

School District of Menomonee Falls

Financial Statements and
Supplementary Information

June 30, 2022

School District of Menomonee Falls

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Independent Auditors' Report

To the Board of Education of
School District of Menomonee Falls

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Menomonee Falls (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District of Menomonee Falls' basic financial statements as listed in the table of contents.

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 School District of Menomonee Falls, Wisconsin, as of June 30, 2022 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of School District of Menomonee Falls and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District of Menomonee Falls' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District of Menomonee Falls' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District of Menomonee Falls' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Menomonee Falls' basic financial statements. The accompanying supplementary information as listed in the table of contents, which includes the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and *State Single Audit Guidelines* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the 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 December 12, 2022 on our consideration of the School District of Menomonee Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District of Menomonee Falls' 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 School District of Menomonee Falls' internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 12, 2022

School District of Menomonee Falls

Statement of Net Position

June 30, 2022

Assets

Cash and investments	\$ 30,386,015
Receivables:	
Taxes	8,574,029
Accounts	25,262
Due from other governments	1,732,772
Inventories and prepaid items	197,002
Other assets	5,000
Restricted assets:	
Net pension asset	13,791,243
Capital assets:	
Land	556,920
Construction in progress	676,116
Other capital assets	100,402,023
Less accumulated depreciation	<u>(44,221,847)</u>
Total assets	<u>112,124,535</u>

Deferred Outflows of Resources

Deferred outflow related to pension, WRS	26,110,476
Deferred outflow related to pension, single employer	905,530
Deferred charges on refunding	<u>17,925</u>
Total deferred outflows of resources	<u>27,033,931</u>

Liabilities

Accounts payable and accrued expenses	13,593,099
Accrued interest payable	253,016
Other liabilities	19,394
Noncurrent liabilities:	
Due within one year	3,095,000
Due in more than one year	<u>42,451,956</u>
Total liabilities	<u>59,412,465</u>

Deferred Inflows of Resources

Deferred inflow related to pension, WRS	32,521,873
Deferred inflow related to pension, single employer	925,748
Unearned revenues	<u>321,069</u>
Total deferred inflows of resources	<u>33,768,690</u>

Net Position

Net investment in capital assets	21,466,132
Restricted for debt service	4,678,237
Restricted for grants	118,981
Restricted for pension	13,791,243
Unrestricted	<u>5,922,718</u>
Total net position	<u>\$ 45,977,311</u>

See notes to the financial statements

School District of Menomonee Falls

Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Instruction:				
Regular	\$ 21,851,103	\$ 2,611,806	\$ 632,486	\$ (18,606,811)
Vocational	1,498,868	-	-	(1,498,868)
Special education	6,084,550	-	2,911,409	(3,173,141)
Other	2,469,705	-	690,123	(1,779,582)
Total instruction	<u>31,904,226</u>	<u>2,611,806</u>	<u>4,234,018</u>	<u>(25,058,402)</u>
Support services:				
Pupil services	2,569,516	-	167,745	(2,401,771)
Instructional support services	3,171,956	-	516,545	(2,655,411)
Administration	3,934,714	-	1,007	(3,933,707)
Buildings and grounds	6,230,864	81,076	127	(6,149,661)
Transportation	2,684,880	16,188	58,283	(2,610,409)
Other support services	2,254,402	52,993	9,698	(2,191,711)
Interest and fees	1,398,668	-	192,209	(1,206,459)
Community service	2,166,922	1,446,679	-	(720,243)
Food service	1,875,784	168,677	2,603,811	896,704
Total support services	<u>26,287,706</u>	<u>1,765,613</u>	<u>3,549,425</u>	<u>(20,972,668)</u>
Total	<u>\$ 58,191,932</u>	<u>\$ 4,377,419</u>	<u>\$ 7,783,443</u>	<u>(46,031,070)</u>
General Revenues				
Taxes:				
Property taxes, levied for general purposes				30,780,345
Property taxes, levied for debt service				5,058,259
Property taxes, levied for community service				850,000
Property taxes, levied for other				750
Intergovernmental revenues not restricted to specific programs				15,247,217
Investment income				63,979
Miscellaneous				1,105,106
Total general revenues				<u>53,105,656</u>
Change in net position				7,074,586
Net Position, Beginning				<u>38,902,725</u>
Net Position, Ending				<u>\$ 45,977,311</u>

See notes to the financial statements

School District of Menomonee Falls

Balance Sheet
 Governmental Funds
 June 30, 2022

	Special Revenue					Total
	General Fund	Special Education Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	
Assets						
Cash and investments	\$ 21,683,111	\$ 433,752	\$ 112,711	\$ 4,931,253	\$ 3,225,188	\$ 30,386,015
Receivables:						
Taxes	8,574,029	-	-	-	-	8,574,029
Accounts	1,587	-	-	-	23,675	25,262
Due from other governments	1,306,243	333,545	-	-	92,984	1,732,772
Inventories	10,851	-	-	-	6,114	16,965
Prepaid items	180,037	-	-	-	-	180,037
Other assets	5,000	-	-	-	-	5,000
Total assets	\$ 31,760,858	\$ 767,297	\$ 112,711	\$ 4,931,253	\$ 3,347,961	\$ 40,920,080
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 517,114	\$ 16,773	\$ -	\$ -	\$ 52,646	\$ 586,533
Accrued salaries and wages	2,104,316	469,671	-	-	78,213	2,652,200
Payroll taxes and benefits	10,067,153	280,853	-	-	6,360	10,354,366
Other current liabilities	-	-	-	-	19,394	19,394
Total liabilities	12,688,583	767,297	-	-	156,613	13,612,493
Deferred Inflows of Resources						
Unearned revenues	-	-	-	-	321,069	321,069
Fund Balances						
Nonspendable	190,888	-	-	-	6,114	197,002
Restricted	118,981	-	112,711	4,931,253	-	5,162,945
Committed	-	-	-	-	2,864,165	2,864,165
Assigned	5,664,900	-	-	-	-	5,664,900
Unassigned	13,097,506	-	-	-	-	13,097,506
Total fund balances	19,072,275	-	112,711	4,931,253	2,870,279	26,986,518
Total liabilities, deferred inflows of resources and fund balances	\$ 31,760,858	\$ 767,297	\$ 112,711	\$ 4,931,253	\$ 3,347,961	\$ 40,920,080

See notes to the financial statements

School District of Menomonee Falls

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Total Fund Balances, Governmental Funds		\$	26,986,518
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.			
Total capital assets	\$	101,635,059	
Accumulated depreciation		<u>(44,221,847)</u>	57,413,212
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.			
			27,016,006
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.			
			(33,447,621)
Some liabilities, including long-term debt, are not due in the current period and therefore are not reported in the funds.			
General obligation debt and related premiums		(37,462,707)	
Net pension asset		13,791,243	
Deferred charges on refunding		17,925	
Accrued interest on general obligation debt		(253,016)	
Total pension liability, single employer		<u>(8,084,249)</u>	<u>(31,990,804)</u>
Net Position of Governmental Activities		\$	<u>45,977,311</u>

See notes to the financial statements

School District of Menomonee Falls

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2022

	General Fund	Special Revenue Education Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Revenues						
Property taxes	\$ 30,780,345	\$ -	\$ -	\$ 5,058,259	\$ 850,000	\$ 36,688,604
Local	1,160,197	-	9	10,840	2,499,276	3,670,322
Interdistrict	1,655,755	27,250	-	-	-	1,683,005
Intermediate	11,355	1,818	-	-	-	13,173
State	15,578,692	1,854,172	-	-	83,975	17,516,839
Federal	1,610,852	1,342,710	-	-	2,519,836	5,473,398
Other	220,979	-	-	-	198	221,177
Total revenues	<u>51,018,175</u>	<u>3,225,950</u>	<u>9</u>	<u>5,069,099</u>	<u>5,953,285</u>	<u>65,266,518</u>
Expenditures						
Instruction:						
Regular	22,909,054	-	-	-	13,334	22,922,388
Special education	276,755	6,226,581	-	-	235	6,503,571
Vocational	1,622,459	-	-	-	5,858	1,628,317
Other	1,851,019	-	-	-	700,759	2,551,778
Total instruction	<u>26,659,287</u>	<u>6,226,581</u>	<u>-</u>	<u>-</u>	<u>720,186</u>	<u>33,606,054</u>
Support services:						
Pupil services	1,605,182	1,182,219	-	-	1,024	2,788,425
Instructional support services	2,895,540	429,731	-	-	88	3,325,359
Administration	4,043,199	14,480	-	-	15,059	4,072,738
Buildings and grounds	6,309,410	1,007	-	-	70,232	6,380,649
Transportation	2,068,183	563,233	-	-	36,598	2,668,014
Other support services	2,498,611	1,833	-	-	-	2,500,444
Debt service:						
Principal	-	-	-	3,015,000	-	3,015,000
Interest and fees	-	-	-	1,112,336	-	1,112,336
Food service	-	-	-	-	1,845,924	1,845,924
Community service	-	-	-	-	2,238,927	2,238,927
Total support services	<u>19,420,125</u>	<u>2,192,503</u>	<u>-</u>	<u>4,127,336</u>	<u>4,207,852</u>	<u>29,947,816</u>
Total expenditures	<u>46,079,412</u>	<u>8,419,084</u>	<u>-</u>	<u>4,127,336</u>	<u>4,928,038</u>	<u>63,553,870</u>
Excess (deficiency) of revenues over expenditures	<u>4,938,763</u>	<u>(5,193,134)</u>	<u>9</u>	<u>941,763</u>	<u>1,025,247</u>	<u>1,712,648</u>
Other Financing Sources (Uses)						
Transfers in	-	5,193,134	-	-	-	5,193,134
Transfers out	(5,193,134)	-	-	-	-	(5,193,134)
Total other financing sources (uses)	<u>(5,193,134)</u>	<u>5,193,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(254,371)	-	9	941,763	1,025,247	1,712,648
Fund Balances, Beginning	<u>19,326,646</u>	<u>-</u>	<u>112,702</u>	<u>3,989,490</u>	<u>1,845,032</u>	<u>25,273,870</u>
Fund Balances, Ending	<u>\$ 19,072,275</u>	<u>\$ -</u>	<u>\$ 112,711</u>	<u>\$ 4,931,253</u>	<u>\$ 2,870,279</u>	<u>\$ 26,986,518</u>

See notes to the financial statements

School District of Menomonee Falls

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Net Change in Fund Balances, Total Governmental Funds \$ 1,712,648

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

Governmental funds report capital outlays as expenditures. However, in the
statement of net position the cost of these assets is capitalized and they are
depreciated over their useful lives and reported as depreciation expense
in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the district-wide financial statements	1,580,615
Depreciation is reported in the district-wide statements	(1,850,283)
Net book value of assets disposal	(24,483)

Debt issued provides current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net
position. Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement of
net position.

Principal repaid on long-term debt	3,015,000
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Some expenses in the statement of activities do not require the use of
current financial resources and, therefore, are not reported as expenditures
in the governmental funds.

Accrued interest on general obligation debt	27,437
Change in net pension asset, WRS	2,886,046
Change in total pension obligation, single employer	(141,320)
Change in other post-employment benefit liability	12,791
Amortization of refunding loss	(522,108)
Deferred outflows of resources related to pensions	8,932,424
Deferred inflows of resources related to pensions	(8,762,520)

Governmental funds report debt premiums and discounts as other
financing sources (uses). However, in the statement of net position,
these are deferred and reported as additions to or deductions from long-term debt.
These are allocated over the period the debt is outstanding in the statement of
activities and are reported as interest expense.

Amortization of premiums	<u>208,339</u>
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Change in Net Position of Governmental Activities \$ 7,074,586

School District of Menomonee Falls

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2022

	<u>Employee Benefit Trust Fund</u>
	<u>Post-Retirement Health Benefits</u>
Assets	
Cash and investments	\$ 2,564,921
Net Position	
Restricted for post-retirement health benefits	\$ 2,564,921
Total liabilities and net position	\$ 2,564,921

See notes to the financial statements

School District of Menomonee Falls

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

Year Ended June 30, 2022

	<u>Employee Benefit Trust Fund</u>
	<u>Post-Retirement Health Benefits</u>
Additions	
Employee contributions	\$ 267
Investment income (loss)	<u>(54,800)</u>
Total additions	<u>(54,533)</u>
Deductions	
Benefits	<u>16,052</u>
Total deductions	<u>16,052</u>
Change in net position	(70,585)
Net Position, Beginning	<u>2,635,506</u>
Net Position, Ending	<u>\$ 2,564,921</u>

See notes to the financial statements

School District of Menomonee Falls

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June 30, 2022

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School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

1. Summary of Significant Accounting Policies

The accounting policies of the School District of Menomonee Falls, Wisconsin (the District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

District-Wide and Fund Financial Statements

District-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues and expenditures/expenses.

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

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

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

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

The District reports the following major governmental funds:

General Fund

General Fund accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Special Revenue Fund

Special Education Fund - Special Revenue Fund is used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for the special education program.

Debt Service Fund

Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest and related costs.

Capital Projects Fund

Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets for the program.

The District reports the following nonmajor governmental funds:

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Gift Trust Fund
Community Service Fund
Food Service Fund

In addition, the District reports the following fund types:

Pension Trust Fund

Pension Trust Funds are used to account for and report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans or other employee benefit plans.

Post-Retirement Health Benefits Fund

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and revenue.

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as student fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special education services are not reduced by anticipated state special education aid entitlement.

Fiduciary Funds

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

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

Deposits and Investments

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

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

The District has adopted an investment policy. That policy follows the state statute for allowable investments and indicates that not only yield, but also the risk of any investment, shall be considered when making investments. The investment policy does not address custodial credit risk, credit risk or interest rate risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. 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 balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2022, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

PMA Financial Network, Inc. is the administrator for the Wisconsin Investment Series Cooperative (WISC). The investment manager for WISC is PMA Financial Network Inc. WISC is not registered with the Securities and Exchange Commission, but invests its funds in accordance with applicable Wisconsin statutes. WISC has the characteristics of a mutual fund and accordingly, reports the value of its underlying assets at fair value. At June 30, 2022, the District's share of the WISC assets was substantially equal to the amount reported in these statements.

See Note 3 for further information.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Receivables

General accounts receivable have been adjusted for all known uncollectable accounts. No allowance is necessary at year end.

Property taxes are levied in December on the assessed values as of the prior January 1.

The aggregate amount of property taxes to be levied for school purposes is determined according to the provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable item as of January 1.

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

Property taxes are collected by the local taxing units until January 31. Real estate tax collections after that date are made by the applicable county, which assumes all responsibility for delinquent real estate taxes.

Property tax calendar - 2021 tax roll:

Lien date and levy date	December 2021
Tax bills mailed	December 2021
Payment in full, or	January 31, 2022
First installment due	January 31, 2022
Second installment due	July 31, 2022

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. Long-term interfund loans (noncurrent portion) are reported as advances from and to other funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the purchases method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Capital Assets

Government-Wide Financial Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	20 - 50 Years
Land improvements	10 - 20 Years
Furniture and equipment	5 - 15 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

Compensated Absences

The District's policy allows twelve month employees to earn varying amounts of vacation pay for each year employed up to an average of 20 days per year. The accumulated benefits remain vested only through one fiscal year following the year the benefits were earned and do not get paid out.

Upon contractual retirement options, the District is liable for health insurance payments at the same rates during employment for teachers. In addition, the District may be liable for salary, social security, and life insurance payments, as well as other insurance payments, dependent upon terms of employment and separation.

Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and pension obligations.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Equity Classifications

Government-Wide Statements

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

- a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. **Restricted Net Position** - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position** - All other net positions that do not meet the definitions of *restricted or net investment in capital assets*.

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the School Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the School Board of Education that originally created the commitment.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Director of Business Services to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note 3 for further information.

Fiduciary fund net position is classified as held in trust for specific purposes on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the District believes it is in compliance with all significant restrictions.

Pension

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

For purpose of measuring the Total Pension asset (Liability), Deferred Outflows of Resources and Deferred Inflows or Resources Related to Pension Expense, the District stipend plan recognized benefits payments when due and payable in accordance with the benefit terms.

2. Stewardship, Compliance and Accountability

Excess Expenditures and Other Financing Uses Over Budget

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Special Revenue, Food Service Fund	\$ 1,500,000	\$ 1,916,156	\$ 416,156
Special Revenue, Gift Trust Fund	375,000	772,955	397,955

The District controls expenditures at the function level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Limitations on the District's Revenues

Wisconsin statutes limit the amount of revenues that school districts may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that is determined by the legislature.

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

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

3. Detailed Notes on All Funds

Deposits and Investments

The District's deposits and investments at year end were comprised of the following:

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ 3,132,059	\$ 3,838,929	Custodial credit risk Credit, interest rate risk, investments highly sensitive to interest rate
Mutual Funds, bonds	1,671,378	1,671,378	changes
LGIP	27,994,194	27,994,194	Credit risk
WISC	148,548	148,548	Credit risk
Petty cash	<u>4,757</u>	<u>-</u>	N/A
Total deposits and investments	<u>\$ 32,950,936</u>	<u>\$ 33,653,049</u>	
Reconciliation to financial statements			
Per statement of net position:			
Unrestricted cash and investments	\$ 30,386,015		
Per statement of net position, fiduciary fund			
Employee Benefit Trust Fund	<u>2,564,921</u>		
Total deposits and investments	<u>\$ 32,950,936</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Custodial Credit Risk

Deposits

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

As of June 30, 2022, \$2,441,275 of the District's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 2,441,275</u>
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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2022, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>
Mutual funds, bonds	AAA-N/R

The District also held investments in the following external pools which are not rated:

Local Government Investment Pool

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of June 30, 2022, the District's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (In Years)</u>		
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-15 Years</u>
Mutual funds, bonds	<u>\$ 1,671,378</u>	<u>\$ 1,200,660</u>	<u>\$ 470,718</u>	<u>\$ -</u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Investments Highly Sensitive to Interest Rate Changes

At June 30, 2022, the District held \$1,671,378 in bond mutual funds. The market value of this investment at June 30, 2022, was \$1,671,378.

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 the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

Market Approach - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

Investment Type	June 30, 2022			Total
	Level 1	Level 2	Level 3	
Mutual funds, bonds	<u>\$ 1,671,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,671,378</u>

See Note 1 for further information on deposit and investment policies.

Receivables

All of the receivables on the balance sheet are expected to be collected within one year.

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Deferred amounts, food service	\$ 76,303
Deferred amounts, community service	<u>244,766</u>
Total unearned/unavailable revenue for governmental funds	<u>\$ 321,069</u>

Restricted Assets

The following represent the balances of the restricted assets:

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 556,920	\$ -	\$ -	\$ 556,920
Construction in progress	289,429	748,010	361,323	676,116
Total capital assets not being depreciated	<u>846,349</u>	<u>748,010</u>	<u>361,323</u>	<u>1,233,036</u>
Capital assets being depreciated				
Buildings	92,388,989	615,630	-	93,004,619
Land improvements	2,222,998	-	-	2,222,998
Furniture and equipment	4,690,716	578,298	94,608	5,174,406
Total capital assets being depreciated	<u>99,302,703</u>	<u>1,193,928</u>	<u>94,608</u>	<u>100,402,023</u>
Total capital assets	<u>100,149,052</u>	<u>1,941,938</u>	<u>455,931</u>	<u>101,635,059</u>
Less accumulated depreciation for:				
Buildings	(39,655,233)	(1,567,768)	-	(41,223,001)
Land improvements	(13,051)	(2,430)	-	(15,481)
Furniture and equipment	(2,773,405)	(280,085)	70,125	(2,983,365)
Total accumulated depreciation	<u>(42,441,689)</u>	<u>(1,850,283)</u>	<u>70,125</u>	<u>(44,221,847)</u>
Net capital assets being depreciated	<u>56,861,014</u>	<u>(656,355)</u>	<u>24,483</u>	<u>56,180,176</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 57,707,363</u>	<u>\$ 91,655</u>	<u>\$ 385,806</u>	<u>\$ 57,413,212</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

Instruction:

Regular instruction	\$ 77,523
Vocational	8,417
Other	5,124

Support services:

Transportation	16,866
Administration	152,247
Building and grounds	1,498,944
Other support services	6,777
Food service	<u>84,385</u>

Total governmental activities depreciation expense \$ 1,850,283

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Interfund Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Special Revenue, Special Education Fund	<u>\$ 5,193,134</u>	Financing operating deficit

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The above transfer to the special education fund uses unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 38,820,000	\$ -	\$ 3,015,000	\$ 35,805,000	\$ 3,095,000
(Discounts)/Premiums	<u>1,866,046</u>	<u>-</u>	<u>208,339</u>	<u>1,657,707</u>	<u>-</u>
Total bonds and notes payable	<u>40,686,046</u>	<u>-</u>	<u>3,223,339</u>	<u>37,462,707</u>	<u>3,095,000</u>
Other liabilities:					
Other postemployment benefits	12,791	-	12,791	-	-
Total pension liability, single employer	<u>7,942,929</u>	<u>141,320</u>	<u>-</u>	<u>8,084,249</u>	<u>-</u>
Total other liabilities	<u>7,955,720</u>	<u>141,320</u>	<u>12,791</u>	<u>8,084,249</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 48,641,766</u>	<u>\$ 141,320</u>	<u>\$ 3,236,130</u>	<u>\$ 45,546,956</u>	<u>\$ 3,095,000</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2022, was \$478,546,009. Total general obligation debt outstanding at year end was \$35,805,000.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

General Obligation Debt

All general obligation debt payable is backed by the full faith and credit of the District. Debt in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

<u>Governmental Activities</u>					Balance
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	June 30, 2022
GO Refunding Bonds	07/18/2014	04/01/2023	2.00 - 2.50%	\$ 8,835,000	\$ 200,000
GO Improvement Bonds	07/11/2016	04/01/2036	2.00 - 5.00%	30,700,000	25,620,000
GO Promissory Notes	04/18/2018	04/01/2023	4.64%	2,000,000	410,000
GO Refunding Bonds	04/18/2018	04/01/2024	3.00%	3,720,000	1,385,000
GO Refunding Bonds	02/17/2021	04/01/2027	2.00 - 2.75%	8,325,000	<u>8,190,000</u>
Total governmental activities, general obligation debt					<u><u>\$ 35,805,000</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 3,095,000	\$ 1,012,069
2024	2,740,000	938,219
2025	2,075,000	881,319
2026	2,110,000	848,419
2027	2,160,000	806,106
2028-2032	12,280,000	3,031,931
2033-2036	<u>11,345,000</u>	<u>936,100</u>
Total	<u><u>\$ 35,805,000</u></u>	<u><u>\$ 8,454,163</u></u>

Other Debt Information

Estimated payments of pension obligations are not included in the debt service requirement schedules. The pension obligations attributable to governmental activities will be liquidated primarily by the general fund.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Net Position/Fund Balances

Net position reported on the district-wide statement of net position at June 30, 2022, includes the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 556,920
Construction in progress	676,116
Other capital assets, net of accumulated depreciation	56,180,176
Less long-term debt outstanding	(35,805,000)
Plus unspent capital related debt proceeds	112,702
Plus noncapital debt proceeds	1,385,000
Plus deferred charge on refunding	17,925
Less unamortized debt premium	<u>(1,657,707)</u>
Total net investment in capital assets	<u>\$ 21,466,132</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2022, include the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances					
Nonspendable:					
Prepaid items	\$ 180,037	\$ -	\$ -	\$ -	\$ 180,037
Inventories	10,851	-	-	6,114	16,965
Subtotal	<u>190,888</u>	<u>-</u>	<u>-</u>	<u>6,114</u>	<u>197,002</u>
Restricted for:					
Debt service	-	4,931,253	-	-	4,931,253
Capital projects	-	-	112,711	-	112,711
Grant carryover	118,981	-	-	-	118,981
Subtotal	<u>118,981</u>	<u>4,931,253</u>	<u>112,711</u>	<u>-</u>	<u>5,162,945</u>
Committed to:					
Gift trust	-	-	-	627,231	627,231
Food service	-	-	-	1,242,297	1,242,297
Community service	-	-	-	994,637	994,637
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,864,165</u>	<u>2,864,165</u>
Assigned to:					
School and division carryovers	1,164,900	-	-	-	1,164,900
Capital improvement projects	2,000,000	-	-	-	2,000,000
Self funded health liability	2,500,000	-	-	-	2,500,000
Subtotal	<u>5,664,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,664,900</u>
Unassigned:	<u>13,097,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,097,506</u>
Total fund balances	<u>\$ 19,072,275</u>	<u>\$ 4,931,253</u>	<u>\$ 112,711</u>	<u>\$ 2,870,279</u>	<u>\$ 26,986,518</u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

4. Other Information

Employees' Retirement System

Plan Description

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

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

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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 occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings and creditable service.

Final average earnings is the average of the participant's three highest annual earnings period. 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 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.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment %</u>	<u>Variable Fund Adjustment %</u>
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

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 \$1,978,683 in contributions from the District.

Contribution rates for the plan year reported as of June 30, 2022 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives & elected officials)	6.75 %	6.75 %

Pension Liability (asset), Pension Expense (Revenue), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the District reported an liability (asset) of \$(13,791,243) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. 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, 2021, the District's proportion was 0.17110333%, which was a decrease of 0.00357159% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the District recognized pension expense (revenue) of \$(1,212,436).

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experience	\$ 22,279,056	\$ 1,606,560
Changes in assumptions	2,572,974	-
Net differences between projected and actual earnings on pension plan investments	-	30,852,158
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,187	63,155
Employer contributions subsequent to the measurement date	<u>1,214,259</u>	<u>-</u>
Total	<u>\$ 26,110,476</u>	<u>\$ 32,521,873</u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

\$1,214,259 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Years Ending June 30:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (net)</u>
2023	\$ (657,061)
2024	(3,753,233)
2025	(1,644,859)
2026	(1,570,503)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability (Asset):	December 31, 2021
Experience Study	January 1, 2018 - December 31, 2020 Published November 19, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	2020 WRS Experience Mortality Table
Post-Retirement Adjustments*:	1.7%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% 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 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, price inflation, mortality and separation rates. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Long-Term Expected Return on Plan Assets

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

Asset Allocation Targets and Expected Returns¹ As of December 31, 2021

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %²
Global Equities	52	6.8	4.2
Fixed Income	25	4.3	1.8
Inflation Sensitive Assets	19	2.7	0.2
Real Estate	7	5.6	3
Private Equity/Debt	12	9.7	7
Total Core Fund ³	115	6.6	4
Variable Fund Asset Class			
U.S. Equities	70	6.3	3.7
International Equities	30	7.2	4.6
Total Variable Fund	100	6.8	4.2

¹Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

²New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

³The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Single Discount Rate

A single discount rate of 6.8% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.0% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (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, 2021. 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 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 6.80%, 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 (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	<u>1% Decrease to Discount Rate (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase to Discount Rate (7.80%)</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 9,785,864</u>	<u>\$ (13,791,243)</u>	<u>\$ (30,762,374)</u>

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>.

At June 30, 2022, the District reported a payable to the pension plan of \$757,021, which represents contractually required contributions outstanding as of the end of the year.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The District purchases commercial insurance to provide coverage for losses from torts; theft of, damage to or destruction of assets; errors and omission; and workers compensation. However, other risks, such as health and dental benefits are accounted for and financed by the District in the general fund.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Self Insurance

On January 1, 2013, the District established a self-funded health and dental benefit plan for its employees. The Plan administrator, United HealthCare (administrator), is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2022.

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

Office of the Commissioner of Insurance (OCI) has determined self-funded dental plans are considered *immaterial*.

Administrator did not provide certification for health plan as of June 30, 2022. District discussed with OCI to determine if the District needs hire an actuary to analyze health plan. OCI does not require the District hire an actuary.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$1,000 per individual and/or 125% of the annual estimated claims as provided by Humana (administrator). For the year ended June 30, 2022, the aggregate claim limit was \$4,300,064. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2022, the District has reported a liability of \$8,592,788, which represents reported and unreported claims which were incurred on or before June 30, 2022, but were not paid by the District as of that date. Changes in the claims liability for the years ended June 30, 2022 and June 30, 2021 are as follows:

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid Claims, Beginning	\$ 7,905,431	\$ 8,361,431
Current year claims and changes in estimates	5,668,117	6,058,235
Claim payments	<u>(5,212,117)</u>	<u>(5,826,878)</u>
Unpaid Claims, Ending	<u>\$ 8,361,431</u>	<u>\$ 8,592,788</u>

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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 attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

The District has active construction projects as of June 30, 2022. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Other Postemployment Benefits

The District administers a single-employer defined benefit healthcare plan. As of June, 30, 2014, the plan was closed to new employees with the benefits to be phased out entirely by August 2021. Actual remaining benefits to be paid for the remaining life of the plan (previously established through personnel policy guidelines and various agreements) are known and fixed. As of June 30, 2022, the District has paid off the liability to 11 retirees or their beneficiaries.

The District established an Employee Benefit Trust Fund - Post-Retirement Health Benefits - Fiduciary Fund to pay for these future liabilities. As of June 30, 2022, the District has \$2,564,921 of cash and investments held in the trust fund. In June 2015, the GASB issued Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement was considered by the District for implementation but due to the remaining liability being fixed and the trust being significantly overfunded, the disclosure requirements of this Statement provide no useful information and are considered not material to the financial statements.

Single-Employer Defined Benefit Pension Plan

Plan Description

The District reports a single-employer defined benefit pension plan (*the stipend plan*). The plan is administered by the District and provides eligible Administrators that are at least age 55 with a minimum of 5 years of services an annual stipend, which will be a prorated portion of salary as determined by the retiree's year of service with the District, for a period of 3 years; Supervisors that are at least age 55 with a minimum of 10 years of services an annual stipend of \$10,000 for a period of 3 years; and Teachers that are at least age 55 with a minimum of 15 years of services an annual stipend of \$10,000 for a period of 3 years. Benefit provisions are established through the District's collective bargaining agreement and certain employment agreements.

At June 30, 2022, the District plan's membership consisted of:

Retirees and beneficiaries	32
Active members	<u>525</u>
Total	<u><u>557</u></u>

The District paid \$303,301 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

Changes in Total Pension Liability

The District's change in total pension liability for the fiscal year ended June 30, 2022 was as follows:

	<u>Total Pension Liability</u>
Beginning of Year Balance	\$ 7,942,929
Service cost	475,042
Interest on total pension liability	186,000
Assumption changes	83,547
Differences between expected and actual experience	(299,009)
Benefit payments	<u>(304,260)</u>
End of Year Balance	<u><u>\$ 8,084,249</u></u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

Assumptions

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

Measurement Date:	July 1, 2021
Actuarial Valuation Date	July 1, 2021
Inflation	2.00%
Salary Changes:	8.6% down to 3.2% after 30 years of service
Discount Rate:	2.10%
Source of Discount Rate:	Bond Buyer 20-Bond GO Index
Source of Mortality Assumptions:	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale
Dates of Experience Studies	Experience study conducted in 2018 using WRS experience from 2015-2017

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the total pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the current discount rate of 2.10% as well as what the total pension liability would be if it were to be calculated using a discount rate that is 1-percentage-point lower (1.10%) or 1-percentage-point higher (3.10%) that the current rate:

	<u>1% Decrease (1.10%)</u>	<u>Current Discount Rate (2.10%)</u>	<u>1% Increase (3.10%)</u>
Total pension liability	\$ 8,608,161	\$ 8,084,249	\$ 7,578,044

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2022, the District recognized pension expense of \$618,062.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 658,795
Changes in assumptions	565,030	266,953
Employer contributions subsequent to the measurement date	340,500	-
Total	<u>\$ 905,530</u>	<u>\$ 925,748</u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2022

\$340,500 reported as deferred outflows related to pension resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Years ending June 30:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2023	\$ (42,980)
2024	(42,980)
2025	(42,980)
2026	(42,980)
2027	(42,980)
Thereafter	(145,818)

Effect of New Accounting Standards on Current-Period Financial Statements

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

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*

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

REQUIRED SUPPLEMENTARY INFORMATION

School District of Menomonee Falls

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget to Actual

General Fund

Year Ended June 30, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 30,780,345	\$ 30,780,345	\$ -
Local	1,437,517	1,160,197	(277,320)
Interdistrict	2,089,976	1,655,755	(434,221)
Intermediate	-	11,355	11,355
State	15,381,733	15,578,692	196,959
Federal	988,322	1,610,852	622,530
Other	171,500	220,979	49,479
	<u>50,849,393</u>	<u>51,018,175</u>	<u>168,782</u>
Total revenues			
Expenditures			
Instruction:			
Regular	22,320,099	22,909,054	(588,955)
Special education	349,436	276,755	72,681
Vocational	1,450,631	1,622,459	(171,828)
Other	2,058,447	1,851,019	207,428
	<u>26,178,613</u>	<u>26,659,287</u>	<u>(480,674)</u>
Total instruction			
Support services:			
Pupil services	1,826,391	1,605,182	221,209
Instructional support services	3,032,749	2,895,540	137,209
Administration	3,998,800	4,043,199	(44,399)
Buildings and grounds	6,660,719	6,309,410	351,309
Transportation	1,714,616	2,068,183	(353,567)
Debt service	132,000	-	132,000
Other support services	2,520,606	2,498,611	21,995
	<u>19,885,881</u>	<u>19,420,125</u>	<u>465,756</u>
Total support services			
Total expenditures	<u>46,064,494</u>	<u>46,079,412</u>	<u>(14,918)</u>
Excess of revenues over expenditures	<u>4,784,899</u>	<u>4,938,763</u>	<u>153,864</u>
Other Financing Uses			
Transfers out	<u>(5,085,651)</u>	<u>(5,193,134)</u>	<u>(107,483)</u>
Total other financing uses	<u>(5,085,651)</u>	<u>(5,193,134)</u>	<u>(107,483)</u>
Net change in fund balance	<u>\$ (300,752)</u>	<u>(254,371)</u>	<u>\$ 46,381</u>
Fund Balances, Beginning		<u>19,326,646</u>	
Fund Balances, Ending		<u>\$ 19,072,275</u>	

See notes to required supplementary information

School District of Menomonee Falls

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget to Actual

Special Revenue Fund - Special Education Fund

Year Ended June 30, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Interdistrict	\$ 40,000	\$ 27,250	\$ (12,750)
Intermediate	-	1,818	1,818
State	2,038,658	1,854,172	(184,486)
Federal	1,104,722	1,342,710	237,988
	<u>3,183,380</u>	<u>3,225,950</u>	<u>42,570</u>
Expenditures			
Instruction:			
Special education	6,182,252	6,226,581	(44,329)
	<u>6,182,252</u>	<u>6,226,581</u>	<u>(44,329)</u>
Support services:			
Pupil services	1,202,307	1,182,219	20,088
Instructional support services	465,390	429,731	35,659
Administration	16,000	14,480	1,520
Buildings and grounds	500	1,007	(507)
Transportation	398,832	563,233	(164,401)
Other support services	3,750	1,833	1,917
	<u>2,086,779</u>	<u>2,192,503</u>	<u>(105,724)</u>
	<u>8,269,031</u>	<u>8,419,084</u>	<u>(150,053)</u>
Excess (deficiency) of revenues over expenditures	<u>(5,085,651)</u>	<u>(5,193,134)</u>	<u>(107,483)</u>
Other Financing Sources			
Transfer in	5,085,651	5,193,134	107,483
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balances, Beginning		-	
Fund Balances, Ending		<u>\$ -</u>	

See notes to required supplementary information

School District of Menomonee Falls

Schedule of Changes in the Total Pension Liability
 Single Employer Defined Benefit Pension Plan
 Year Ended June 30, 2022

<u>Fiscal Year Ending</u>	<u>Beginning Balance</u>	<u>Service Cost</u>	<u>Interest on Total Pension Liability</u>	<u>Difference Between Expected and Actual Experience</u>	<u>Changes of Assumptions</u>	<u>Benefit Payments</u>	<u>Ending Balance</u>
6/30/17	\$ 6,616,562	\$ 457,557	\$ 201,115	\$ -	\$ -	\$ (283,047)	\$ 6,992,187
6/30/18	6,992,187	457,557	211,851	(226,463)	(93,165)	(318,559)	7,023,408
6/30/19	7,023,408	416,415	247,357	-	(112,949)	(328,520)	7,245,711
6/30/20	7,245,711	400,259	272,479	(316,457)	(170,858)	(359,460)	7,071,674
6/30/21	7,071,674	387,375	248,319	-	576,621	(341,060)	7,942,929
6/30/22	7,942,929	475,042	186,000	(299,009)	83,547	(304,260)	8,084,249

Schedule of Covered Payroll
 Single Employer Defined Benefit Pension Plan
 Year Ended June 30, 2022

<u>Fiscal Year Ending</u>	<u>Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Total Pension Liability as a Percentage of Covered Payroll</u>
6/30/17	\$ 6,992,187	\$ 26,096,057	26.8 %
6/30/18	7,023,408	27,246,087	25.8 %
6/30/19	7,245,711	27,246,087	26.6 %
6/30/20	7,071,674	28,096,624	25.2 %
6/30/21	7,942,929	28,096,624	28.3 %
6/30/22	8,084,249	28,203,217	29.0 %

See notes to required supplementary information

School District of Menomonee Falls

Schedule of District's Proportionate Share of the Net Pension Asset (Liability) -

Wisconsin Retirement System

Year Ended June 30, 2022

<u>Plan Fiscal Year End</u>	<u>Proportion of the Net Pension Asset</u>	<u>Proportionate Share of the Net Pension Asset (Liability)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total Pension Asset (Liability)</u>
12/31/2014	0.20100073 %	\$ 4,937,128	\$ 27,545,397	17.92 %	102.74 %
12/31/2015	0.19830743 %	(3,222,457)	27,816,092	11.58 %	98.20 %
12/31/2016	0.19466690 %	(1,604,520)	27,599,743	5.81 %	99.12 %
12/31/2017	0.19163526 %	5,689,878	27,974,128	20.34 %	102.93 %
12/31/2018	0.18658315 %	(6,638,043)	27,803,169	23.88 %	96.45 %
12/31/2019	0.18123032 %	5,843,692	27,891,048	20.95 %	102.96 %
12/31/2020	0.17467492 %	10,905,197	28,208,253	38.66 %	105.26 %
12/31/2021	0.17110333 %	13,791,243	29,313,806	47.05 %	106.02 %

Schedule of Employer Contributions - Wisconsin Retirement System

Year Ended June 30, 2022

<u>District Fiscal Year End</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2015	\$ 1,932,068	\$ 1,932,068	\$ -	\$ 27,545,397	7.01 %
6/30/2016	1,891,493	1,891,493	-	27,816,092	6.80 %
6/30/2017	1,881,958	1,881,958	-	28,002,425	6.72 %
6/30/2018	1,856,304	1,856,304	-	27,547,895	6.74 %
6/30/2019	3,719,729	3,719,729	-	27,932,051	13.32 %
6/30/2020	2,279,002	2,279,002	-	28,048,045	8.13 %
6/30/2021	1,961,478	1,961,478	-	28,790,066	6.81 %
6/30/2022	1,988,294	1,988,294	-	26,644,551	7.46 %

See notes to required supplementary information

School District of Menomonee Falls

Notes to Required Supplementary Information
June 30, 2022

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. A budget has been adopted for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes.

Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the two digit sub-function level in the general fund and at the function level for all other funds. Appropriations lapse at year-end unless specifically carried over.

Wisconsin Retirement System (WRS) Pension

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

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

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

Changes in assumptions. Based on a three-year experience study conducted in 2021 covering January 1, 2018 through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

Single Employer Defined Benefit Pension Plan

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

Accumulation of assets. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

Changes in benefit terms. There were no changes of benefit terms for the plan.

Changes in assumptions. The discount rate changed from 2.25% in 2021 to 2.10% in 2022. The mortality tables were updated from the Wisconsin 2018 Mortality Table to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

SUPPLEMENTARY INFORMATION

School District of Menomonee Falls

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2022

	Special Revenue Funds			Total
	Gift Trust	Food Service	Community Service	Nonmajor Governmental Funds
Assets				
Cash and investments	\$ 661,742	\$ 1,234,000	\$ 1,329,446	\$ 3,225,188
Receivables:				
Accounts	-	-	23,675	23,675
Due from other governments	-	92,984	-	92,984
Inventories	-	6,114	-	6,114
Total assets	<u>\$ 661,742</u>	<u>\$ 1,333,098</u>	<u>\$ 1,353,121</u>	<u>\$ 3,347,961</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 19,587	\$ 4,990	\$ 28,069	\$ 52,646
Accrued salaries and wages	-	64	78,149	78,213
Payroll taxes and withholdings	-	3,330	3,030	6,360
Other current liabilities	14,924	-	4,470	19,394
Total liabilities	<u>34,511</u>	<u>8,384</u>	<u>113,718</u>	<u>156,613</u>
Deferred Inflows of Resources				
Unearned revenues	-	76,303	244,766	321,069
Fund Balances				
Nonspendable	-	6,114	-	6,114
Committed	627,231	1,242,297	994,637	2,864,165
Total fund balances	<u>627,231</u>	<u>1,248,411</u>	<u>994,637</u>	<u>2,870,279</u>
Total liabilities and fund balances	<u>\$ 661,742</u>	<u>\$ 1,333,098</u>	<u>\$ 1,353,121</u>	<u>\$ 3,347,961</u>

School District of Menomonee Falls

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

Year Ended June 30, 2022

	Special Revenue Funds			Total
	Gift Trust	Food Service	Community Service	Nonmajor Governmental Funds
Revenues				
Property taxes	\$ -	\$ -	\$ 850,000	\$ 850,000
Local	883,920	168,677	1,446,679	2,499,276
State	-	83,975	-	83,975
Federal	-	2,519,836	-	2,519,836
Other	37	-	161	198
Total revenues	883,957	2,772,488	2,296,840	5,953,285
Expenditures				
Instruction:				
Regular	13,334	-	-	13,334
Vocational	5,858	-	-	5,858
Special education	235	-	-	235
Other	700,759	-	-	700,759
Total instruction	720,186	-	-	720,186
Support services:				
Pupil services	1,024	-	-	1,024
Instructional support services	88	-	-	88
Administration	15,059	-	-	15,059
Buildings and grounds	-	70,232	-	70,232
Transportation	36,598	-	-	36,598
Food service	-	1,845,924	-	1,845,924
Community service	-	-	2,238,927	2,238,927
Total support services	52,769	1,916,156	2,238,927	4,207,852
Total expenditures	772,955	1,916,156	2,238,927	4,928,038
Net change in fund balance	111,002	856,332	57,913	1,025,247
Fund Balances, Beginning	516,229	392,079	936,724	1,845,032
Fund Balances, Ending	\$ 627,231	\$ 1,248,411	\$ 994,637	\$ 2,870,279

SINGLE AUDIT

**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***

Independent Auditors' Report

To the Board of Education of
School District of Menomonee Falls

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Menomonee Falls (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 12, 2022

**Report on Compliance
for Each Major Federal and Major State Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance and the *State Single Audit Guidelines***

Independent Auditors' Report

To the Board of Education of
School District of Menomonee Falls

Report on Compliance for Each Major Federal and Major State Program

Opinion on Each Major Federal and Major State Program

We have audited the School District of Menomonee Falls' (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on each of the District's major federal and major state programs for the year ended June 30, 2022. The District's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Guidelines*. Our responsibilities under those standards, the Uniform Guidance, and the *Guidelines* are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and major state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal and major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *Guidelines*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned cost as item 2022-003, to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 12, 2022

School District of Menomonee Falls

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Agency/ Pass-Through Agency/ Program Title	Assistance Listing Number	Pass Through ID Number	Revenues				
			Accrued Receivable 7/1/2021	Cash Received	Total Expenditures	Accrued Receivable 6/30/2022	
U.S. DEPARTMENT OF EDUCATION							
Special Education Cluster							
Passed Through Wisconsin Department of Public Instruction							
Special Education - Grants to States	84.027A	2022-673437-DPI-FLOW-341	\$ 842,145	\$ 1,539,190	\$ 1,050,461	353,416	
COVID 19 Special Education - Grants to States	84.027X	2022-673437-DPI-ARPAIDEAFT-344	-	191,010	191,010	-	
Subtotal 84.027			842,145	1,730,200	1,241,471	353,416	
COVID 19 Special Education - Preschool Grants	84.173X	2022-673437-DPI-ARPAIDEAPS-346	-	21,233	21,655	422	
Special Education - Preschool Grants	84.173A	2022-673437-DPI-PRESCH-347	30,169	30,413	13,342	13,098	
Subtotal 84.173			30,169	51,646	34,997	13,520	
Total Special Education Cluster			872,314	1,781,846	1,276,468	366,936	
Title I-A Grants to Local Educational Agencies	84.010	2022-673437-DPI-TIA-141	69,537	96,628	108,726	81,635	
Title III-A English Language Acquisition State Grants	84.365	2022-673437-DPI-TIII-391	2,174	10,275	8,770	669	
Title II-Improving Teacher Quality State Grants	84.367	2022-673437-DPI-TIIA-365	36,850	56,080	62,503	43,273	
Title IV - Student Support and Academic Enrichment Program	84.424	2022-673437-DPI-TIVA-381	6,644	7,007	3,157	2,794	
Education Stabilization Fund							
COVID 19 Education Stabilization Fund	84.425D	2021-673437-DPI-ESSERF-160	4,468	4,595	127	-	
COVID 19 Education Stabilization Fund	84.425D	2022-673437-DPI-ESSERFII-163	346,123	346,123	500,000	500,000	
COVID 19 Education Stabilization Fund	84.425W	2022-673437-DPI-ARPHCYII-173	-	-	150	150	
Subtotal 84.425			350,591	350,718	500,277	500,150	
Passed Through Cooperative Educational Service Agency #1							
Carl D. Perkins Vocational Education and Applied Technology Act							
Career and Technical Education - Basic Grants to States	84.048	2022-673437-CTE-400	-	10,631	10,631	-	
Passed Through Waukesha County Technical College							
Carl D. Perkins Vocational Education and Applied Technology Act							
Waukesha County Career Prep	84.048	2022-673437-CTE-400	-	1,373	1,373	-	
Total Carl Perkins Career and Technical Education			-	12,004	12,004	-	
Total U.S. Department of Education			1,338,110	2,314,558	1,971,905	995,457	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Medicaid Cluster							
Passed through Wisconsin Department of Health Services							
Medical Assistance	93.778	44217100	22,088	417,697	419,929	24,320	
Total U.S. Department of Health and Human Services			22,088	417,697	419,929	24,320	
U.S. DEPARTMENT OF AGRICULTURE							
Child Nutrition Cluster							
Passed Through Wisconsin Department of Public Instruction							
National School Lunch Program	10.555	2022-673437-DPI-NSL-547	222,343	1,994,477	1,830,338	58,204	
National School Lunch Program	10.555	n/a	-	138,553	138,553	-	
National School Lunch Program	10.555	2022-673437-DPI-SK_NSL-561	-	13,534	15,245	1,711	
Subtotal 10.555			222,343	2,146,564	1,984,136	59,915	
School Breakfast Program	10.553	2022-673437-DPI-SB-546	74,825	577,456	535,700	33,069	
Total Child Nutrition Cluster			297,168	2,724,020	2,519,836	92,984	
Total federal awards			\$ 1,657,366	\$ 5,456,275	\$ 4,911,670	\$ 1,112,761	

See notes to the schedules of expenditures of federal and state awards

School District of Menomonee Falls

Schedule of Expenditures of State Awards
 Year Ended June 30, 2022

State Agency/ Program Title	State ID Number	State Pass Through ID Number	Revenues			Accrued Receivable 6/30/2022
			Accrued Receivable 7/1/2021	Cash Received	Total Expenditures	
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Special Education and School Age Parents	255.101	673437-100	\$ -	\$ 1,839,749	\$ 1,839,749	\$ -
State School Lunch Aid	255.102	673437-107	-	56,017	56,017	-
Common School Fund Library Aid	255.103	673437-104	-	179,323	179,323	-
Pupil Transportation	255.107	673437-102	-	54,904	54,904	-
General Equalization	255.201	673437-116	132,664	11,158,976	11,026,312	-
Integration Transfer Non Resident	255.204	673437-106	-	202,366	202,366	-
Special Education Transition Readiness Grant	255.257	673437-174	-	77	77	-
School Based Mental Health Services	255.297	673437-177	13,554	33,717	95,829	75,666
State School Breakfast Aid	255.344	673437-108	-	27,958	27,958	-
Early College Credit Program	255.445	673437-178	-	836	836	-
Educator Effective Eval Sys Grants Public	255.940	673437-154	-	28,400	56,880	28,480
Per Pupil Aid	255.945	673437-113	-	2,784,726	2,784,726	-
Career and Technical Education Incentive Grant	255.950	673437-152	-	-	35,445	35,445
Robotics League Participation Grants	255.959	673437-167	-	5,000	5,000	-
Aid for Special Education Transition Grant	255.960	673437-168	-	14,346	14,346	-
Total State Awards			<u>\$ 146,218</u>	<u>\$ 16,386,395</u>	<u>\$ 16,379,768</u>	<u>\$ 139,591</u>

See notes to the schedules of expenditures of federal and state awards

School District of Menomonee Falls

Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (the Schedules) includes the federal and state award activity of the School District of Menomonee Falls under programs of the federal and state government for the year ended June 30, 2022. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *State Single Audit Guidelines*. Because the Schedules presents only a selected portion of the operations of the District, they are not intended to and do not present the financial position or changes in net position of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedules are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

3. Special Education and School Age Parents Program

Eligible costs of Special Education under project 011 were \$7,150,467 for the year ended June 30, 2022.

4. Oversight Agency

The District's federal oversight agency for audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

5. Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate.

School District of Menomonee Falls

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal and State Awards

Internal control over major programs:

	<u>Federal Programs</u>		<u>State Programs</u>	
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no	<u> X </u> yes	<u> </u> no
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported	<u> </u> yes	<u> X </u> none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

	<u> X </u> yes	<u> </u> no	<u> X </u> yes	<u> </u> no
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Auditee qualified as low-risk auditee?

	<u> </u> yes	<u> X </u> no	<u> </u> yes	<u> X </u> no
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Dollar threshold used to distinguish between type A and type B programs:

	<u> \$750,000 </u>	<u> \$250,000 </u>
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Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Cluster
84.425	COVID 19 Education Stabilization Fund
84.027 / 84.173	Special Education Cluster

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
255.201 / 255.204	General Aids Cluster

School District of Menomonee Falls

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II - Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

Finding 2022-001: Lack of Segregation of Duties

Repeat of Finding 2021-001

Criteria: Internal controls should be in place that provides reasonable assurance that individuals have access to only one phase of the accounting process.

Condition: There is a lack of segregation of duties related to the payroll function.

Cause: The same person performs tasks, which under ideal situations, should be segregated from each other.

Effect: Because of the lack of segregation of duties, the accounting records may be misstated.

Recommendation: The District board and management should rely more heavily on their direct knowledge of the District's operations and day-to-day contact with employees to control and safeguard assets.

Management's Response: Although some segregation of duties issues exist due to the limited number of personnel, management believes that certain controls are in place to mitigate these issues, such as a review of bank reconciliation, payroll reports and journal entries by the administrator, other members of management and/or Board of Education members who possess the skills, knowledge and experience related to these processes to identify and correct errors.

Finding 2022-002: Internal Control Over Financial Reporting

Repeat of Finding 2021-002

Criteria: Statement on Auditing Standards AU-C 265 requires the communication of significant deficiencies and material weaknesses in the year-end financial reporting process.

Condition: The District's personnel do not have the necessary expertise in governmental accounting and reporting to process all necessary year-end journal entries and prepare the financial statements and schedules of federal and state awards in accordance with generally accepted accounting principles.

Cause: The District has chosen to have the auditors prepare the financial statements.

Effect: Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

Recommendation: Management should determine if the benefits achieved by resolving this internal control deficiency warrants the additional costs that would be required to remedy the current conditions.

School District of Menomonee Falls

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Management's Response: Although management does not prepare the financial statements or schedule of expenditures of federal and state awards, draft copies of these reports are reviewed and approved prior to their issuance by management. This review includes verifying amounts to the general ledger and other documentation such as grant agreements, debt documents, etc. Management does attend annual training sessions which include content relating to current financial reporting requirements and new accounting standards. Currently, management has not implemented controls to evaluate and determine whether the financial statements or the schedule of expenditures of federal and state awards conform to the requirements of accounting principles generally accepted in the United States of America, the Uniform Guidance or the *State Single Audit Guidelines*. As such, management will continue to rely on the auditors to assist in preparing the District's financial statement and schedule of expenditures of federal and state awards.

Section III - Federal and State Awards Findings and Questioned Costs

Finding 2022-003 Programs:

Repeat of Finding 2021-003

**Federal Assistance Listing
Number and Title:**

93.778	Medicaid Cluster
84.425	COVID 19 Education Stabilization Fund
84.173/84.027	Special Education Cluster

State Program Number and Title: 255.201/255.204 General Aids Cluster

Federal Grantor: U.S. Department of Health and Human Services
U.S. Department of Education

State Grantor: Wisconsin Department of Public Instruction

Lack of Segregation of Duties (see finding 2022-001).

School District of Menomonee Falls

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section IV - Other Issues

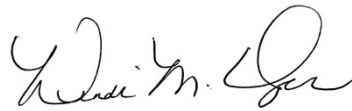
Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes no X

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

Department of Public Instruction X yes no

Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes No

Name and signature of partner



Wendi M. Unger, CPA, Partner

Date of report

December 12, 2022

School District of Menomonee Falls

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2022

The following summary Schedule of prior audit findings has been prepared by management of the School District of Menomonee Falls.

Finding 2021-001:

Current Status: This finding is still ongoing in the year under audit. See finding 2022-001.

Finding 2021-002:

Current Status: This finding is still ongoing in the year under audit. See finding 2022-002.

Finding 2021-003:

Current Status: This finding is still ongoing in the year under audit. See finding 2022-003.

The School District of Menomonee Falls contact official for the above responses is as follows:

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Director of Finance and Operations
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windcai@sdmfschools.org