2025	61,947	42,775
Thereafter	61,108	14,886

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**10. Other Post-Employment Benefits – Life Insurance (Continued)**

**Actuarial assumptions.**

The total OPEB – life insurance 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 Life Insurance Liability for December 31, 2019 is based upon a roll-forward of the asset 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.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**10. Other Post-Employment Benefits – Life Insurance (Continued)**

**Single Discount rate**

A single discount rate of 2.87% was used to measure the total OPEB – life insurance 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 employees. Therefore, the discount rate for calculating the Total OPEB – Life Insurance 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 life insurance liability to changes in the discount rate**

The following presents the District's proportionate share of the net OPEB – life insurance liability calculated using the discount rate of 2.87 percent, as well as what the District's proportionate share of the net OPEB – life insurance liability 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:

	<b>1% Decrease to Discount Rate (1.87%)</b>	<b>Current Discount Rate (2.87%)</b>	<b>1% Increase to Discount Rate (3.87%)</b>
District's proportionate share of the net OPEB – life insurance liability	\$ 1,466,224	\$ 1,061,841	\$ 754,183

**11. Limitation on School District Revenues**

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

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

**12. Risk Management**

The Stoughton Area School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles.

**13. Commitments and Contingencies**

The District had contractual commitments outstanding as of June 30, 2020 of approximately \$898,000 for various construction projects. The majority of the contracts will be funded from the District's general fund.



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Financial Statements (Continued)**  
Year Ended June 30, 2020

**13. Commitments and Contingencies (Continued)**

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2020, are not likely to have a material adverse impact on the District's financial position.

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

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the District's operations and financial position cannot be determined.

**14. Leasing Arrangements**

The District has entered into a contract to lease space at the Yahara building. The following schedule presents minimum future rent payments to be received on these leases:

<b>Year ended</b>		<b>Amount</b>
<b><u>June 30,</u></b>		
2021	\$	47,496
2022		47,496
2023		47,496
<b>Total</b>	<b>\$</b>	<b><u>142,488</u></b>

At June 30, 2020, the capital assets associated with the leased property had a cost of \$3,921,895, accumulated depreciation of \$2,576,713, and a carrying value of \$1,345,182.

**15. Effect of New Accounting Standards on Financial Statements**

The Government Accounting Standards Board (GASB) has approved the following:

- GASB Statement No. 87, *Leases*
- GASB Statement No. 91, *Conduit debt obligations*
- GASB Statement No. 92, *Omnibus 2020*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Arrangements*
- GASB Statement No. 96, *Subscription Based Information Technology Arrangements*
- GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*

When they become effective, application of these standards may restate portions of these financial statements.



## REQUIRED SUPPLEMENTARY INFORMATION

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Budgetary Comparison Schedule**  
**General Fund**  
Year Ended June 30, 2020

	<b>Fund 10 - Budget</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
<b>Revenues:</b>				
Local	\$ 24,056,845	\$ 24,056,845	\$ 24,164,253	\$ 107,408
Interdistrict payments within Wisconsin	581,321	610,006	572,307	(37,699)
State	14,562,037	14,637,015	14,669,913	32,898
Federal	736,842	742,658	706,609	(36,049)
Other	105,134	106,011	114,593	8,582
<b>Total revenues</b>	<b>40,042,179</b>	<b>40,152,535</b>	<b>40,227,675</b>	<b>75,140</b>
<b>Expenditures:</b>				
Instruction:				
Current	17,307,940	17,320,834	16,845,367	475,467
Interdistrict	1,885,257	1,885,257	1,850,896	34,361
Capital outlay	418,842	480,650	469,154	11,496
Support Services:				
Current	13,849,659	13,906,351	13,316,274	590,077
Capital outlay	1,292,225	1,271,237	1,243,765	27,472
Debt service	116,663	116,613	234,478	(117,865)
<b>Total expenditures</b>	<b>34,870,586</b>	<b>34,980,942</b>	<b>33,959,934</b>	<b>1,021,008</b>
<b>Excess of revenues over expenditures</b>	<b>5,171,593</b>	<b>5,171,593</b>	<b>6,267,741</b>	<b>1,096,148</b>
<b>Other Financing Sources (uses):</b>				
Operating transfers in (out)	(5,171,693)	(5,171,693)	(4,795,294)	376,399
Other financing sources	100	100	---	(100)
<b>Total other financing uses</b>	<b>(5,171,593)</b>	<b>(5,171,593)</b>	<b>(4,795,294)</b>	<b>376,299</b>
<b>Net change in fund balances</b>	<b>---</b>	<b>---</b>	<b>1,472,447</b>	<b>1,472,447</b>
<b>Fund Balances - Beginning of year</b>	<b>11,707,655</b>	<b>11,707,655</b>	<b>11,707,655</b>	<b>---</b>
<b>Fund Balances - End of year</b>	<b>\$ 11,707,655</b>	<b>\$ 11,707,655</b>	<b>\$ 13,180,102</b>	<b>\$ 1,472,447</b>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Budgetary Comparison Schedule**  
**Special Education Fund**  
Year Ended June 30, 2020

	<b>Fund 27 - Budget</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
<b>Revenues:</b>				
State	1,460,225	1,460,225	1,511,264	51,039
Federal	761,075	761,075	687,474	(73,601)
Other	---	---	1,200	1,200
<b>Total revenues</b>	<u>2,221,300</u>	<u>2,221,300</u>	<u>2,199,938</u>	<u>(21,362)</u>
<b>Expenditures:</b>				
Instruction:				
Current	5,644,758	5,639,786	5,345,648	294,138
Interdistrict	27,833	27,833	27,833	---
Support Services:				
Current	1,370,402	1,375,374	1,271,751	103,623
<b>Total expenditures</b>	<u>7,042,993</u>	<u>7,042,993</u>	<u>6,645,232</u>	<u>397,761</u>
<b>Excess of expenditures over revenues</b>	<u>(4,821,693)</u>	<u>(4,821,693)</u>	<u>(4,445,294)</u>	<u>376,399</u>
<b>Other Financing Sources:</b>				
Operating transfers in	4,821,693	4,821,693	4,445,294	(376,399)
<b>Net change in fund balances</b>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Fund Balances - Beginning of year</b>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
<b>Fund Balances - End of year</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Budgetary Comparison Schedule**  
**Special Revenue Trust**  
Year Ended June 30, 2020

	<u>Special Revenue Trust - Budget</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Local	\$ 8,000	\$ 230,170	\$ 656,926	\$ 426,756
<b>Expenditures:</b>				
Instruction:				
Current	99,683	205,017	354,544	(149,527)
Capital outlay	30,677	25,421	9,083	16,338
Support Services:				
Current	19,551	134,774	180,557	(45,783)
Capital outlay	6,042	16,200	10,050	6,150
<b>Total expenditures</b>	<u>155,953</u>	<u>381,412</u>	<u>554,234</u>	<u>(172,822)</u>
<b>Excess of expenditures over revenues</b>	<u>(147,953)</u>	<u>(151,242)</u>	<u>102,692</u>	<u>253,934</u>
<b>Fund Balances - Beginning of year</b>	301,567	301,567	301,567	---
Change in accounting principle	---	---	2,771,828	2,771,828
<b>Fund Balances - Beginning of year, as adjusted</b>	<u>301,567</u>	<u>301,567</u>	<u>3,073,395</u>	<u>2,771,828</u>
<b>Fund Balances - End of year</b>	<u>\$ 153,614</u>	<u>\$ 150,325</u>	<u>\$ 3,176,087</u>	<u>\$ 3,025,762</u>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Proportionate Share of the Net Pension Asset (Liability)**  
Year Ended June 30, 2020

Wisconsin Retirement System  
Last 10 Fiscal Years\*

WRS Fiscal Year End Date	District's proportion of the net pension asset (liability)	District's proportionate share of the net pension asset (liability)	District's covered payroll	Net pension asset (liability) as a percentage of employee payroll	Plan fiduciary net position as a percentage of total pension asset (liability)
12/31/19	0.1353%	\$ 4,361,985	\$ 21,452,657	20.33%	102.96%
12/31/18	0.1369%	(4,870,562)	20,626,021	23.61%	96.45%
12/31/17	0.1392%	4,133,959	20,227,529	20.44%	102.93%
12/31/16	0.1409%	(1,161,139)	20,088,183	5.78%	99.12%
12/31/15	0.1431%	(2,324,786)	20,151,239	11.54%	98.20%
12/31/14	0.1440%	3,538,245	19,824,482	17.85%	102.74%

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

\*GASB Pronouncement 68 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

**Schedule of Contributions**  
Year Ended June 30, 2020

Wisconsin Retirement System  
Last 10 Fiscal Years\*

WRS Fiscal Year End Date	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
12/31/19	\$ 1,405,162	\$ 1,405,162	---	\$ 21,452,657	6.55%
12/31/18	1,389,835	1,389,835	---	20,626,021	6.74%
12/31/17	1,383,144	1,383,144	---	20,227,529	6.84%
12/31/16	1,325,824	1,325,824	---	20,088,183	6.60%
12/31/15	1,370,511	1,370,511	---	20,151,239	6.80%
12/31/14	1,388,876	1,388,876	---	19,824,482	7.01%

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

\*GASB Pronouncement 68 requires the presentation of the last ten prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Notes to Required Supplementary Information.

# STOUGHTON AREA SCHOOL DISTRICT

Stoughton, Wisconsin

## Schedule of Proportionate Share of the Net OPEB - Life Insurance Liability

Year Ended June 30, 2020

Local Retiree Life Insurance Fund

Last 10 Fiscal Years\*

LRLIF Fiscal Year End Date	District's proportion of the net OPEB - life insurance liability	District's proportionate share of the net OPEB - life insurance liability	District's covered payroll	Net OPEB - life insurance liability as a percentage of employee payroll	Plan fiduciary net position as a percentage of total OPEB - life insurance liability
12/31/19	0.2494%	\$ 1,061,841	\$ 12,969,000	8.19%	37.58%
12/31/18	0.2638%	680,693	12,750,000	5.34%	48.69%
12/31/17	0.2757%	829,441	11,593,637	7.15%	44.81%

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

\*GASB Pronouncement 75 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

## Schedule of Contributions

Year Ended June 30, 2020

Local Retiree Life Insurance Fund

Last 10 Fiscal Years\*

LRLIF Fiscal Year End Date	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
12/31/19	\$ 4,507	\$ 4,507	---	\$ 12,969,000	0.03%
12/31/18	5,082	5,082	---	12,750,000	0.04%
12/31/17	5,235	5,235	---	11,593,637	0.05%

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

\*GASB Pronouncement 75 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
Year Ended June 30, 2020  
Last 10 Fiscal Years\*

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>			
Service Cost	\$ 81,422	\$ 84,014	\$ 84,014
Interest	60,949	65,428	78,893
Change of benefit terms	(27,254)	---	---
Differences between expected and actual experiences	(285,622)	---	---
Changes of assumptions or other input	74,066	(15,508)	---
Benefit payments	(275,824)	(477,570)	(617,710)
<b>Net change in total OPEB liability</b>	(372,263)	(343,636)	(454,803)
<b>Total OPEB liability - beginning</b>	1,722,500	2,066,136	2,520,939
<b>Total OPEB liability - ending</b>	<u>\$ 1,350,237</u>	<u>\$ 1,722,500</u>	<u>\$ 2,066,136</u>
<b>Covered payroll</b>	\$ 20,766,585	\$ 7,903,587	\$ 7,903,587
<b>Total OPEB liability as a percentage of covered payroll</b>	6.50%	21.79%	26.14%
<b>Measurement Date</b>	June 30, 2019	June 30, 2018	June 30, 2017

\*GASB Pronouncement 75 requires the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

\*The amounts presented for each fiscal year were determined as of the measurement date

See Independent Auditors' Report and Notes to Required Supplementary Information.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Notes to Required Supplementary Information**

Year Ended June 30, 2020

**Note A - Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D. to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with accounting principles generally accepted in the United States of America ("GAAP"). An explanation of the difference between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	<b>General Fund</b>	<b>Special Education Fund</b>
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 40,227,675	\$ 2,199,938
Reclassification of special education	2,199,938	(2,199,938)
<b>Total Revenues (GAAP)</b>	<u>42,427,613</u>	<u>---</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	33,959,934	6,645,232
Reclassification of special education	6,645,232	(6,645,232)
<b>Total Expenditures (GAAP)</b>	<u>40,605,166</u>	<u>---</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	6,267,741	(4,445,294)
Reclassification of special education	(4,445,294)	4,445,294
<b>Excess of Revenues Over (Under) Expenditures (GAAP)</b>	<u>1,822,447</u>	<u>---</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(4,795,294)	4,445,294
Reclassification of special education	4,445,294	(4,445,294)
<b>Total Other Financing Sources (Uses) (GAAP)</b>	<u>(350,000)</u>	<u>---</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis) (GAAP)	<u>1,472,447</u>	<u>---</u>
<b>Fund Balance - Beginning of Year</b>		
Actual amounts (budgetary basis) (GAAP)	<u>11,707,655</u>	<u>---</u>
<b>Fund Balance - End of Year</b>		
Actual amounts (budgetary basis) (GAAP)	<u><u>\$ 13,180,102</u></u>	<u><u>\$ ---</u></u>



**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Required Supplementary Information**

June 30, 2020

(continued)

**Note B – Excess of Actual Expenditures Over Budget in Individual Funds**

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2020. The excess expenditures were funded by larger than anticipated revenues and under expenditures in other areas.

<b>Fund 10:</b>	
Co-Curricular activities	\$ 28,011
Other special needs	2,598
Insurance and judgments	26,280
Debt services	117,865
Other non-program transactions	13,411
<b>Fund 21:</b>	
Co-Curricular activities	\$ 257,578**
Other support services	148**
Scholarship	97,380**
<b>Fund 27:</b>	
Other non-program transactions	\$ 4,621

\*\* The District does not budget for scholarship or fundraising activities

**Note C – WRS Information**

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

*Changes of assumptions:* No significant change in assumptions were noted from the prior year.

**Note D – Other Post-Employment Benefits**

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75, paragraph 4:

- Contributions from the employer and any non-employer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, non-employer contributing entities, the plan administrator, and plan members.

Additional information for the Other Post-Employment Benefits plan as of the latest actuarial valuation is as follows:

Valuation date	6/30/2019
Measurement date	6/30/2019
Reporting date	6/30/2020
Actuarial cost method	Entry Age Normal – Level % of salary
Medical care trend	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Discount rate*	3.75% (based upon all years of projected payments discounted at a municipal bond rate of 3.75%)
Municipal bond rate source	Bond Buy 20-Bond Go Index
Mortality assumptions	Wisconsin 2018 Mortality Table

\* Implicit in this rate is an assumed rate of inflation of 2.50%

Discount rate decreased from 3.75% at the previous measurement date to 3.50%

**Note E. OPEB – Life Insurance Information**

*Change 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 section on page 44 for additional details.

## OTHER SUPPLEMENTARY INFORMATION

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2020

<u>Special Revenue Funds</u>					
	<u>Food Service</u>	<u>Package- Cooperative</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Total</u>
<b>ASSETS</b>					
Cash	\$ 441,721	\$ ---	\$ 87,248	\$ 595,767	\$ 1,124,736
Accounts receivable	2,867	---	---	---	2,867
Due from other governments	72,658	---	---	---	72,658
<b>Total assets</b>	<b>\$ 517,246</b>	<b>\$ ---</b>	<b>\$ 87,248</b>	<b>\$ 595,767</b>	<b>\$ 1,200,261</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 36,824	\$ ---	\$ ---	\$ ---	\$ 36,824
Withholdings and related district fringes payable	---	---	811	---	811
Unearned revenues	54,560	---	---	---	54,560
Other liabilities	---	---	---	475	475
<b>Total liabilities</b>	<b>91,384</b>	<b>---</b>	<b>811</b>	<b>475</b>	<b>92,670</b>
<b>Fund Balances</b>					
Restricted	425,862	---	---	595,292	1,021,154
Assigned	---	---	86,437	---	86,437
<b>Total fund balance</b>	<b>425,862</b>	<b>---</b>	<b>86,437</b>	<b>595,292</b>	<b>1,107,591</b>
<b>Total liabilities and fund balances</b>	<b>\$ 517,246</b>	<b>\$ ---</b>	<b>\$ 87,248</b>	<b>\$ 595,767</b>	<b>\$ 1,200,261</b>

See independent auditors' report.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2020

	<u>Special Revenue Funds</u>				
	<u>Food Service</u>	<u>Package- Cooperative</u>	<u>Community Service</u>	<u>Debt Service</u>	<u>Total</u>
<b>Revenues:</b>					
Local	\$ 433,721	\$ 17,297	\$ 243,328	\$ 1,457,405	\$ 2,151,751
State	20,639	---	---	---	20,639
Federal	611,793	---	---	---	611,793
Other	---	---	---	137,825	137,825
<b>Total revenues</b>	<u>1,066,153</u>	<u>17,297</u>	<u>243,328</u>	<u>1,595,230</u>	<u>2,922,008</u>
<b>Expenditures:</b>					
Instruction:					
Current	---	14,863	---	---	14,863
Support Services:					
Current	904,641	2,434	235,129	---	1,142,204
Capital outlay	19,203	---	---	---	19,203
Debt service	---	---	---	1,536,804	1,536,804
<b>Total expenditures</b>	<u>923,844</u>	<u>17,297</u>	<u>235,129</u>	<u>1,536,804</u>	<u>2,713,074</u>
<b>Excess of revenues over expenditures</b>	142,309	---	8,199	58,426	208,934
<b>Net change in fund balances</b>	142,309	---	8,199	58,426	208,934
<b>Fund Balances - Beginning of year</b>	<u>283,553</u>	<u>---</u>	<u>78,238</u>	<u>536,866</u>	<u>898,657</u>
<b>Fund Balances - End of year</b>	<u>\$ 425,862</u>	<u>\$ ---</u>	<u>\$ 86,437</u>	<u>\$ 595,292</u>	<u>\$ 1,107,591</u>

See independent auditors' report.

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Schedule of Expenditures of State Awards**

Year Ended June 30, 2020

<b>Awarding Agency Pass-Through Agency Award Description</b>	<b>State I.D. Number</b>	<b>Passthrough Entity Number</b>	<b>Accrued or (Unearned) Revenue at 7/1/19</b>	<b>Receipts</b>	<b>State Disbursements/ Expenditures</b>	<b>Accrued or (Unearned) Revenue at 6/30/20</b>	<b>Subrecipient Awards</b>
<b>Wisconsin Department of Public Instruction</b>							
Special Education and School-Age Parents **	255.101	135621-100	\$ ---	\$ 1,430,800	\$ 1,430,800	\$ ---	\$ ---
State School Lunch Aid	255.102	135621-107	---	9,535	9,535	---	---
Common School Fund Library Aid	255.103	135621-104	---	135,050	121,951	(13,099)	---
Pupil Transportation	255.107	135621-102	---	35,098	35,098	---	---
Wisconsin School Day Milk Program	255.115	135621-109	---	7,508	7,508	---	---
Equalization Aids	255.201	135621-116	223,930	10,681,170	10,651,445	194,205	---
High Cost Special Education	255.210	135621-119	---	80,464	80,464	---	---
Aid for School Mental Health Programs	255.227	135621-176	---	34,823	34,823	---	---
Supplemental Pupil Aid	255.245	135621-181	---	10,245	10,245	---	---
Personal Electronic Computing Device	255.296	135621-175	---	---	---	---	---
School Based Mental Health Services Grant	255.297	135621-177	33,233	68,350	61,420	26,303	---
Passed through Oregon School District							
Peer Review and Mentoring	255.301	134144-141	---	5,250	5,250	---	---
School Breakfast Program	255.344	135621-108	---	3,597	3,597	---	---
Early College Credit Program	255.445	135621-178	---	149	149	---	---
Educator Effectiveness Evaluation System Grant	255.940	135621-154	---	21,280	21,280	---	---
Per Pupil Aid	255.945	135621-113	---	2,264,584	2,264,584	---	---
Career and Technical Education Incentive Grant	255.950	135621-152	---	22,598	22,598	---	---
Assessments for Reading Readiness	255.956	135621-166	---	5,175	5,175	---	---
<b>Total Wisconsin Department of Public Instruction</b>			257,163	14,815,676	14,765,922	207,409	---
<b>Wisconsin Department of Justice</b>							
School Safety Grant	455.206	2018-SSI-01-14376	168,391	---	---	168,391	---
School Safety Grant	455.206	2018-SSI-01-13242	8,396	8,396	---	---	---
<b>Total School Safety Grant</b>			176,787	8,396	---	168,391	---
<b>Total</b>			\$ 433,950	\$ 14,824,072	\$ 14,765,922	\$ 375,800	\$ ---

\*\* Total DPI aidable expenditures for the year ended June 30, 2020 were \$5,781,372

See Independent Auditors' Report and Notes to Schedules  
of Expenditures of Federal and State Awards.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2020

<b>Awarding Agency Pass-Through Agency Award Description</b>	<b>Federal CFDA Number</b>	<b>Passthrough Entity Number</b>	<b>Accrued or (Unearned) Revenue at 7/1/19</b>	<b>Receipts</b>	<b>Federal Disbursements/ Expenditures</b>	<b>Accrued or (Unearned) Revenue at 6/30/20</b>	<b>Subrecipient Awards</b>
<b>U.S. Department of Agriculture</b>							
<i>Child Nutrition Cluster:</i>							
Passed through Wisconsin Department of Public Instruction:							
Food Service Aid - Breakfast	10.553	2020-135621-DPI-SB-546	\$ 2,114	\$ 40,764	\$ 38,650	\$ ---	\$ ---
Food Service Aid - Breakfast - COVID-19	10.553	2020-135621-DPI-SB-546	---	84,820	111,166	26,346	---
<i>Subtotal for Food Service Aid CFDA #10.553</i>			2,114	125,584	149,816	26,346	---
Donated Commodities - Noncash	10.555	N/A	---	69,642	69,642	---	---
Food Service Aid - Lunch	10.555	2020-135621-DPI-NSL-547	8,718	195,961	187,243	---	---
Food Service Aid - Lunch - COVID-19	10.555	2020-135621-DPI-NSL-547	---	158,780	205,092	46,312	---
<i>Subtotal for Food Service Aid CFDA #10.555</i>			8,718	424,383	461,977	46,312	---
<b>Total Child Nutrition Cluster and U.S. Department of Agriculture</b>			10,832	549,967	611,793	72,658	---
<b>U.S. Department of Education</b>							
Passed through Wisconsin Department of Public Instruction:							
ESEA Title IA Basic	84.010	2020-135621-TIA-141	94,668	307,735	325,551	112,484	---
<i>Special Education Cluster:</i>							
IDEA Flow Through	84.027	2020-135621-DPI-IDEA-F-341	130,439	611,789	697,070	215,720	---
IDEA Preschool Entitlement	84.173	2020-135621-DPI-IDEA-P-347	3,937	20,592	33,041	16,386	---
<b>Total Special Education Cluster</b>			134,376	632,381	730,111	232,106	---
Carl Perkins Grant	84.048	2019-135621-CTE-400	6,589	6,589	---	---	---
Passed through Oregon School District							
Carl Perkins Grant	84.048	2020-134144-CTE-400	---	13,242	21,193	7,951	---
<b>Total Carl Perkins Grant</b>			6,589	19,831	21,193	7,951	---
ESEA Title III-A English Language Acquisition Grants	84.365	2020-135621-DPI-T3 -391	9,714	18,531	9,037	220	---
ESEA Title II-A Teacher Principal Training	84.367	2020-135621-TIIA-365	24,325	75,590	68,233	16,968	---
Title IV-A Student and Academic Enrichment Grants	84.424	2020-135621-TIVA - DPI-381	3,301	19,425	16,803	679	---
<b>Total U.S. Department of Education</b>			272,973	1,073,493	1,170,928	370,408	---
<b>U.S. Department of Health and Human Services</b>							
<i>Medicaid Cluster:</i>							
Passed through Wisconsin Department of Health Services							
Medical Assistance Program (SBS)	93.778	44211300	32,468	276,418	244,347	397	---
<b>Total</b>			\$ 316,273	\$ 1,899,878	\$ 2,027,068	\$ 443,463	\$ ---

See Independent Auditors' Report and Notes to Schedules  
of Expenditures of Federal and State Awards.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Notes to Schedules of Expenditures of State and Federal Awards**  
June 30, 2020

**1. Basis of Presentation**

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2020. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the requirements of the *Wisconsin State Single Audit Guidelines*. Therefore, some amounts presented in the Schedules may differ from amounts presented in, or used in, the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and, as applicable, the cost principles contained in the *Wisconsin State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. Indirect Cost Rate**

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

**4. Noncash Awards**

The federal donated commodities in the Child Nutrition Cluster is administered by the U.S. Department of Agriculture and passed through the Wisconsin Department of Instruction and transactions relating to this program are included in the District's basic financial statements. Commodities received during the year that are included in the federal expenditures are valued by the federal agency. There are no balances outstanding as of June 30, 2020.



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

To the District Board  
Stoughton Area School District  
Stoughton, Wisconsin

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stoughton Area School District (the "District") as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 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) as a basis for designing 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **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 financial statements. 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 that are required to be reported under *Government Auditing Standards*.

## **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.

November 9, 2020  
Milwaukee, Wisconsin



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

To the District Board  
Stoughton Area School District  
Stoughton, Wisconsin

**Report on Compliance for Each Major Federal and State Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal and State Program**

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

## Report on Internal Control Over Compliance

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

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

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

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

November 9, 2020  
Milwaukee, Wisconsin

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Schedule of Prior Audit Findings**

June 30, 2020

There were no prior audit findings.

**STOUGHTON AREA SCHOOL DISTRICT**  
Stoughton, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2020

**Section I. Summary of Auditors' Results**

**Financial Statements**

- |   |            |
|---|------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting:   |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | None noted |
| 3. Noncompliance material to financial statements noted?  | No         |

**Federal Awards**

- |   |            |
|---|------------|
| 4. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | No         |
| b. Significant deficiencies identified?   | None noted |
| 5. Type of auditors' report issued on compliance for major programs:                                  | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No         |
| 7. Identification of major federal programs:  |            |
| <i>Special Education Cluster:</i>   |            |
| 84.027 – IDEA Flow Through  |            |
| 84.173 – IDEA Preschool Entitlement   |            |
| 8. Dollar threshold used to distinguish between type A and type B programs:                           | \$ 750,000 |
| 9. Auditee qualified as low-risk auditee?   | Yes        |

**State Awards**

- |  |            |
|--|------------|
| 10. Internal control over major programs:                                    |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified?                                      | None noted |
| 11. Type of auditors' report issued on compliance for major programs:        | Unmodified |
| 12. Any audit findings that are required to be reported?                     | No         |
| 13. Identification of major state programs:                                  |            |
| 255.201 – Equalization Aid   |            |
| 255.945 – Per Pupil Aid  |            |
| 14. Dollar threshold used to distinguish between type A and type B programs: | \$ 250,000 |

**Section II. Financial Statement Findings**

None

**STOUGHTON AREA SCHOOL DISTRICT**

Stoughton, Wisconsin

**Schedule of Findings and Questioned Costs (Continued)**

Year Ended June 30, 2020

**Section III. Federal and State Award Findings and Questioned Costs**

No findings to report.

**Section IV. Other Issues**

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

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction No

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner

\_\_\_\_\_  
Brian J. Mechenich

5. Date of Report

November 9, 2020