

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Two Rivers Public School District
Two Rivers, 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 Two Rivers Public School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Two Rivers Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

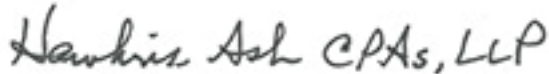
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Two Rivers Public School District's basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of charter school authorizer operating costs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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of the Two Rivers Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Two Rivers Public School District's internal control over financial reporting and compliance.

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin
November 23, 2020

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

MANAGEMENT'S DISCUSSION AND ANALYSIS



Administration Office
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Two Rivers, WI 54241
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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Two Rivers Public School District ("District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's basic financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

Total governmental activities revenue was \$25,365,495 including \$5,666,081 of property taxes, 15,885,550 of general state and federal aid, and \$2,361,136 of charges for services and operating grants. Total governmental activities expenditures were \$23,755,942; including \$12,618,566 for direct instruction.

The District's financial status, as reflected in total net position, increased by \$1,609,553.

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 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.

Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-wide Statements	Governmental	Fiduciary
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, debt service, capital projects, 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	Statement of net position. Statement of activities.	Balance Sheet. Statement of revenues, expenditures and changes in fund balance.	Statement of net position. Statement of changes in net position.
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.

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 outflows 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, deferred outflows of resources, liabilities, and deferred inflows of resource, is one way to measure the District's overall financial position. Increases or decreases in the District's net position is one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

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

FUND FINANCIAL STATEMENTS

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

The District has two kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out 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.
- *Fiduciary funds* - The District serves as a trustee, or fiduciary, for retired employees, as well as student organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2020 compared to 2019. The District's combined net position increased by \$1,609,553 or 14.12% to \$13,010,747.

	Governmental Activities		Total % change
	2020	2019	2019 - 2020
Current and other assets	\$ 10,875	\$ 9,215	18.0%
Capital assets	16,797	17,485	-3.9%
Total assets	27,673	26,700	3.6%
Deferred outflows of resources	6,425	11,712	-45.1%
Long-term liabilities			
outstanding	10,093	15,180	-33.5%
Other liabilities	2,942	3,690	-20.3%
Total liabilities	13,036	18,870	-30.9%
Deferred inflows of resources	8,051	8,141	-1.1%
Net position:			
Net investment in capital assets	11,180	9,613	16.3%
Restricted	3,113	1,122	177.5%
Unrestricted	(1,282)	666	-292.5%
Total net position	\$ 13,011	\$ 11,401	14.1%

Note: Totals may not add due to rounding.

Table 2
Changes in Net Position
(in thousands of dollars)

	Governmental Activities		Total % Change
	2020	2019	2019 - 2020
Revenues			
Program revenues			
Charges for services	\$ 253	\$ 312	-18.9%
Operating grants and contributions	2,108	1,845	14.3%
General revenues			
Property taxes	5,680	5,489	3.5%
State and federal aid	15,886	15,412	3.1%
Other	<u>1,438</u>	<u>1,544</u>	-6.9%
Total revenues	<u>25,365</u>	<u>24,602</u>	3.1%
Expenses			
Instruction	12,619	12,862	-1.9%
Pupil and instructional services	2,838	2,846	-0.3%
Administration and business	5,802	6,207	-6.5%
Interest on debt	271	342	-20.8%
Other	<u>2,227</u>	<u>1,651</u>	34.9%
Total expenses	<u>23,756</u>	<u>23,908</u>	-0.6%
Increase in net position	<u>\$ 1,610</u>	<u>\$ 694</u>	132.0%

Note: Totals may not add due to rounding.

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

The District relies primarily on state and federal aids (63%) and property taxes (22%) to fund governmental activities. These two funding sources make up 85% of the total revenues.

Table 3 presents the cost of the five 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)

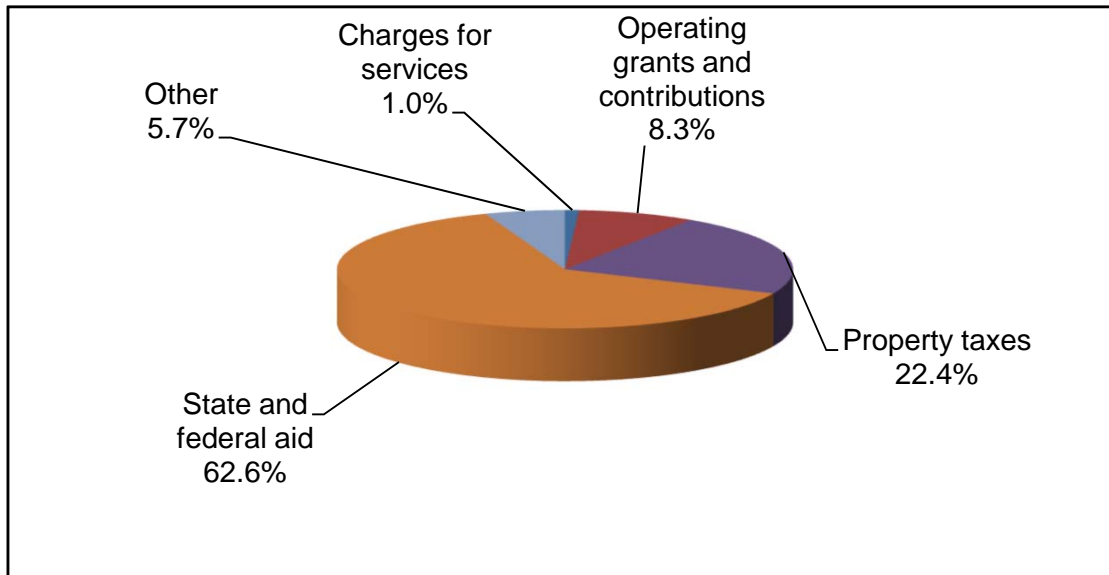
	Net Cost of Services		Total % change
	2020	2019	2019 - 2020
Instruction	\$ 11,006	\$ 11,438	-3.8%
Pupil and instructional services	2,838	2,846	-0.3%
Administration and business	5,053	5,474	-7.7%
Interest on debt	271	342	-20.8%
Other	2,227	1,651	34.9%
Total	\$ 21,395	\$ 21,751	-1.6%

Note: Totals may not add due to rounding.

The cost of all governmental activities this year was \$23,755,942. Individuals who directly participated or benefited from a program offering paid for \$253,319 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$2,107,817. The net cost of governmental activities, \$21,394,806, was financed by general revenues of the District.

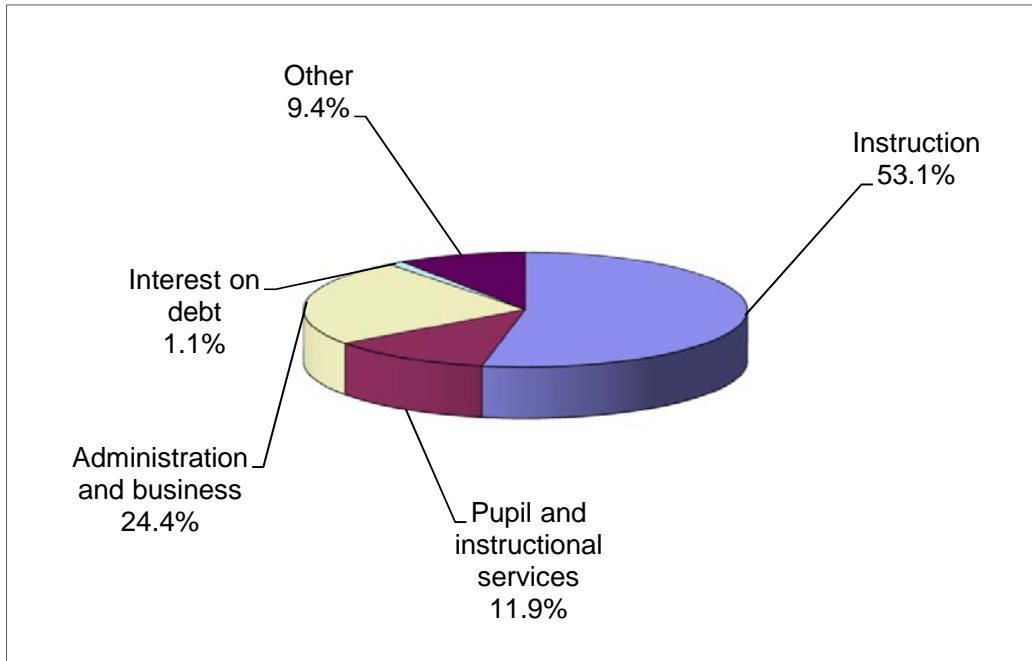
The composition of governmental revenues by type and expenditures by type are illustrated below.

Governmental Activities Revenue by Type
Chart 1



Note: Totals may not add to 100% due to rounding.

Governmental Activities Expenditure by Type
Chart 2



Note: Totals may not add to 100% due to rounding.

FINANCIAL ASPECTS OF THE DISTRICT'S FUNDS

The District completed the year with a total governmental fund balance of \$5,714,764 up from last year's ending fund balance of \$5,606,411.

The general fund had an increase in fund balance of \$298,394.

The other governmental funds had a fund balance decrease of \$190,041. The majority of this was from the community service and other capital projects funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reviews an interim budget in February for the subsequent year (beginning July 1st). Consistent with current state statutes and regulations an original budget is adopted in September, prior to determination of official enrollment and certification of general state aids. Generally, the original budget is not significantly modified.

The District modified its original budget to reflect:

- Reallocation of unspent appropriations to other projects.
- Modification in several state and federal grants.

While the District's final budget for the general fund anticipated that expenditures would exceed revenues by \$277,748, the actual results for the year show revenues exceeded expenditures by \$298,394.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2020, the District had invested \$34,708,183 in capital assets, including land, land improvements, buildings and equipment (See Table 4). Total accumulated depreciation on these assets is \$17,911,344. Asset acquisitions for governmental activities totaled \$71,144. The District recognized depreciation expense of \$758,943 for governmental activities. Detailed information about capital assets can be found in the notes to the financial statements.

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

	<u>Governmental Activities</u>		<u>Total % change</u>
	<u>2020</u>	<u>2019</u>	<u>2019 - 2020</u>
Land	\$ 625	\$ 625	0.0%
Land improvements	1,821	1,821	0.0%
Buildings	28,094	28,094	0.0%
Equipment	4,168	4,104	1.6%
Accumulated depreciation	<u>(17,911)</u>	<u>(17,160)</u>	4.4%
Total	<u>\$ 16,797</u>	<u>\$ 17,484</u>	-3.9%

Note: Totals may not add due to rounding.

Long-Term Obligations

At year end, the District had \$10,093,411 in bonds payable and other long-term debt outstanding - a decrease of -33.5% from last year (see Table 5). Detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

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

	<u>Total</u>		<u>Total % change</u>
	<u>2020</u>	<u>2019</u>	<u>2019 - 2020</u>
General obligation debt	\$ 5,605	\$ 7,875	-28.8%
Other	4,488	7,305	-38.6%
Total	<u>\$ 10,093</u>	<u>\$ 15,180</u>	-33.5%

Note: Totals may not add due to rounding.

The District retired \$2,270,000 of bonds and notes payable during the year.

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The District's 2019-2020 school year's enrollment decreased by 60 full time equivalent students as compared to the previous year.

The State of Wisconsin has limited revenue growth through legislation. Revenue caps have been in place since the 1993-1994 school year which requires a District to pass a referendum to raise additional revenue. Also, the implementation of the state wide voucher program in Wisconsin has had a financial impact.

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 Mary Kay E. Slattery, Finance Director, Two Rivers Public School District, 4521 Lincoln Avenue, Two Rivers, Wisconsin 54241, (920) 793-4560.

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

**BASIC
FINANCIAL STATEMENTS**

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

**DISTRICT-WIDE
FINANCIAL STATEMENTS**

TWO RIVERS PUBLIC SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current assets	
Cash and investments	\$ 6,549,065
Receivables	
Accounts	18,883
Taxes	1,390,934
Due from other governments	485,035
Prepays	154,599
Wisconsin Retirement System net pension	2,277,568
Capital assets (net of accumulated depreciation)	
Capital assets not being depreciated	624,535
Capital assets being depreciated	<u>16,172,304</u>
TOTAL ASSETS	<u>27,672,923</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Charge on refunding	67,576
Wisconsin Retirement System pension	5,009,067
Wisconsin Retirement System LRLIF	339,375
OPEB supplemental pension	721,211
OPEB healthcare	<u>287,630</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,424,859</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
	<u>34,097,782</u>
 LIABILITIES	
Short-term notes payable	1,750,000
Accounts payable	267,375
Accrued liabilities	
Payroll	825,782
Interest	83,222
Deposits payable	3,505
Unearned revenue	12,306
Current portion of long-term obligations	2,077,612
Noncurrent portion of long-term obligations	<u>8,015,799</u>
TOTAL LIABILITIES	<u>13,035,601</u>
 DEFERRED INFLOWS OF RESOURCES	
Wisconsin Retirement System pension	6,831,663
Wisconsin Retirement System LRLIF	133,542
OPEB supplemental pension	595,330
OPEB healthcare	<u>490,899</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,051,434</u>
 NET POSITION	
Net investment in capital assets	11,180,255
Restricted for	
Special revenue	368,897
Debt service	280,141
Capital projects	172,585
Other activities	2,291,507
Unrestricted	<u>(1,282,638)</u>
TOTAL NET POSITION	<u>13,010,747</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
	<u>\$ 34,097,782</u>

The accompanying notes are an integral part of these statements.

TWO RIVERS PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular instruction	\$ 8,048,530	\$ 37,156	\$ -	\$ (8,011,374)
Vocational instruction	535,280	1,364	-	(533,916)
Special instruction	3,227,653	-	1,536,759	(1,690,894)
Other instruction	807,103	36,847	-	(770,256)
Total instruction	<u>12,618,566</u>	<u>75,367</u>	<u>1,536,759</u>	<u>(11,006,440)</u>
Support services				
Pupil services	1,252,778	-	-	(1,252,778)
Instructional staff services	1,585,175	-	-	(1,585,175)
General administration services	392,955	-	-	(392,955)
Building administration services	1,747,427	-	-	(1,747,427)
Business services	3,661,366	177,952	571,058	(2,912,356)
Central services	78,271	-	-	(78,271)
Insurance	259,234	-	-	(259,234)
Interest and other	271,159	-	-	(271,159)
Other support services	440,136	-	-	(440,136)
Community services	137,114	-	-	(137,114)
Total support services	<u>9,825,615</u>	<u>177,952</u>	<u>571,058</u>	<u>(9,076,605)</u>
Non-program transactions	1,311,761	-	-	(1,311,761)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 23,755,942</u>	<u>\$ 253,319</u>	<u>\$ 2,107,817</u>	<u>(21,394,806)</u>

General revenues

Taxes

 Property taxes

5,666,081

 Other taxes

14,270

State and federal aids not restricted to specific functions

15,885,550

Interest and investment earnings

64,679

Miscellaneous

1,373,779

 Total general revenues

23,004,359

CHANGE IN NET POSITION

1,609,553

NET POSITION - BEGINNING OF YEAR

11,401,194

NET POSITION - END OF YEAR

\$ 13,010,747

The accompanying notes are an integral part of these statements.

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

**FUND
FINANCIAL STATEMENTS**

TWO RIVERS PUBLIC SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	GENERAL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and investments	\$ 5,602,482	\$ 946,583	\$ 6,549,065
Receivables			
Taxes	1,319,724	71,210	1,390,934
Accounts	3,508	15,375	18,883
Due from other governments	438,923	46,112	485,035
Prepaid expenses	152,930	1,669	154,599
TOTAL ASSETS	<u>7,517,567</u>	<u>1,080,949</u>	<u>8,598,516</u>
LIABILITIES			
Short term note payable	1,750,000	-	1,750,000
Accounts payable	123,673	143,702	267,375
Accrued payroll liabilities	819,774	6,008	825,782
Accrued interest	24,164	-	24,164
Deposits payable	3,505	-	3,505
Unearned revenue	620	12,306	12,926
TOTAL LIABILITIES	<u>2,721,736</u>	<u>162,016</u>	<u>2,883,752</u>
FUND BALANCES			
Nonspendable	152,930	1,669	154,599
Restricted	13,939	821,623	835,562
Assigned	-	95,641	95,641
Unassigned	4,628,962	-	4,628,962
TOTAL FUND BALANCES	<u>4,795,831</u>	<u>918,933</u>	<u>5,714,764</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,517,567</u>	<u>\$ 1,080,949</u>	

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

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

Governmental capital asset	\$ 34,708,183	
Governmental accumulated depreciation	<u>(17,911,344)</u>	16,796,839

Some revenues are unearned in the funds because they are not available to pay current period's expenditures: 620

Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements: 660,805

Other post employment benefits deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements: (77,388)

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

General obligation debt	\$ (5,605,000)	
Premium	(79,160)	
Charge on refunding	67,576	
Accrued interest	(59,058)	
WRS liability	(845,388)	
Net OPEB obligation	<u>(3,563,863)</u>	<u>(10,084,893)</u>

Total net position - governmental activities **\$ 13,010,747**

The accompanying notes are an integral part of these statements.

TWO RIVERS PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	GENERAL FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	\$ 3,202,691	\$ 2,463,390	\$ 5,666,081
Other local sources	148,213	292,308	440,521
Interdistrict sources	1,252,710	-	1,252,710
Intermediate sources	14,263	-	14,263
State sources	16,363,993	9,024	16,373,017
Federal sources	1,123,176	482,911	1,606,087
Other sources	11,682	984	12,666
TOTAL REVENUES	22,116,728	3,248,617	25,365,345
EXPENDITURES			
Current			
Instruction			
Regular instruction	7,875,115	82,495	7,957,610
Vocational instruction	519,029	1,785	520,814
Special instruction	3,392,956	-	3,392,956
Other instruction	769,960	21,924	791,884
Total instruction	12,557,060	106,204	12,663,264
Support services			
Pupil services	1,252,264	-	1,252,264
Instructional staff services	1,383,019	-	1,383,019
General administration services	386,293	23,973	410,266
Building administration services	1,093,089	-	1,093,089
Business services	2,677,710	713,590	3,391,300
Central services	59,352	-	59,352
Insurance	259,234	-	259,234
Other support services	436,488	299	436,787
Community services	1,114	136,000	137,114
Total support services	7,548,563	873,862	8,422,425
Non-program transactions	1,311,761	-	1,311,761
Debt service			
Principal	-	2,270,000	2,270,000
Interest	32,665	244,360	277,025
Other	2,019	-	2,019
Total debt service	34,684	2,514,360	2,549,044
Capital outlay	274,040	36,608	310,648
TOTAL EXPENDITURES	21,726,108	3,531,034	25,257,142
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	390,620	(282,417)	108,203
OTHER FINANCING (USES) SOURCES			
Net transfer (to) from other funds	(92,376)	92,376	-
Sale of capital assets	150	-	150
TOTAL OTHER FINANCING (USES) SOURCES	(92,226)	92,376	150
NET CHANGE IN FUND BALANCE	298,394	(190,041)	108,353
FUND BALANCE - BEGINNING OF YEAR	4,497,437	1,108,974	5,606,411
FUND BALANCE - END OF YEAR	\$ 4,795,831	\$ 918,933	\$ 5,714,764

The accompanying notes are an integral part of these statements.

TWO RIVERS PUBLIC SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds \$ 108,353

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

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

Capital outlay reported in fund statements	\$ 310,648	
Less noncapitalized outlay	(239,504)	
Depreciation expense reported in the statement of activities	<u>(758,943)</u>	
Amount by which capital outlays are less than depreciation in the current period:		(687,799)

Wisconsin Retirement System pension asset, deferred inflows of resources, liability, and deferred outflows of resources changes:	(77,492)
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Wisconsin Retirement System LRLIF asset, deferred inflows of resources, liability, and deferred outflows of resources changes:	(61,691)
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OPEB supplemental pension deferred outflows of resources, liability, and deferred inflows of resources changes:	(72,078)
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OPEB healthcare deferred outflows of resources, liability, and deferred inflows of resources changes:	122,375
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Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

Amount of long-term debt principal payments in the current year is:	2,270,000
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In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as it accrues.

Amount of interest and other debt costs paid during the current period is	\$ 279,044	
Amount of interest and other debt costs accrued during the current period is	<u>(271,159)</u>	
Interest paid is greater than interest accrued by:		<u>7,885</u>

Change in net position - governmental activities	<u>\$ 1,609,553</u>
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TWO RIVERS PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2020

		TRUST FUNDS	
	AGENCY STUDENT ACTIVITY	SCHOLARSHIPS/ OTHER TRUST	EMPLOYEE BENEFIT TRUST
ASSETS			
Cash and investments	\$ 134,450	\$ 464,104	\$ 744,745
TOTAL ASSETS	134,450	464,104	744,745
 LIABILITIES			
Due to student organizations	134,450	-	-
TOTAL LIABILITIES	134,450	-	-
 NET POSITION			
Nonspendable	-	299,813	-
Net position held in trust	-	164,291	744,745
TOTAL LIABILITIES AND NET POSITION	\$ 134,450	\$ 464,104	\$ 744,745

The accompanying notes are an integral part of these statements.

TWO RIVERS PUBLIC SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

	TRUST FUNDS	
	SCHOLARSHIPS/ OTHER TRUST	EMPLOYEE BENEFIT TRUST
ADDITIONS		
Interest and dividends	\$ 18,941	\$ 12,672
Contribution to employee trust	-	409,270
TOTAL ADDITIONS	18,941	421,942
DEDUCTIONS		
Benefits paid	-	374,271
Scholarships awarded	134,306	-
TOTAL DEDUCTIONS	134,306	374,271
CHANGE IN NET POSITION	(115,365)	47,671
NET POSITION - BEGINNING OF YEAR	579,469	697,074
NET POSITION - END OF YEAR	\$ 464,104	\$ 744,745

The accompanying notes are an integral part of these statements.

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies

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

Reporting Entity - The Two Rivers Public School District is organized as a unified school district governed by an elected seven-member school board. The District operates grades early childhood through grade 12. The District is comprised of all or parts of two taxing districts. The District, in lieu of its legal name, is referred to as the Two Rivers Public School District.

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

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

Basis of Presentation

District-Wide Statements

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Financial Statements

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

The District reports the following major governmental funds:

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

The District has three fiduciary funds which account for assets held as an agent for various student organizations, an employee benefit trust, and a private purpose trust.

Measurement Focus and Basis of Accounting

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

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

Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

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

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

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

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2019 tax levy is used to finance operations of the District's fiscal year ended June 30, 2020. All property taxes are considered due on January 1, when an enforceable lien is assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

Prepays - Prepaid items represent payments for goods or services for which benefits extend beyond June 30.

A nonspendable fund balance has been recognized in governmental funds for these non-liquid assets to signify a portion of fund balance is not available for other subsequent expenditures.

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 25,000	Straight-line	50 years
Building improvements	\$ 25,000	Straight-line	20 years
Site improvements	\$ 10,000	Straight-line	10-20 years
Furniture and equipment	\$ 1,000	Straight-line	5-15 years
Computer and related technology	\$ 1,000	Straight-line	5 years
Library books *	\$ 1,000	Straight-line	7 years

* For purposes of determining the capitalization threshold for these items the District groups all purchases for the year.

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

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The District has five items that qualify for reporting in this category. They are the deferred charge on refunding, Wisconsin Retirement System pension, Wisconsin Retirement System local retiree life insurance fund (LRLIF), OPEB supplemental pension, and OPEB healthcare reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Wisconsin Retirement System pension, Wisconsin Retirement System LRLIF, OPEB supplemental pension, and OPEB healthcare result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

When net losses occur, it is the District's policy to record the net loss against unassigned fund balance, then assigned fund balance, then committed fund balance and lastly to restricted fund balance. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

NOTE 2 - Cash and Investments

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

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

<u>Investment</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
State of Wisconsin Investment Pool	Less than one year	\$ 104
Chevron Texaco Stock	Less than one year	299,813
Mutual fund	Less than one year	744,745
Certificates of deposit	Less than one year	145,224
Certificates of deposit	More than one year	510,380
Total		<u>\$ 1,700,266</u>

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 2 - Cash and Investments - Continued

The District has the following recurring fair value measurements:

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

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

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

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. The State of Wisconsin Investment Pool is not rated.

Custodial Credit Risk - Deposits - Custodial credit is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy in place for custodial credit risk. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2020, \$5,727,911 of the District's bank balance of \$7,282,400 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by municipal securities held by the bank in the bank's name. There were no deposits that were uninsured and uncollateralized.

NOTE 3 - Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 624,535	\$ -	\$ -	\$ 624,535
Capital assets being depreciated:				
Land improvements	1,821,199	-	-	1,821,199
Buildings and improvements	28,094,489	-	-	28,094,489
Equipment	<u>4,104,341</u>	<u>71,144</u>	<u>(7,525)</u>	<u>4,167,960</u>
Total capital assets being depreciated	<u>34,020,029</u>	<u>71,144</u>	<u>(7,525)</u>	<u>34,083,648</u>

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 3 - Capital Assets - Continued

Less accumulated depreciation for:

Land improvements	(1,432,945)	(81,928)	-	(1,514,873)
Buildings and improvements	(12,371,867)	(545,685)	-	(12,917,552)
Equipment	<u>(3,355,114)</u>	<u>(131,330)</u>	7,525	<u>(3,478,919)</u>
Total accumulated depreciation	<u>(17,159,926)</u>	<u>(758,943)</u>	7,525	<u>(17,911,344)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>16,860,103</u>	<u>(687,799)</u>	-	<u>16,172,304</u>

Capital assets, net of accumulated depreciation	<u>\$ 17,484,638</u>	<u>\$ (687,799)</u>	<u>\$ -</u>	<u>\$ 16,796,839</u>
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Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 31,241
Vocational instruction	4,668
Special education instruction	11,334
Other instruction	10,793
Pupil services	3,023
Instructional staff services	903
General administration	2,687
School building administration	645,531
Business services	29,844
Other support services	<u>18,919</u>
Total	<u>\$ 758,943</u>

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

NOTE 4 - Short-Term Notes Payable

Short-term notes payable issued for working capital are as follows:

<u>Type</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Note payable	<u>\$ 2,245,000</u>	<u>\$ 1,750,000</u>	<u>\$ 2,245,000</u>	<u>\$ 1,750,000</u>

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 5 - Long-Term Liabilities

Long-term obligations are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds payable	\$ 3,460,000	\$ -	\$ (2,225,000)	\$ 1,235,000	\$ 215,000
Notes payable - direct placement	4,415,000		(45,000)	4,370,000	1,425,000
Premium	128,278	-	(49,118)	79,160	29,685
Wisconsin Retirement System					
Net pension liability	2,547,006	-	(2,547,006)	-	-
LRLIF	505,289	340,099	-	845,388	-
OPEB supplemental pension	3,459,714	414,024	(588,951)	3,284,787	143,965
OPEB healthcare	<u>665,032</u>	<u>84,879</u>	<u>(470,835)</u>	<u>279,076</u>	<u>263,962</u>
Total	<u>\$ 15,180,319</u>	<u>\$ 839,002</u>	<u>\$ (5,925,910)</u>	<u>\$ 10,093,411</u>	<u>\$ 2,077,612</u>

In prior years, the general fund liquidated vested employee benefits. Interest costs incurred during the year totaled \$269,140. Total interest paid during the year aggregated \$277,025 including \$32,665 for short-term borrowing.

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

<u>Issue Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance</u>
Refunding bonds	11/4/13	2.45-4.1%	3/1/25	\$ 1,235,000
Note payable - direct placement	6/1/15	1.7-3%	3/1/21	710,000
Note payable - direct placement	2/23/17	2-3%	3/1/23	<u>3,660,000</u>
Total				<u>\$ 5,605,000</u>

General Obligation Debt Limit Calculation - The 2019 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$591,806,745. The legal debt limit and margin of indebtedness as of June 30, 2020, in accordance with section 67.03(1)(b) of Wisconsin Statutes follows:

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 5 - Long-Term Liabilities - Continued

Debt limit (10% of \$591,806,745)	\$ 59,180,675
Applicable long-term debt	(5,605,000)
Amount available in debt service fund	<u>280,141</u>
Margin of indebtedness	<u>\$ 53,855,816</u>

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

Year Ending June 30	Bonds		Notes Payable - Direct Borrowing and Placement		Total
	Principal	Interest	Principal	Interest	
2021	\$ 215,000	\$ 46,073	\$ 1,425,000	\$ 131,100	\$ 1,817,173
2022	230,000	39,193	1,450,000	88,350	1,807,543
2023	245,000	31,258	1,495,000	44,850	1,816,108
2024	265,000	21,948	-	-	286,948
2025	<u>280,000</u>	<u>11,480</u>	<u>-</u>	<u>-</u>	<u>291,480</u>
	<u>\$ 1,235,000</u>	<u>\$ 149,952</u>	<u>\$ 4,370,000</u>	<u>\$ 264,300</u>	<u>\$ 6,019,252</u>

NOTE 6 - Wisconsin Retirement System Pension

General Information about the Pension Plan

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System Pension - Continued

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

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

The WRS also provides death and disability benefits for employees.

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

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

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, 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 \$728,208 in contributions from the employer.

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System Pension - Continued

Contribution rates as of June 30, 2020 are:

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

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

At June 30, 2020, the District reported a liability (asset) of \$(2,277,568) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.07063419%, which was a decrease of 0.00095746% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$874,969.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,323,347	\$ 2,163,547
Net differences between projected and actual earnings on pension plan investments	-	4,656,160
Changes in assumptions	177,483	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,870	11,956
Employer contributions subsequent to the measurement date	500,367	-
Total	\$ 5,009,067	\$ 6,831,663

\$500,367 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System Pension - Continued

Year Ending June 30	Deferred Outflows and (Inflows) of Resources
2021	\$ (684,895)
2022	(517,106)
2023	77,972
2024	(1,198,934)
Thereafter	-

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

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

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

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

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System Pension - Continued

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

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

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

Single Discount Rate - A single discount rate of 7% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). Because of the unique structure of WRS, the 7% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease to Discount Rate (6%)	Current Discount Rate (7%)	1% Increase to Discount Rate (8%)
District's proportionate share of the net pension liability (asset)	\$ 5,865,146	\$ (2,277,568)	\$ (8,365,184)

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 6 - Wisconsin Retirement System Pension - Continued

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

Payables to the Pension Plan - The District reported a payable of \$356,111 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

NOTE 7 - Wisconsin Retirement System Local Retirement Life Insurance Fund

General Information about the Other Post-Employment Benefits

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

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

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

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

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

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

Contribution rates as of June 30, 2020 are:

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

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

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

During the reporting period, the LRLIF recognized \$3,589 in contributions from the employer.

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

At June 30, 2020, the District reported a liability (asset) of \$845,388 for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.198532%, which was an increase of 0.002709% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$90,979.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 37,872
Net differences between projected and actual earnings on OPEB plan investments	15,947	-
Changes in assumption	311,867	92,986
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,561	2,684
Employer contributions subsequent to the measurement date	-	-
Total	\$ 339,375	\$ 133,542

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

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

Year Ending June 30	Deferred Outflows and (Inflows) of Resources
2021	\$ 35,131
2022	35,131
2023	33,412
2024	31,641
Thereafter	70,518

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

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

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

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

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

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

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

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

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

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

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
District's proportionate share of the net OPEB liability (asset)	\$ 1,167,339	\$ 845,388	\$ 600,446

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 8 - Supplemental Pension Defined Benefit Plan

General Information about the Supplemental Pension Plan

Plan Description - The supplemental pension is a single employer defined benefit pension plan. Benefit terms are established by employee handbooks and may be modified by the Board of Education. The plan is administered by the District and included in the District's financial statements.

Benefits Provided - Administrators at least age 55 with 12 years of service in the District will receive one-half of their salary at the time of retirement paid out in 36 equal monthly payments. They also may elect cash-in-lieu of medical and dental benefit for a period of three years.

Teachers at least age 55 with 20 years of service in the District and eligible to retire under the Wisconsin Retirement System may elect cash-in-lieu of medical and dental benefit of \$1,000 monthly cash payment for a period of 48 months.

Custodians, secretaries, COTA, and interpreters at least age 55 with 20 years of service in the District may elect cash-in-lieu of medical and dental benefits of \$1,000 cash payments for 48 months.

Aides (eligible for retirement at the end of the 2012-13 school year) at least age 55 with 15 years of experience with the District and were purchasing health insurance for the entire school year prior to retirement may elect cash-in-lieu of medical and dental benefits of \$1,000 cash payments for a period of 48 months. Monthly payments are prorated based on the employee's percentage worked. Active eligible aids as of July 1, 2018 who are eligible for health insurance are also provided this benefit.

Aides (not eligible for retirement at the end of the 2012-13 school year) at least age 55 with 20 years of experience with the District and were purchasing health insurance for the entire school year prior to retirement may elect cash-in-lieu of medical and dental benefit of \$500 cash payments for a period of 24 months. Active eligible aids as of July 1, 2018 who are eligible for health insurance are also provided this benefit.

Employees Covered - As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>199</u>
Total	<u>238</u>

Contributions - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance an unfunded accrued liability. For the year ended June 30, 2020, contribution rates for Plan members were \$1,000 - \$1,465 per participant per month and \$1,000 - \$1,465 from the District, depending on the type of retiree plan. Plan members receiving benefits paid \$0 and the District paid \$143,965 for current year contributions due.

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 8 - Supplemental Pension Defined Benefit Plan - Continued

Actuarial Valuation Date:	June 30, 2019
Measurement Date of Net Pension Liability:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal - Level %
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	3.50%
Discount Rate:	3.50%
Salary Increases:	3%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017.

Long-Term Expected Return on Plan Assets - The long-term expected real rate of return on plan investments is based off a 20 year AA municipal bond rate. The target allocation for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Commingled mortgages	16%
Bonds	53%
Cash	31%

Discount Rate - A discount rate of 3.50% was used to measure the total supplemental pension liability. This discount rate was based on a 20 year municipal bond rate. The projection of cash flows used to determine the discount rate assumed the 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 of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total supplemental pension liability.

Changes in the Net Supplemental Pension Liability

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 8 - Supplemental Pension Defined Benefit Plan - Continued

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Beginning balance	\$ 3,824,374	\$ 364,660	\$ 3,459,714
Changes for the year:			
Service cost	175,501	-	175,501
Interest	141,228	-	141,228
Changes of benefit terms	97,295	-	97,295
Differences between expected and actual experience	(190,638)	-	(190,638)
Changes of assumptions or other input	(65,535)	-	(65,535)
Contributions - employer	-	327,063	(327,063)
Net investment income	-	5,715	(5,715)
Benefit payments, including refunds of employee contributions	(292,065)	(292,065)	-
Net changes	(134,214)	40,713	(174,927)
Ending balance	\$ 3,690,160	\$ 405,373	\$ 3,284,787

Sensitivity of the Net Supplemental Pension Liability to Changes in the Discount Rate - The following presents the net supplemental pension liability calculated using the discount rate of 3.50 percent, as well as what the net supplemental pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Net supplemental pension liability	\$ 3,449,447	\$ 3,284,787	\$ 3,123,347

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

For the year ended June 30, 2020, the District recognized pension expense of \$429,838.

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 8 - Supplemental Pension Defined Benefit Plan - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 206,527	\$ 494,469
Net differences between projected and actual earnings on pension plan investments	14,573	-
Changes of assumptions or other input	356,146	100,861
Employer contributions subsequent to the measurement date	143,965	-
Total	\$ 721,211	\$ 595,330

\$143,965 reported as deferred outflows related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows and (Inflows) of Resources
2021	\$ 28,752
2022	27,669
2023	26,526
2024	25,090
2025	23,366
Thereafter	(149,487)

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

NOTE 9 - Interfund Balance and Activity

Interfund transfers at June 30, 2020 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Debt service	\$ 17,376
General	Long term capital improvements	<u>75,000</u>
		<u>\$ 92,376</u>

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

NOTE 10 - Post Employment Benefits Other Than Pensions

General Information about the Post-Employment Benefits Other Than Pensions

Plan Description - The other post-employment benefits (OPEB) other than pensions is a single-employer defined benefit OPEB plan. Benefit terms are established by employee handbooks and may

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 10 - Post Employment Benefits Other Than Pensions - Continued

be modified by the Board of Education. The plan is administered by the District and included in the District's financial statements.

Benefits Provided - Administrators at least age 55 with 12 years of service in the District and eligible for WRS will receive medical and dental insurance for a period of 3 years.

Teachers at least age 55 with 20 years of service with the District and eligible to retire under WRS will receive \$48,000 to be used for continued medical and/or dental insurance until its exhaustion.

Custodians, secretaries, COTA, and interpreters at least age 55 with 20 years of service with the District will receive \$48,000, disbursed at \$1,000 per month, to be used for continued medical and/or dental insurance for a period of 48 months.

Aides (eligible for retirement at the end of the 2012-13 school year) at least age 55 with 15 years of experience with the District and were purchasing health insurance for the entire school year prior to retirement will receive \$48,000, disbursed at \$1,000 per month, to be used for continued medical and/or dental insurance for a period of 48 months. Prorated based on percentage worked. Active eligible aids as of July 1, 2018 who are eligible for health insurance are also provided this benefit.

Aides (not eligible for retirement at the end of the 2012-13 school year) at least age 55 with 20 years of experience with the District and were purchasing health insurance for the entire school year prior to retirement will receive \$12,000, disbursed at \$500 per month, to be used for continued medical and/or dental insurance for a period of 24 months. Active eligible aids as of July 1, 2018 who are eligible for health insurance are also provided this benefit.

Employees Covered - As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms. The plan is not closed to new entrants.

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>200</u>
Total	<u>239</u>

Contributions - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on premiums and an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability. For the year ended June 30, 2020, contribution rates for Plan members were \$718 - \$1,623 per participant per month and \$718 - \$1,623 from the District, depending on the type of retiree plan. Plan members receiving benefits contributed \$1,343 and the District contributed \$263,962 to the plan.

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 10 - Post Employment Benefits Other Than Pensions - Continued

Actuarial Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal - Level %
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	3.50%
Discount Rate:	3.50%
Salary Increases:	3%
Mortality:	Wisconsin 2018 Mortality Table
Medical Care Cost Trend:	7.5% decreasing by .5% per year to 6.5%, then by .1% per year to 5%, and level thereafter
Dental Care Cost Trend:	5%

The actuarial valuation was based upon the data provided by the District and utilized the premium rate history of the District's medical plans as well as the trends used in the prior valuation and projected a stream of expected premium rates for each year in the future based on the data as of June 30, 2019. Actuarial assumptions are based upon an experience study conducted in 2018 using Wisconsin Retirement System experience from 2015 - 2017.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on plan investments is based off a 20 year AA municipal bond rate. The target allocation for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Commingled mortgages	16%
Bonds	53%
Cash	31%

Discount Rate - A discount rate of 3.50% was used to measure the total OPEB healthcare liability. This discount rate was based on a 20 year municipal bond rate.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB healthcare liability.

Changes in the Net OPEB Healthcare Liability

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 10 - Post Employment Benefits Other Than Pensions - Continued

	Increase (Decrease)		
	Total OPEB Healthcare Liability	Fiduciary Net Position	Net OPEB Healthcare Liability
	(a)	(b)	(a) - (b)
Beginning balance	\$ 952,232	\$ 287,200	\$ 665,032
Changes for the year:			
Service cost	49,079	-	49,079
Interest	35,800	-	35,800
Changes of benefit terms	(97,295)	-	(97,295)
Differences between expected and actual experience	(77,760)	-	(77,760)
Changes of assumptions or other input	(247,066)	-	(247,066)
Contributions - employer	-	44,213	(44,213)
Net investment income	-	4,501	(4,501)
Benefit payments	(44,213)	(44,213)	-
Net changes	(381,455)	4,501	(385,956)
Ending balance	\$ 570,777	\$ 291,701	\$ 279,076

Sensitivity of the Net OPEB Healthcare Liability to Changes in the Healthcare Cost Trend Rate -

The following presents the net OPEB healthcare liability calculated using the healthcare cost trend rate of 7.5 percent decreasing to 5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.5 percent decreasing to 4 percent) or 1-percentage-point higher (8.5 percent decreasing to 6 percent) than the current rate:

	1% Decrease to Healthcare Cost Rate (6.5% decreasing to 4%)	Current Healthcare Cost Rate (7.5% decreasing to 5%)	1% Increase to Healthcare Cost Rate (8.5% decreasing to 6%)
Net OPEB healthcare liability	\$ 263,618	\$ 279,076	\$ 296,178

Sensitivity of the Net OPEB Healthcare Liability to Changes in the Discount Rate - The following presents the net OPEB healthcare liability calculated using the discount rate of 3.50 percent, as well as what the net OPEB healthcare liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Net OPEB healthcare liability	\$ 302,033	\$ 279,076	\$ 256,055

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

For the year ended June 30, 2020, the District recognized OPEB healthcare expense of \$72,208.

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 10 - Post Employment Benefits Other Than Pensions - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,781	\$ 70,691
Net differences between projected and actual earnings on pension plan investments	9,887	-
Changes of assumptions or other input	-	420,208
Employer contributions subsequent to the measurement date	263,962	-
Total	\$ 287,630	\$ 490,899

\$263,962 is reported as deferred outflows related to OPEB healthcare resulting from contributions subsequent to the measurement date will be recognized as a reduction on the net OPEB healthcare liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB healthcare will be recognized in expense as follows:

Year ending June 30	Deferred Outflows and (Inflows) of Resources
2021	\$ (49,022)
2022	(49,020)
2023	(49,738)
2024	(50,885)
Thereafter	\$ (268,566)

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

NOTE 11 - Fund Balance and Net Position

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

<u>Governmental Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonspendable		
General	Prepaid expenses	\$ 152,930
Food service	DPI regulation	\$ 1,669
Restricted		
General	Common school fund	\$ 13,939
Special revenue trust	Donor specific expenses	\$ 137,068
Debt service	Principal and interest	\$ 280,141
Long-term capital improvements	DPI regulation	\$ 172,585
Food service	DPI regulation	\$ 231,829
Assigned		
Community service	Specific expenses	\$ 95,641

TWO RIVERS PUBLIC SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 JUNE 30, 2020

NOTE 11 - Fund Balance and Net Position - Continued

Governmental Activities

Restricted

Special revenue	Donor specific expenses and DPI regulation	\$ 368,897
Debt service fund	Principal and interest	\$ 280,141
Capital projects	DPI regulation	\$ 172,585
Other activities	Common school fund	\$ 13,939
Other activities	Wisconsin Retirement System pension	\$ 2,277,568

NOTE 12 - Risk Management

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

NOTE 13 - Commitments and Contingent Liabilities

The District has a service agreement with Cooperative Education Service Agency #7 for services to be provided to the District in 2020-2021. Expected costs are \$124,541.

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

2020-2021	\$	889,419
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The District is aware that two of their school buildings contain some level of asbestos in which they will incur removal costs upon remodeling, selling, or abandoning these buildings at some future date. However, at this point, the District does not feel they have enough information to reasonably estimate the fair value of the asset retirement obligation and will not record a liability.

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

NOTE 14 - Limitation of School District Revenue

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2020

NOTE 15 - Subsequent Events

Subsequent to June 30, 2020, the District refinanced \$1,020,000 of bonds, which will result in interest savings over the life of the bonds of approximately \$52,000.

NOTE 16 - Coronavirus (COVID-19)

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

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

**REQUIRED
SUPPLEMENTARY INFORMATION**

TWO RIVERS PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGETED AMOUNTS			FINAL BUDGETED AMOUNTS			ACTUAL AMOUNTS			VARIANCE WITH
	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	FINAL BUDGET
										POSITIVE (NEGATIVE)
REVENUES										
Property taxes	\$ 3,034,870	\$ -	\$ 3,034,870	\$ 3,202,691	\$ -	\$ 3,202,691	\$ 3,202,691	\$ -	\$ 3,202,691	\$ -
Other local sources	133,649	-	133,649	149,291	-	149,291	148,213	-	148,213	(1,078)
Interdistrict sources	1,168,618	-	1,168,618	1,252,710	-	1,252,710	1,252,710	-	1,252,710	-
Intermediate sources	-	6,602	6,602	13,621	-	13,621	14,263	-	14,263	642
State sources	14,439,759	882,562	15,322,321	15,464,064	982,287	16,446,351	15,381,706	982,287	16,363,993	(82,358)
Federal sources	30,000	90,000	120,000	484,208	660,860	1,145,068	522,453	600,723	1,123,176	(21,892)
Other sources	11,834	-	11,834	11,536	-	11,536	11,682	-	11,682	146
TOTAL REVENUES	18,818,730	979,164	19,797,894	20,578,121	1,643,147	22,221,268	20,533,718	1,583,010	22,116,728	(104,540)
EXPENDITURES										
Current										
Instruction										
Regular instruction	6,934,468	-	6,934,468	8,070,693	-	8,070,693	7,875,115	-	7,875,115	195,578
Vocational instruction	484,197	91,995	576,192	520,546	500	521,046	519,029	-	519,029	2,017
Special instruction	-	2,927,716	2,927,716	-	3,443,584	3,443,584	-	3,392,956	3,392,956	50,628
Other instruction	707,602	-	707,602	770,170	-	770,170	769,960	-	769,960	210
Total instruction	8,126,267	3,019,711	11,145,978	9,361,409	3,444,084	12,805,493	9,164,104	3,392,956	12,557,060	248,433
Support services										
Pupil services	618,088	463,110	1,081,198	699,535	570,430	1,269,965	670,167	582,097	1,252,264	17,701
Instructional staff services	867,374	125,816	993,190	1,070,728	359,644	1,430,372	1,057,780	325,239	1,383,019	47,353
General administration services	377,964	-	377,964	413,822	-	413,822	386,293	-	386,293	27,529
Building administration services	1,381,883	-	1,381,883	1,118,539	-	1,118,539	1,093,089	-	1,093,089	25,450
Business services	2,743,223	-	2,743,223	2,855,957	1,600	2,857,557	2,676,147	1,563	2,677,710	179,847
Central services	40,957	-	40,957	75,742	-	75,742	59,352	-	59,352	16,390
Insurance	245,742	-	245,742	262,335	-	262,335	259,234	-	259,234	3,101
Other support services	666,573	-	666,573	425,469	-	425,469	436,488	-	436,488	(11,019)
Community services	-	-	-	-	-	-	1,114	-	1,114	(1,114)
Total support services	6,941,804	588,926	7,530,730	6,922,127	931,674	7,853,801	6,639,664	908,899	7,548,563	305,238
Non-program transactions	855,653	-	855,653	1,281,488	30,876	1,312,364	1,281,615	30,146	1,311,761	603
Debt service										
Interest	42,000	-	42,000	32,665	-	32,665	32,665	-	32,665	-
Other	1,900	-	1,900	2,020	-	2,020	2,019	-	2,019	1
Total debt service	43,900	-	43,900	34,685	-	34,685	34,684	-	34,684	1
Capital outlay	58,765	-	58,765	400,447	-	400,447	272,946	1,094	274,040	126,407
TOTAL EXPENDITURES	16,026,389	3,608,637	19,635,026	18,000,156	4,406,634	22,406,790	17,393,013	4,333,095	21,726,108	680,682
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,792,341	(2,629,473)	162,868	2,577,965	(2,763,487)	(185,522)	3,140,705	(2,750,085)	390,620	576,142
OTHER FINANCING SOURCES (USES)										
Transfer (to) / from other funds	(17,376)	-	(17,376)	(2,855,863)	2,763,487	(92,376)	(2,842,461)	2,750,085	(92,376)	-
Sale of capital assets	-	-	-	150	-	150	150	-	150	-
TOTAL OTHER FINANCING SOURCES (USES)	(17,376)	-	(17,376)	(2,855,713)	2,763,487	(92,226)	(2,842,311)	2,750,085	(92,226)	-
NET CHANGE IN FUND BALANCE	2,774,965	(2,629,473)	145,492	(277,748)	-	(277,748)	298,394	-	298,394	576,142
FUND BALANCE - BEGINNING OF YEAR	4,497,437	-	4,497,437	4,497,437	-	4,497,437	4,497,437	-	4,497,437	-
FUND BALANCE - END OF YEAR	\$ 7,272,402	\$ (2,629,473)	\$ 4,642,929	\$ 4,219,689	\$ -	\$ 4,219,689	\$ 4,795,831	\$ -	\$ 4,795,831	\$ 576,142

The accompanying notes are an integral part of these statements.

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
JUNE 30, 2020

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

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

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

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

General/Special Education	Other support services	\$	11,019
General/Special Education	Community services		1,114

TWO RIVERS PUBLIC SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM PENSION SCHEDULES
YEAR ENDED JUNE 30, 2020

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2020	0.07063419%	\$ (2,277,568)	\$ 11,117,641	-20.49%	102.96%
2019	0.07159165%	2,547,006	10,810,781	23.56%	96.45%
2018	0.07213492%	(2,141,771)	10,721,264	-19.98%	102.93%
2017	0.07193179%	592,890	10,455,412	5.67%	99.12%
2016	0.07283533%	1,183,560	10,212,460	11.59%	98.20%
2015	0.07448748%	(1,829,616)	10,020,734	-18.26%	102.74%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 728,208	\$ (728,208)	\$ -	\$ 11,117,641	6.55%
2019	724,322	(724,322)	-	10,810,781	6.70%
2018	729,046	(729,046)	-	10,721,264	6.80%
2017	690,055	(690,055)	-	10,455,412	6.60%
2016	694,444	(694,444)	-	10,212,460	6.80%
2015	701,451	(701,451)	-	10,020,734	7.00%

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

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

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

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM LOCAL RETIREE LIFE INSURANCE FUND SCHEDULES
YEAR ENDED JUNE 30, 2020

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2020	0.198532%	\$ 845,388	\$ 9,568,000	8.84%	37.58%
2019	0.195823%	505,289	9,256,000	5.46%	48.69%
2018	0.193446%	581,998	8,134,958	7.15%	44.81%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 3,589	\$ (3,589)	\$ -	\$ 9,568,000	0.04%
2019	3,772	(3,772)	-	9,256,000	0.04%
2018	3,673	(3,673)	-	8,134,958	0.05%

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

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

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

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

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

TWO RIVERS PUBLIC SCHOOL DISTRICT
SUPPLEMENTAL PENSION DEFINED BENEFIT PLAN SCHEDULES
YEAR ENDED JUNE 30, 2020

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability						
Service cost	\$ 175,501	\$ 182,195	\$ 219,088	\$ 194,343	\$ 124,717	\$ 124,717
Interest	141,228	131,872	124,755	149,086	159,450	166,189
Changes of benefit terms	97,295	-	-	-	-	-
Differences between expected and actual experience	(190,638)	-	(441,597)	-	378,637	-
Changes of assumptions or other input	(65,535)	(43,847)	(7,437)	152,881	474,567	-
Benefit payments	(292,065)	(245,019)	(289,213)	(362,358)	(408,787)	(442,556)
Net Changes in Total Pension Liability	(134,214)	25,201	(394,404)	133,952	728,584	(151,650)
Total Pension Liability - Beginning	<u>3,824,374</u>	<u>3,799,173</u>	<u>4,193,577</u>	<u>4,059,625</u>	<u>3,331,041</u>	<u>3,482,691</u>
Total Pension Liability - Ending (a)	<u>\$ 3,690,160</u>	<u>\$ 3,824,374</u>	<u>\$ 3,799,173</u>	<u>\$ 4,193,577</u>	<u>\$ 4,059,625</u>	<u>\$ 3,331,041</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 327,063	\$ 280,019	\$ 304,193	\$ 396,959	\$ 444,050	\$ 466,926
Net investment income	5,715	4,794	5,219	5,170	5,124	6,985
Benefit payments	(292,065)	(245,019)	(289,213)	(362,358)	(408,787)	(442,556)
Net Changes in Plan Fiduciary Net Position	40,713	39,794	20,199	39,771	40,387	31,355
Plan Fiduciary Net Position - Beginning	<u>364,660</u>	<u>324,866</u>	<u>304,667</u>	<u>264,896</u>	<u>224,509</u>	<u>193,154</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 405,373</u>	<u>\$ 364,660</u>	<u>\$ 324,866</u>	<u>\$ 304,667</u>	<u>\$ 264,896</u>	<u>\$ 224,509</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,284,787</u>	<u>\$ 3,459,714</u>	<u>\$ 3,474,307</u>	<u>\$ 3,888,910</u>	<u>\$ 3,794,729</u>	<u>\$ 3,106,532</u>
Plan fiduciary net position as a percentage of the total pension liability	10.99%	9.54%	8.55%	7.27%	6.53%	6.74%
Covered payroll	\$ 10,920,118	\$ 9,914,488	\$ 9,914,488	\$ 9,259,932	\$ 9,259,932	\$ 8,971,643
Net pension liability as a percentage of covered payroll	30.08%	34.90%	35.04%	42.00%	40.98%	34.63%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 377,475	\$ 377,475	\$ 414,468	\$ 414,468	\$ 514,399	\$ 514,399
Contributions in relation to the actuarially determined contributions	(327,063)	(280,019)	(304,193)	(396,959)	(444,050)	(466,926)
Contribution deficiency (excess)	<u>\$ 50,412</u>	<u>\$ 97,456</u>	<u>\$ 110,275</u>	<u>\$ 17,509</u>	<u>\$ 70,349</u>	<u>\$ 47,473</u>
Covered payroll	\$ 10,920,118	\$ 9,914,488	\$ 9,914,488	\$ 9,259,932	\$ 9,259,932	\$ 8,971,643
Contributions as a percentage of covered payroll	3.00%	2.82%	3.07%	4.29%	4.80%	5.20%
Actuarial valuation date	6/30/2019	6/30/2017	6/30/2017	6/30/2015	6/30/2015	6/30/2014
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014

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

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

Methods and assumptions used to determine actuarial calculations - entry age normal cost, level % open amortization, fair value asset valuation, 3.50% discount rate, 2.50% inflation, 3% salary increases, Wisconsin 2018 mortality table.

Changes of benefit terms - Grandfathered aides are now offered a cash-in-lieu option equivalent to their continued medical and dental coverage benefit, and all employees who retire must begin taking the retirement benefit immediately upon retirement.

Changes of assumptions - the discount rate decreased to 3.50%, the actuarial assumptions are now based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-17, and the mortality assumptions changed to Wisconsin 2018 Mortality Table.

TWO RIVERS PUBLIC SCHOOL DISTRICT
OPEB HEALTHCARE DEFINED BENEFIT PLAN SCHEDULES
YEAR ENDED JUNE 30, 2020

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Healthcare Liability				
Service cost	\$ 49,079	\$ 50,963	\$ 65,881	\$ 65,881
Interest	35,800	32,685	34,264	36,024
Changes of benefit terms	(97,295)	-	-	-
Differences between expected and actual experience	(77,760)	-	18,947	-
Changes of assumptions or other input	(247,066)	(10,643)	(256,982)	-
Benefit payments	<u>(44,213)</u>	<u>(58,269)</u>	<u>(67,587)</u>	<u>(253,588)</u>
Net Changes in Total OPEB Healthcare Liability	(381,455)	14,736	(205,477)	(151,683)
Total OPEB Healthcare Liability - Beginning	<u>952,232</u>	<u>937,496</u>	<u>1,142,973</u>	<u>1,294,656</u>
Total OPEB Healthcare Liability - Ending (a)	<u>\$ 570,777</u>	<u>\$ 952,232</u>	<u>\$ 937,496</u>	<u>\$ 1,142,973</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 44,213	\$ 58,269	\$ 67,587	\$ 253,588
Net investment income	4,501	4,176	4,766	5,326
Benefit payments	<u>(44,213)</u>	<u>(58,269)</u>	<u>(67,587)</u>	<u>(253,588)</u>
Net Changes in Plan Fiduciary Net Position	4,501	4,176	4,766	5,326
Plan Fiduciary Net Position - Beginning	<u>287,200</u>	<u>283,024</u>	<u>278,258</u>	<u>272,932</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 291,701</u>	<u>\$ 287,200</u>	<u>\$ 283,024</u>	<u>\$ 278,258</u>
Net OPEB Healthcare Liability - Ending (a) - (b)	<u>\$ 279,076</u>	<u>\$ 665,032</u>	<u>\$ 654,472</u>	<u>\$ 864,715</u>
Plan fiduciary net position as a percentage of the total OPEB Healthcare Liability	51.11%	30.16%	30.19%	24.35%
Covered payroll	\$ 10,937,127	\$ 9,914,487	\$ 9,914,487	\$ 8,480,426
Net OPEB Healthcare Liability as a percentage of covered payroll	2.55%	6.71%	6.60%	10.20%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contributions	\$ 88,331	\$ 88,331	\$ 119,672	\$ 119,672
Contributions in relation to the actuarially determined contributions	<u>(44,213)</u>	<u>(58,269)</u>	<u>(67,587)</u>	<u>(253,588)</u>
Contribution deficiency (excess)	<u>\$ 44,118</u>	<u>\$ 30,062</u>	<u>\$ 52,085</u>	<u>\$ (133,916)</u>
Covered payroll	\$ 10,937,127	\$ 9,914,487	\$ 9,914,487	\$ 8,480,426
Contributions as a percentage of covered payroll	0.40%	0.59%	0.68%	2.99%
Actuarial valuation date	6/30/2019	6/30/2017	6/30/2017	7/1/2015
Measurement date	6/30/2019	6/30/2018	6/30/2017	6/30/2016

The District implemented the Government Accounting Standards Board Statement No. 75 for the year ended June 30, 2017. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 preceding years.

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

Methods and assumptions used to determine actuarial calculations - entry age normal cost, level % open amortization, fair value asset valuation, 3.50% discount rate, 2.50% inflation, 3% salary increases, Wisconsin 2018 mortality table.

Changes of benefit terms - Grandfathered aides are now offered a cash-in-lieu option equivalent to their continued medical and dental coverage benefit, and all employees who retire must begin taking the retirement benefit immediately upon retirement.

Changes of assumptions - the discount rate decreased to 3.50%, the actuarial assumptions are now based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-17, and the mortality assumptions changed to Wisconsin 2018 Mortality Table.

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

SUPPLEMENTARY INFORMATION

TWO RIVERS PUBLIC SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	SPECIAL REVENUE FUNDS						TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SPECIAL REVENUE TRUST	FOOD SERVICE	COMMUNITY SERVICE	DEBT SERVICE FUND	LONG-TERM CAPITAL IMPROVEMENTS	OTHER CAPITAL PROJECTS	
ASSETS							
Cash and investments	\$ 137,486	\$ 195,940	\$ 231,641	\$ 208,931	\$ 172,585	\$ -	\$ 946,583
Taxes receivable	-	-	-	71,210	-	-	71,210
Accounts receivable	-	15,375	-	-	-	-	15,375
Due from other governments	-	46,112	-	-	-	-	46,112
Prepaid expenses	-	1,669	-	-	-	-	1,669
TOTAL ASSETS	137,486	259,096	231,641	280,141	172,585	-	1,080,949
LIABILITIES							
Accounts payable	418	7,284	136,000	-	-	-	143,702
Accrued payroll liabilities	-	6,008	-	-	-	-	6,008
Unearned revenue	-	12,306	-	-	-	-	12,306
TOTAL LIABILITIES	418	25,598	136,000	-	-	-	162,016
FUND BALANCES							
Nonspendable	-	1,669	-	-	-	-	1,669
Restricted	137,068	231,829	-	280,141	172,585	-	821,623
Assigned	-	-	95,641	-	-	-	95,641
TOTAL FUND BALANCES	137,068	233,498	95,641	280,141	172,585	-	918,933
TOTAL LIABILITIES AND FUND BALANCES	\$ 137,486	\$ 259,096	\$ 231,641	\$ 280,141	\$ 172,585	\$ -	\$ 1,080,949

TWO RIVERS PUBLIC SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	LONG-TERM CAPITAL IMPROVEMENTS	OTHER CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SPECIAL REVENUE TRUST	FOOD SERVICE	COMMUNITY SERVICE				
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ 2,463,390	\$ -	\$ -	\$ 2,463,390
Other local sources	99,869	179,688	2,196	7,116	1,650	1,789	292,308
State sources	-	9,024	-	-	-	-	9,024
Federal sources	-	482,911	-	-	-	-	482,911
Other sources	-	984	-	-	-	-	984
TOTAL REVENUES	99,869	672,607	2,196	2,470,506	1,650	1,789	3,248,617
EXPENDITURES							
Current							
Instruction							
Regular instruction	12,605	69,890	-	-	-	-	82,495
Vocational instruction	1,785	-	-	-	-	-	1,785
Other instruction	21,924	-	-	-	-	-	21,924
Total instruction	36,314	69,890	-	-	-	-	106,204
Support service							
General administration services	23,973	-	-	-	-	-	23,973
Business services	3,096	541,579	-	-	-	168,915	713,590
Other support services	299	-	-	-	-	-	299
Community services	-	-	136,000	-	-	-	136,000
Total support services	27,368	541,579	136,000	-	-	168,915	873,862
Capital outlay	645	23,621	-	-	-	12,342	36,608
Debt service							
Principal	-	-	-	2,270,000	-	-	2,270,000
Interest	-	-	-	244,360	-	-	244,360
Total debt service	-	-	-	2,514,360	-	-	2,514,360
TOTAL EXPENDITURES	64,327	635,090	136,000	2,514,360	-	181,257	3,531,034
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	35,542	37,517	(133,804)	(43,854)	1,650	(179,468)	(282,417)
OTHER FINANCING SOURCES							
Transfer from other funds	-	-	-	17,376	75,000	-	92,376
TOTAL OTHER FINANCING SOURCES	-	-	-	17,376	75,000	-	92,376
NET CHANGE IN FUND BALANCE	35,542	37,517	(133,804)	(26,478)	76,650	(179,468)	(190,041)
FUND BALANCES - BEGINNING OF YEAR	101,526	195,981	229,445	306,619	95,935	179,468	1,108,974
FUND BALANCES - END OF YEAR	\$ 137,068	\$ 233,498	\$ 95,641	\$ 280,141	\$ 172,585	\$ -	\$ 918,933

TWO RIVERS PUBLIC SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS
YEAR ENDED JUNE 30, 2020

<u>OPERATING ACTIVITY</u>	<u>WUFAR OBJECT CODE</u>	<u>COST</u>
Employee salary	100	\$ -
Employee benefits	200	-
Purchased services	300	-
Non-capital objects	400	-
Capital objects	500	-
Insurance and judgements	700	-
Total		<u>\$ -</u>

TWO RIVERS PUBLIC SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Awarding Agency Pass-Through Agency Award Description	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CATALOG NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED RECEIVABLE (UNEARNED REVENUE) JULY 1, 2019	REVENUES GRANTOR REIMBURSE- MENTS	EXPENDITURES	ACCRUED RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2020	SUBRECIPIENT PASS-THROUGH EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE								
Wisconsin Department of Public Instruction								
School Breakfast Program								
July 1, 2018 - June 30, 2019	2019-365824-SB-546	10.553	N/A	\$ 2,031	\$ 2,031	\$ -	\$ -	-
July 1, 2019 - June 30, 2020	2020-365824-DPI-SB-546		N/A	-	39,950	39,950	-	-
COVID-19 - School Breakfast Program								
July 1, 2019 - June 30, 2020	2020-365824-DPI-SB-546	10.553	N/A	-	54,034	64,484	10,450	-
Food Distribution								
July 1, 2019 - June 30, 2020	None	10.555	N/A	-	46,390	46,390	-	-
National School Lunch Area Eligible Snack Program								
July 1, 2019 - June 30, 2020	2020-365824-DPI-NSLAE-566	10.555	N/A	-	776	776	-	-
COVID-19 - National School Lunch Area Eligible Snack Program								
July 1, 2019 - June 30, 2020	2020-365824-DPI-NSLAE-566	10.555	N/A	-	79	79	-	-
National School Lunch Program								
July 1, 2018 - June 30, 2019	2019-365824-NSL-547	10.555	N/A	11,697	11,697	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-DPI-NSL-547		N/A	-	190,715	190,715	-	-
COVID-19 - National School Lunch Program								
July 1, 2019 - June 30, 2020	2020-365824-DPI-NSL-547	10.555	N/A	-	95,093	128,798	33,705	-
Total Child Nutrition Cluster				13,728	440,765	471,192	44,155	-
Fresh Fruit and Vegetable Program								
July 1, 2019 - June 30, 2020	2020-365824-2108-19 DPI-594	10.582	N/A	-	996	996	-	-
Fresh Fruit and Vegetable Program								
July 1, 2018 - June 30, 2019	2019-365824-19FFVP-B-376	10.582	N/A	3,325	3,325	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-20FFVP-OCT-376		N/A	-	8,766	10,723	1,957	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				17,053	453,852	482,911	46,112	-
U.S. DEPARTMENT OF EDUCATION								
Wisconsin Department of Public Instruction								
Special Education - Grants to States IDEA (Flow Thru)								
July 1, 2018 - June 30, 2019	2019-365824-IDEA-FT-341	84.027	N/A	42,029	42,029	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-DPI-IDEA-F-341			\$ 565,285	436,126	491,892	55,766	-
Special Education - Grants to States IDEA (Discretionary)								
July 1, 2018 - June 30, 2019	2019-365824-IDEA-FT-341	84.027	N/A	12,251	12,251	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-DPI-IDEA-F-341		20,000	-	6,484	19,015	12,531	-
Special Education - Grants to States IDEA (Discretionary)								
July 1, 2018 - June 30, 2019	2019-365824-IDEA-FT-341	84.027	N/A	5,478	5,478	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-DPI-IDEA-F-341		9,768	-	-	9,768	9,768	-
Special Education - Preschool Grants								
July 1, 2018 - June 30, 2019	2019-365824-IDEA-PS-347	84.173	N/A	15,497	15,497	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-DPI-IDEA-P-347		15,470	-	4,576	12,830	8,254	-
Total IDEA Cluster				75,255	522,441	533,505	86,319	-
Wisconsin Department of Public Instruction								
Title 1A - Grants to Local Educational Agencies								
July 1, 2018 - June 30, 2019	2019-365824-TIA-141	84.010	N/A	27,321	27,321	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-TIA-141		290,247	-	238,249	290,247	51,998	-
Title II-A - Supporting Effective Instruction State Grant								
July 1, 2018 - June 30, 2019	2019-365824-TIIA-365	84.367	N/A	5,002	5,002	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-TIIA-365		58,109	-	38,624	58,109	19,485	-
Title IV-A - Student Support & Academic Enrichment								
July 1, 2018 - June 30, 2019	2019-365824-TIVA-381	84.424	N/A	11,741	11,741	-	-	-
July 1, 2019 - June 30, 2020	2020-365824-TIVA-DPI-381		24,072	-	10,648	24,031	13,383	-
Lakeshore Technical College								
Career and Technical Education - Basic Grants to States								
July 1, 2019 - June 30, 2020	None	84.048	N/A	-	120	120	-	-
Cooperative Educational Service Agency #6								
Career and Technical Education - Basic Grants to States								
July 1, 2019 - June 30, 2020	None	84.048	N/A	-	10,243	10,243	-	-
Cooperative Educational Service Agency #7								
Title III-A - English Language Learners								
July 1, 2019 - June 30, 2020	None	84.365A	N/A	-	2,225	2,225	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION				119,319	866,614	918,480	171,185	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Wisconsin Department of Health Services								
Medical Assistance								
July 1, 2018 - June 30, 2019	None	93.778	N/A	194	194	-	-	-
July 1, 2019 - June 30, 2020	None		N/A	-	212,687	215,059	2,372	-
Total Medicaid Cluster				194	212,881	215,059	2,372	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				194	212,881	215,059	2,372	-
TOTAL FEDERAL AWARDS				\$ 136,566	\$ 1,533,347	\$ 1,616,450	\$ 219,669	\$ -

The accompanying notes are an integral part of these statements.

TWO RIVERS PUBLIC SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2020

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	PASS-THROUGH		RECEIVABLE			RECEIVABLE		SUBRECIPIENT PASS-THROUGH EXPENDITURES
	ENTITY IDENTIFYING NUMBER	STATE I.D. NUMBER	(UNEARNED REVENUE) JULY 1, 2019	REVENUE GRANTOR REIMBURSEMENTS	EXPENDITURES	(UNEARNED REVENUE) JUNE 30, 2020		
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Wisconsin Department of Public Instruction								
Special Education and School Age Parents	365824-100	255.101	\$ -	\$ 828,287	\$ 828,287	\$ -	\$ -	-
State School Lunch Aid	365824-107	255.102	-	6,383	6,383	-	-	-
Common School Fund Library Aid	365824-104	255.103	-	47,421	47,421	-	-	-
General Transportation Aid	365824-102	255.107	-	32,872	32,872	-	-	-
Equalization Aid	365824-116	255.201	221,740	13,684,384	13,686,811	224,167	-	-
Supplemental Special Education Aid	365824-120	255.211	-	150,000	150,000	-	-	-
Supplemental Per Pupil Aid	365824-181	255.245	-	5,744	5,744	-	-	-
Special Education Transition Readiness Grant	365824-174	255.257	2,760	2,760	-	-	-	-
School Based Mental Health Services	365824-177	255.297	2,000	2,000	-	-	-	-
Alcohol and Other Drug Abuse	365824-143	255.306	14,615	14,615	13,493	13,493	-	-
Alcohol and Other Drug Abuse - Student Mini Grant	365824-142	255.321	1,806	1,806	624	624	-	-
School Breakfast Program	365824-108	255.344	-	2,641	2,641	-	-	-
Student Achievement Guarantee in Education	365824-160	255.504	-	255,521	255,521	-	-	-
Educator Effectiveness Evaluation System	365824-154	255.940	-	-	11,200	11,200	-	-
Per Pupil Aid	365824-113	255.945	-	1,269,562	1,269,562	-	-	-
Career and Technical Education Incentive	365824-152	255.950	-	7,533	7,533	-	-	-
Assessments of Reading Readiness	365824-166	255.956	-	8,113	8,113	-	-	-
Aid for Special Education Transition Grant BBL	365824-168	255.960	-	4,000	4,000	-	-	-
Cooperative Educational Service Agency #6								
Youth Apprenticeship Grant	None	445.112	-	-	3,900	3,900	-	-
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			242,921	16,323,642	16,334,105	253,384		
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT								
Wisconsin Department of Workforce Development								
Wisconsin Fast Forward Grant	None	445.109	-	-	1,987	1,987	-	-
TOTAL WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT			-	-	1,987	1,987		
WISCONSIN DEPARTMENT OF REVENUE								
Wisconsin Department of Revenue								
Exempt Personal Property Aid	None	None	-	16,605	16,605	-	-	-
Exempt Computer Aid	None	None	9,917	9,917	9,917	9,917	-	-
TOTAL WISCONSIN DEPARTMENT OF REVENUE			9,917	26,522	26,522	9,917		
WISCONSIN DEPARTMENT OF JUSTICE								
Wisconsin Department of Justice								
School Safety Initiative	2018-SSI-01-13878	445.206	10,500	24,803	14,303	-	-	-
TOTAL WISCONSIN DEPARTMENT OF JUSTICE			10,500	24,803	14,303	-		
TOTAL STATE FINANCIAL ASSISTANCE			\$ 263,338	\$ 16,374,967	\$ 16,376,917	\$ 265,288	\$ -	

The accompanying notes are an integral part of these statements.

TWO RIVERS PUBLIC SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2020

NOTE 1 - Basis of Presentation

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

NOTE 2 - Summary of Significant Accounting Policies

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

NOTE 3 - Special Education and School Age Parents

2019-2020 eligible costs under the State Special Education Program are \$3,626,246.

NOTE 4 - Food Distribution Program

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

NOTE 5 - 10% De Minimis Cost Rate

Elected not to use.

**TWO RIVERS PUBLIC SCHOOL DISTRICT
TWO RIVERS, WISCONSIN**

OTHER REPORTS

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

To the Board of Education
Two Rivers Public School District
Two Rivers, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Two Rivers Public School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Two Rivers Public School District's basic financial statements and have issued our report thereon dated November 23, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Two Rivers Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Two Rivers Public School District's Response to Finding

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

Purpose of this Report

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

HAWKINS ASH CPAS, LLP

A handwritten signature in cursive script that reads "Hawkins Ash CPAs, LLP".

Manitowoc, Wisconsin
November 23, 2020



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

To the Board of Education
Two Rivers Public School District
Two Rivers, Wisconsin

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Two Rivers Public School 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines*. Those standards and 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 Two Rivers Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance


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

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

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

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

HAWKINS ASH CPAS, LLP



Manitowoc, Wisconsin
November 23, 2020

TWO RIVERS PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes None reported

Noncompliance material to the financial statements? Yes No

Federal Awards

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.367	Title II - Supporting Effective Instruction State Grant

State Assistance

Internal control over financial reporting:

Material weakness identified? Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*? Yes No

TWO RIVERS PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
JUNE 30, 2020

Section I - Summary of Auditors' Results - Continued

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.201	Equalization Aid

Dollar threshold used to distinguish between:

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

Auditee qualified as a low-risk auditee? X Yes No

Section II - Financial Statement Findings and Questioned Costs

2020-001 - Preparation of Financial Statements

Program: District-Wide

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

Condition: Personnel cannot prepare GAAP basis financial statements.

Questioned Costs: Not applicable.

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

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

Information: Isolated instance.

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

Recommendation: Obtain adequate training to prepare GAAP basis financial statements or use external sources to prepare the financial statements.

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

Section III - Federal and State Award Findings and Questioned Costs

None



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

Summary Schedule of Prior Audit Findings

2019-001 - Preparation of Financial Statements - Repeat. Initially occurred 6/30/06

Corrective Action Plan

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