

SCHOOL DISTRICT OF MENOMONEE FALLS

Menomonee Falls, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2020

SCHOOL DISTRICT OF MENOMONEE FALLS

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
School District of Menomonee Falls
Menomonee Falls, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the School District of Menomonee Falls, Wisconsin, as of and for the year ended June 30, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Education
School District of Menomonee Falls

Opinions

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

Other Matters

Required Supplementary Information

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

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 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the 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 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Guidelines, is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the Board of Education
School District of Menomonee Falls

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 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

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
November 24, 2020

SCHOOL DISTRICT OF MENOMONEE FALLS

STATEMENT OF NET POSITION As of June 30, 2020

ASSETS

Cash and investments	\$ 25,182,227
Receivables	
Taxes	9,575,495
Accounts	42,634
Other	152,193
Due from other governments	1,038,432
Inventories and prepaid items	328,348
Other assets	5,000
Restricted assets	
Net pension asset	5,843,692
Capital Assets	
Land	556,920
Other capital assets	96,737,508
Less: Accumulated depreciation	<u>(40,612,875)</u>
Total Assets	<u>98,849,574</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow related to pensions - WRS	12,716,551
Deferred outflow related to pensions - Single Employer	341,060
Deferred charges on refunding	<u>780,654</u>
Total Deferred Outflows of Resources	<u>13,838,265</u>

LIABILITIES

Accounts payable and accrued expenses	12,924,691
Accrued interest payable	312,515
Due to other governments	62,714
Other liabilities	20,358
Noncurrent Liabilities	
Due within one year	2,945,000
Due in more than one year	<u>47,959,864</u>
Total Liabilities	<u>64,225,142</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow related to pensions - WRS	17,540,984
Deferred inflow related to pensions - Single Employer	791,269
Unearned revenues	<u>294,719</u>
Total Deferred Inflows of Resources	<u>18,626,972</u>

NET POSITION

Net investment in capital assets	16,725,084
Restricted for debt service	2,809,514
Restricted for pension	5,843,692
Unrestricted	<u>4,457,435</u>

TOTAL NET POSITION \$ 29,835,725

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF MENOMONEE FALLS

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 20,696,108	\$ 2,822,797	\$ 129,559	\$ (17,743,752)
Vocational	1,260,830	-	918	(1,259,912)
Special education	5,955,215	-	2,251,412	(3,703,803)
Other	1,736,641	-	65,083	(1,671,558)
Total Instruction	29,648,794	2,822,797	2,446,972	(24,379,025)
Support Services				
Pupil services	2,825,025	-	202,103	(2,622,922)
Instructional support services	3,447,119	-	419,069	(3,028,050)
Administration	3,472,694	-	-	(3,472,694)
Buildings and grounds	10,442,225	68,378	2,732	(10,371,115)
Pupil transportation	1,553,362	104,815	84,997	(1,363,550)
Other support services	2,531,251	72,381	9,927	(2,448,943)
Interest and fees	1,399,759	-	-	(1,399,759)
Community service	2,084,968	1,218,485	-	(866,483)
Food service	1,199,547	670,620	693,279	164,352
Depreciation - unallocated	169,176	-	-	(169,176)
Total Support Services	29,125,126	2,134,679	1,412,107	(25,578,340)
Total	\$ 58,773,920	\$ 4,957,476	\$ 3,859,079	(49,957,365)
General Revenues				
Taxes				
Property taxes, levied for general purposes				31,695,012
Property taxes, levied for debt service				4,903,109
Property taxes, levied for community service				825,000
Property taxes, levied for other				2,178,972
Intergovernmental revenues not restricted to specific programs				13,162,430
Investment income				296,007
Miscellaneous				573,447
Total General Revenues				53,633,977
Change in Net Position				3,676,612
NET POSITION - BEGINNING OF YEAR				26,159,113
NET POSITION - END OF YEAR				\$ 29,835,725

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF MENOMONEE FALLS

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2020

	General Fund	Special Revenue Special Education Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and investments	\$ 18,888,424	\$ 764,506	\$ 411,978	\$ 3,122,029	\$ 1,995,290	\$ 25,182,227
Receivables						
Taxes	9,575,495	-	-	-	-	9,575,495
Accounts	15,104	13,007	-	-	14,523	42,634
Other	152,193	-	-	-	-	152,193
Due from other governments	890,045	79,881	-	-	68,506	1,038,432
Inventories	9,141	-	-	-	6,114	15,255
Prepaid items	313,093	-	-	-	-	313,093
Other assets	5,000	-	-	-	-	5,000
TOTAL ASSETS	\$ 29,848,495	\$ 857,394	\$ 411,978	\$ 3,122,029	\$ 2,084,433	\$ 36,324,329
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 514,099	\$ 105,313	\$ 74,541	\$ -	\$ 38,047	\$ 732,000
Accrued salaries and wages	1,828,218	323,911	-	-	21,374	2,173,503
Payroll taxes and benefits	9,572,190	428,170	-	-	18,828	10,019,188
Due to Other Governments	62,714	-	-	-	-	62,714
Other current liabilities	-	-	-	-	20,359	20,359
Total Liabilities	<u>11,977,221</u>	<u>857,394</u>	<u>74,541</u>	<u>-</u>	<u>98,608</u>	<u>13,007,764</u>
Deferred Inflows of Resources						
Unearned revenues	10,644	-	-	-	284,075	294,719
Fund Balances						
Nonspendable	322,234	-	-	-	6,114	328,348
Restricted	-	-	337,437	3,122,029	-	3,459,466
Committed	-	-	-	-	1,695,636	1,695,636
Assigned	6,250,000	-	-	-	-	6,250,000
Unassigned	11,288,396	-	-	-	-	11,288,396
Total Fund Balances	<u>17,860,630</u>	<u>-</u>	<u>337,437</u>	<u>3,122,029</u>	<u>1,701,750</u>	<u>23,021,846</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 29,848,495	\$ 857,394	\$ 411,978	\$ 3,122,029	\$ 2,084,433	\$ 36,324,329

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF MENOMONEE FALLS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

As of June 30, 2020

Total Fund Balances - Governmental Funds		\$ 23,021,846
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	\$ 97,294,428	
Accumulated depreciation	<u>(40,612,875)</u>	
		56,681,553
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		
		13,057,611
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		
		(18,332,253)
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	(43,728,361)	
Net pension liability	5,843,692	
Deferred charges on refunding	780,654	
Accrued interest on general obligation debt	(312,514)	
Total pension obligation - single employer	(7,071,674)	
Other post-employment benefit liability	<u>(104,829)</u>	
		<u>(44,593,032)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ <u>29,835,725</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF MENOMONEE FALLS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Special Revenue Special Education Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
REVENUES						
Property taxes	\$ 31,695,012	\$ -	\$ -	\$ 4,903,109	\$ 825,000	\$ 37,423,121
Local	3,407,392	-	31,199	39,597	2,393,886	5,872,074
Interdistrict	2,065,162	21,286	-	-	-	2,086,448
Intermediate	8,208	-	-	-	-	8,208
State	13,487,885	1,631,120	-	-	17,151	15,136,156
Federal	318,388	861,343	-	-	676,128	1,855,859
Other	64,035	441	-	4,010	180	68,666
Total Revenues	<u>51,046,082</u>	<u>2,514,190</u>	<u>31,199</u>	<u>4,946,716</u>	<u>3,912,345</u>	<u>62,450,532</u>
EXPENDITURES						
Instruction						
Regular	20,302,896	-	-	-	20,552	20,323,448
Special education	207,643	5,596,536	-	-	-	5,804,179
Vocational	1,235,642	-	-	-	20,351	1,255,993
Other	1,722,840	-	-	-	1,545	1,724,385
Total Instruction	<u>23,469,021</u>	<u>5,596,536</u>	<u>-</u>	<u>-</u>	<u>42,448</u>	<u>29,108,005</u>
Support Services						
Pupil services	1,757,388	983,701	-	-	441	2,741,530
Instructional support services	2,874,916	445,039	-	-	2,000	3,321,955
Administration	3,654,835	13,440	-	-	8,336	3,676,611
Buildings and grounds	7,574,128	199	2,359,819	-	58,235	9,992,381
Transportation	1,289,199	297,987	-	-	551	1,587,737
Other support services	2,551,411	177	-	-	-	2,551,588
Debt service						
Principal	-	-	-	2,865,000	-	2,865,000
Interest and fees	-	-	-	1,331,420	-	1,331,420
Food service	-	-	-	-	1,352,640	1,352,640
Community Service	-	-	-	-	2,048,438	2,048,438
Total Support Services	<u>19,701,877</u>	<u>1,740,543</u>	<u>2,359,819</u>	<u>4,196,420</u>	<u>3,470,641</u>	<u>31,469,300</u>
Total Expenditures	<u>43,170,898</u>	<u>7,337,079</u>	<u>2,359,819</u>	<u>4,196,420</u>	<u>3,513,089</u>	<u>60,577,305</u>
Excess (deficiency) of revenues over expenditures	<u>7,875,184</u>	<u>(4,822,889)</u>	<u>(2,328,620)</u>	<u>750,296</u>	<u>399,256</u>	<u>1,873,227</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	4,822,889	-	-	-	4,822,889
Transfers out	<u>(4,822,889)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,822,889)</u>
Total Other Financing Sources (Uses)	<u>(4,822,889)</u>	<u>4,822,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,052,295	-	(2,328,620)	750,296	399,256	1,873,227
FUND BALANCES - Beginning of Year	<u>14,808,335</u>	<u>-</u>	<u>2,666,057</u>	<u>2,371,733</u>	<u>1,302,494</u>	<u>21,148,619</u>
FUND BALANCES - END OF YEAR	<u>\$ 17,860,630</u>	<u>\$ -</u>	<u>\$ 337,437</u>	<u>\$ 3,122,029</u>	<u>\$ 1,701,750</u>	<u>\$ 23,021,846</u>

See accompanying 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 For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ 1,873,227
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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	5,482,669
Depreciation is reported in the district-wide statements	(1,711,469)
Adjustments to capital assets	(3,582,185)

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 and capital lease	2,865,000
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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	20,519
Change in net pension asset - WRS	12,481,735
Change in total pension obligation - single employer	174,037
Change in other post-employment benefit liability	197,305
Amortization of refunding loss	(240,621)
Deferred outflows of resources related to pensions	(5,216,586)
Deferred inflows of resources related to pensions	(8,818,783)

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>151,764</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 3,676,612</u>
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See accompanying notes to the financial statements.

SCHOOL DISTRICT OF MENOMONEE FALLS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS As of June 30, 2020

	Employee Benefit Trust Fund	
	Post-Retirement Health Benefits	Agency Fund
ASSETS		
Cash and investments	\$ 2,824,985	\$ 391,239
LIABILITIES		
Accounts payable	\$ 152,193	\$ 26,349
Due to student groups	-	364,890
Total Liabilities	<u>152,193</u>	<u>\$ 391,239</u>
NET POSITION		
Restricted for post-retirement health benefits	<u>2,672,792</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,824,985</u>	

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF MENOMONEE FALLS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2020

	Employee Benefit Trust Fund
	<u>Post-Retirement Health Benefits</u>
ADDITIONS	
Employee contributions	\$ 1,709
Investment income	<u>64,816</u>
Total additions	<u>66,525</u>
DEDUCTIONS	
Benefits	<u>95,788</u>
Total deductions	<u>95,788</u>
Change in Net Position	(29,263)
NET POSITION - BEGINNING OF YEAR	<u>2,702,055</u>
NET POSITION - END OF YEAR	<u>\$ 2,672,792</u>

See accompanying notes to the financial statements.

SCHOOL DISTRICT OF MENOMONEE FALLS

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SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District of Menomonee Falls (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).

A. 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.

B. 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

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

- 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.

The District reports the following major governmental funds:

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 Education Fund - Special Revenue Fund - used to account for and report grants and local revenues used to provide special education services to district students.

Debt Service Fund - 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 - 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 - 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

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

In addition, the District reports the following fund types:

Pension (and Other Employee Benefit) Trust Funds - 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

Agency Funds - used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Pupil Activity Fund

C. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. 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.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

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 fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

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 and liabilities 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.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. 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.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- 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. Fair values are based on methods and inputs as outlined in Note III. A. 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 district 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, 2020, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

2. 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 value 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 lien as of January 1.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property tax calendar - 2019 tax roll:

Lien date and levy date	December, 2019
Tax bills mailed	December, 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020

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.

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.

3. 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 district-wide and fund financial statements.

4. 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
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets

District-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the district as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one 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.

6. 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 district-wide financial statements.

7. 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.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

7. Compensated Absences (cont.)

Upon contractual retirement options, the District is liable for health insurance payments at the same rate as 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.

8. Long-Term Obligations/Conduit Debt

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

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.

9. 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.

10. Equity Classifications

District-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (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.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

- 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 District 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.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered 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.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

See Note III. G. for further information.

Fiduciary fund equity 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.

11. Pension

For purposes of measuring the Net Pension Asset, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, and Pension Expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the Total Pension, Deferred Outflows of Resources and Deferred Inflows or Resources Related to Pensions, and Pension Expense, the District's stipend plan recognizes benefit payments when due and payable in accordance with the benefit terms.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
Capital Projects Fund	\$ 925,000	\$ 2,359,819	\$ 1,434,819
Special Revenue - Food Service Fund	1,371,899	1,405,466	33,567

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
As of and for the Year Ended June 30, 2020

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. LIMITATIONS ON THE DISTRICT 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.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 5,610,921	\$ 5,686,274	Custodial Credit Risk Credit and Interest Rate Risk, Investments Highly Sensitive to Interest Rate Changes
Mutual funds - bonds	1,958,708	1,958,708	
LGIP	20,823,607	20,823,607	Credit Risk
Petty cash	5,215	-	N/A
Total Deposits and Investments	\$ 28,398,451	\$ 28,468,589	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 25,182,227		
Per statement of Fiduciary net position			
Employee Benefit Trust Fund	2,824,985		
Agency Fund	391,239		
Total Deposits and Investments	\$ 28,398,451		

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

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.

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, 2020, \$2,525,153 of the District's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>2,525,153</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, 2020, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poors</u>
Mutual funds - bonds	AAA-D

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

Local Government Investment Pool

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2020, the District's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1 year	1-5 Years	6-15 Years
Mutual funds - bonds	\$ 1,958,708	\$ -	\$ 1,958,708	\$ -

Investments Highly Sensitive to Interest Rate Changes

At June 30, 2020, the District held \$1,958,708 in bond mutual funds. The market value of this investment at June 30, 2020, was \$1,958,708.

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	Level 1	Level 2	Level 3	Total
Mutual funds - bonds	\$ 1,958,708	\$ -	\$ -	\$ 1,958,708

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

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

B. 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. 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	\$ 134,546
Deferred amounts - community service	149,529
Deferred amounts - general fund	<u>10,644</u>
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u><u>\$ 294,719</u></u>

C. 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 As of and for the Year Ended June 30, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

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

	Beginning Balance	Adjustments*	Additions	Deletions	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 556,920	\$ -	\$ -	\$ -	\$ 556,920
Construction in progress	<u>24,831,811</u>	<u>-</u>	<u>-</u>	<u>24,831,811</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>25,388,731</u>	<u>-</u>	<u>-</u>	<u>24,831,811</u>	<u>556,920</u>
Capital assets being depreciated					
Buildings	62,779,889	414,385	27,681,455	-	90,875,729
Land improvements	3,326,096	(3,283,594)	2,180,496	-	2,222,998
Furniture and equipment	<u>3,730,052</u>	<u>(543,800)</u>	<u>452,529</u>	<u>-</u>	<u>3,638,781</u>
Total Capital Assets Being Depreciated	<u>69,836,037</u>	<u>(3,413,009)</u>	<u>30,314,480</u>	<u>-</u>	<u>96,737,508</u>
Total Capital Assets	<u>95,224,768</u>	<u>(3,413,009)</u>	<u>30,314,480</u>	<u>24,831,811</u>	<u>97,294,428</u>
Less: Accumulated depreciation for					
Buildings	(34,248,872)	(2,351,460)	(1,492,339)	-	(38,092,671)
Land improvements	(1,327,655)	1,319,311	(2,277)	-	(10,621)
Furniture and equipment	<u>(3,155,703)</u>	<u>862,973</u>	<u>(216,853)</u>	<u>-</u>	<u>(2,509,583)</u>
Total Accumulated Depreciation	<u>(38,732,230)</u>	<u>(169,176)</u>	<u>(1,711,469)</u>	<u>-</u>	<u>(40,612,875)</u>
Net Capital Assets Being Depreciated	<u>31,103,807</u>	<u>(3,582,185)</u>	<u>28,603,011</u>	<u>-</u>	<u>56,124,633</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 56,492,538</u>	<u>\$ (3,582,185)</u>	<u>\$ 28,603,011</u>	<u>\$ 24,831,811</u>	<u>\$ 56,681,553</u>

* Depreciable assets and accumulated depreciation were adjusted based on appraisal report conducted by the district.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Instruction		
Regular instruction	\$	71,707
Vocational		7,786
Other		4,739
Support Services		
Pupil transportation		15,600
Administration		140,825
Building and grounds		1,386,489
Other support services		6,269
Food service		<u>78,054</u>
Total Governmental Activities Depreciation Expense		<u><u>\$ 1,711,469</u></u>

E. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Special Revenue - Special Education Fund	General Fund	<u><u>\$ 4,822,889</u></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.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable					
General obligation debt	\$ 44,815,000	\$ -	\$ 2,765,000	\$ 42,050,000	\$ 2,945,000
General obligation notes from direct borrowings and direct placements	100,000	-	100,000	-	-
(Discounts)/Premiums	1,830,125	-	151,764	1,678,361	-
Sub-totals	<u>46,745,125</u>	<u>-</u>	<u>3,016,764</u>	<u>43,728,361</u>	<u>2,945,000</u>
Other Liabilities					
Other postemployment benefits	302,134	-	197,305	104,829	-
Net pension liability - WRS	6,638,043	-	6,638,043	-	-
Total pension liability - single employer	<u>7,245,711</u>	<u>672,738</u>	<u>846,775</u>	<u>7,071,674</u>	<u>-</u>
Total Other Liabilities	<u>14,185,888</u>	<u>672,738</u>	<u>7,682,123</u>	<u>7,176,503</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 60,931,013</u>	<u>\$ 672,738</u>	<u>\$ 10,698,887</u>	<u>\$ 50,904,864</u>	<u>\$ 2,945,000</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, 2020, was \$397,612,236. Total general obligation debt outstanding at year end was \$42,050,000.

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2020
GO Refunding Bonds	2/5/2013	4/1/2027	2.00-2.15%	\$ 9,970,000	\$ 8,755,000
GO Refunding Bonds	7/8/2014	4/1/2023	2.00-2.50%	8,835,000	3,205,000
GO Improvement Bonds	7/11/2016	4/1/2036	2.00-5.00%	30,700,000	26,325,000
GO Promissory Note	4/18/2018	4/1/2023	4.64%	2,000,000	1,080,000
GO Refunding Bonds	4/18/2018	4/1/2024	3.00%	3,720,000	<u>2,685,000</u>

Total Governmental Activities - General Obligation Debt \$ 42,050,000

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt	
	Principal	Interest
2021	\$ 2,945,000	\$ 1,250,059
2022	3,030,000	1,167,459
2023	3,115,000	1,081,621
2024	2,780,000	992,621
2025	2,130,000	918,421
2026-2030	11,565,000	3,720,581
2031-2035	13,505,000	1,836,163
2036-2040	2,980,000	89,400
Totals	\$ 42,050,000	\$ 11,056,325

Other Debt Information

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

G. NET POSITION/FUND BALANCES

Net position reported on the district-wide statement of net position at June 30, 2020, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 556,920
Other capital assets, net of accumulated depreciation	56,124,633
Less: Long-term debt outstanding	(42,050,000)
Plus: Unspent capital related debt proceeds	306,238
Plus: Noncapital debt proceeds	2,685,000
Plus: Deferred charge on refunding	780,654
Less: Unamortized debt premium	(1,678,361)
Total Net Investment in Capital Assets	\$ 16,725,084

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2020

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

G. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Prepaid items	\$ 313,093	\$ -	\$ -	\$ -	\$ 313,093
Inventories	9,141	-	-	6,114	15,255
Restricted for:					
Debt service	-	3,122,029	337,437	-	3,459,466
Committed to:					
Gift trust	-	-	-	627,360	627,360
Food service	-	-	-	224,260	224,260
Community service	-	-	-	844,016	844,016
Assigned to:					
School and division carryovers	500,000	-	-	-	500,000
Budget appropriations	1,250,000	-	-	-	1,250,000
Capital improvement projects	2,000,000	-	-	-	2,000,000
Self funded health liability	2,500,000	-	-	-	2,500,000
Unassigned:	11,288,396	-	-	-	11,288,396
Total Fund Balances	\$ 17,860,630	\$ 3,122,029	\$ 337,437	\$ 1,701,750	\$ 23,021,846

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2010	(1.3)%	22.0%
2011	(1.2)	11.0
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)

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 \$1,832,767 in contributions from the District.

Contribution rates for the plan year reported as of June 30, 2020 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.55%	6.55%

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

At June 30, 2020, the District reported a Asset of \$5,843,692 for its proportionate share of the Net Pension Asset. The Net Pension Asset was measured as of December 31, 2019, and the Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension Asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.18123032%, which was an decrease of 0.00535283% from its proportion measured as of December 31, 2018.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended June 30, 2020, the District recognized pension expense of \$4,123,119.

At June 30, 2020, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,092,665	\$ 5,551,136
Net differences between projected and actual earnings on pension plan investments	455,378	-
Changes in assumptions	-	11,946,587
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,082	43,261
Employer contributions subsequent to the measurement date	1,134,426	-
Total	\$ 12,716,551	\$ 17,540,984

\$1,134,426 reported as Deferred Outflows of Resources 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 Asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources Related to Pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2021	\$ (1,754,895)
2022	(1,321,748)
2023	198,611
2024	(3,080,827)

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Sensitivity of the district's proportionate share of the Net Pension Liability (Asset) to changes in the discount rate. The following presents the District's proportionate share of the Net Pension Liability (Asset) calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the Net Pension Liability (Asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
District's proportionate share of the net pension liability (asset)	<u>\$15,048,553</u>	<u>\$(5,843,692)</u>	<u>\$(21,463,049)</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, 2020, the district reported debt payable to the pension plan of \$737,762, which represents a contractual arrangement for contribution to the pension plan related to past service cost.

B. 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.

Self Insurance

On January 1, 2013, the District established a self-funded health and dental benefit plan for its employees. The Plan administrators, United HealthCare (administrator) and (administrator), are 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, 2020.

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

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$100,000 per individual and/or 125% of the annual estimated claims as provided by Humana. For the year ended June 30, 2020, the aggregate claim limit was \$5,631,784 . The District has no stop-loss coverage for dental care coverage of the Plan.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Self Insurance (cont.)

At June 30, 2020, the District reported a liability of \$7,905,431, which represents reported and unreported claims which were incurred on or before June 30, 2020, but were not paid by the District as of that date. Changes in the claims liability for the years ended June 30, 2019 and June 30, 2020 are as follows

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims - Beginning of Year	\$ 4,989,728	\$ 6,865,289
Current year claims and changes in estimates	6,249,693	5,762,035
Claim payments	<u>(4,374,132)</u>	<u>(4,721,893)</u>
 Unpaid Claims - End of Year	 <u>\$ 6,865,289</u>	 <u>\$ 7,905,431</u>

On July 28, 2020, the District received an actuarial certification from Willis Towers Watson (actuary), an independent actuary who is a member of Society of Actuaries (SOA) or the American Academy of Actuaries (AAA), which attested to the adequacy of the reserves, rates, and the overall financial soundness of the plan.

C. 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 district-wide statements 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, 2020. 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
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

D. 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, 2020 the District has a remaining liability of \$104,829 to be paid to 33 retirees or their beneficiaries. This liability has been recognized on the governmental activities financial statements.

The District established an Employee Benefit Trust Fund - Post-Retirement Health Benefits - Fiduciary Fund to pay for these future liabilities. As of June 30, 2020, the District has \$2,824,985 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.

E. 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, 2020, the District plan's membership consisted of:

Retirees and beneficiaries	37
Active members	<u>514</u>
Total	<u><u>551</u></u>

The District paid \$341,060 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

E. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

Changes in total pension liability. The District's change in total pension liability for the fiscal year ended June 30, 2020 was as follows:

	Total Pension Liability
Beginning of Year Balance	\$ 7,245,711
Service cost	400,259
Interest on total pension liability	272,479
Changes in assumptions or other inputs	(170,858)
Differences between expected and actual	(316,457)
Benefit payments	(359,460)
End of Year Balance	\$ 7,071,674

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

Measurement Date:	June 30, 2019
Actuarial Valuation Date:	June 30, 2019
 Inflation:	 2.50%
 Salary Changes:	 5.6% down to 0.1% in 35 years; assumed salary inflation of 3.0% per year added to these merit increases
Discount Rate:	3.50%
Source of Discount Rate:	Based upon all years of project payments discounted at a municipal bond rate of 3.50%
Source of Mortality Assumptions:	Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)
Dates of Experience Studies	Based on experience study conducted in 2018 using WRS experience from 2015-17

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

E. SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN (cont.)

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 3.50% 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 (2.50%) or 1 percentage point higher (4.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total pension liability	<u>\$7,521,924</u>	<u>\$7,071,674</u>	<u>\$6,639,101</u>

Pension expense and deferred outflows of resources related to pensions. For the year ended June 30, 2020, the District recognized pension expense of \$601,977.

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

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 466,317
Changes in assumptions	-	324,952
Employer contributions subsequent to the measurement date	<u>341,060</u>	<u>-</u>
Total	<u>\$ 341,060</u>	<u>\$ 791,269</u>

\$341,060 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2021	\$ (70,761)
2022	(70,761)
2023	(70,761)
2024	(70,761)
2025	(70,761)
Thereafter	(437,464)

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2020

NOTE IV - OTHER INFORMATION (cont.)

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- > *Statement No. 84, Fiduciary Activities*
- > *Statement No. 87, Leases*
- > *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*
- > *Statement No. 91, Conduit Debt Obligations*
- > *Statement No. 92, Omnibus*
- > *Statement No. 93, Replacement of Interbank Offered Rates*
- > *Statement No. 94, Public-Private and Public-Private Partnerships and Availability Payment Arrangements*
- > *Statement No. 96, Subscription-Based Information Technology Arrangements*
- > *Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years.

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 AND ACTUAL - GENERAL FUND For the Year Ended June 30, 2020

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Property taxes	\$ 31,703,681	\$ 31,695,012	\$ (8,669)
Local	3,546,103	3,407,392	(138,711)
Interdistrict	1,979,194	2,065,162	85,968
Intermediate	-	8,208	8,208
State	13,316,494	13,487,885	171,391
Federal	192,500	318,388	125,888
Other	171,500	64,035	(107,465)
Total Revenues	<u>50,909,472</u>	<u>51,046,082</u>	<u>136,610</u>
EXPENDITURES			
Instruction			
Regular	21,110,236	20,302,896	807,340
Special education	477,490	207,643	269,847
Vocational	1,447,284	1,235,642	211,642
Other	2,161,121	1,722,840	438,281
Total Instruction	<u>25,196,131</u>	<u>23,469,021</u>	<u>1,727,110</u>
Support Services			
Pupil services	1,627,980	1,757,388	(129,408)
Instructional support services	3,079,723	2,874,916	204,807
Administration	3,934,854	3,654,835	280,019
Buildings and grounds	7,775,405	7,574,128	201,277
Transportation	1,599,431	1,289,199	310,232
Debt service	127,329	-	127,329
Other support services	2,514,132	2,551,411	(37,279)
Total Support Services	<u>20,658,854</u>	<u>19,701,877</u>	<u>956,977</u>
Total Expenditures	<u>45,854,985</u>	<u>43,170,898</u>	<u>2,684,087</u>
Excess of revenues over expenditures	<u>5,054,487</u>	<u>7,875,184</u>	<u>2,820,697</u>
OTHER FINANCING USES			
Transfers out	(5,271,547)	(4,822,889)	448,658
Total Other Financing Uses	<u>(5,271,547)</u>	<u>(4,822,889)</u>	<u>448,658</u>
Net Change in Fund Balance	<u>\$ (217,060)</u>	3,052,295	<u>\$ 3,269,355</u>
FUND BALANCES - BEGINNING OF YEAR		<u>14,808,335</u>	
FUND BALANCES - END OF YEAR		<u>\$ 17,860,630</u>	

See independent auditors' report and accompanying notes to required supplementary information.

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL EDUCATION - SPECIAL REVENUE FUND For the Year Ended June 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Interdistrict	\$ 40,000	\$ 21,286	\$ (18,714)
State	1,773,292	1,631,120	(142,172)
Federal	1,262,194	861,343	(400,851)
Other	-	441	441
Total Revenues	<u>3,075,486</u>	<u>2,514,190</u>	<u>(561,296)</u>
EXPENDITURES			
Instruction			
Special education	<u>6,395,755</u>	<u>5,596,536</u>	<u>799,219</u>
Total Instruction	<u>6,395,755</u>	<u>5,596,536</u>	<u>799,219</u>
Support Services			
Pupil services	1,087,431	983,701	103,730
Instructional support services	464,999	445,039	19,960
Administration	14,500	13,440	1,060
Buildings and grounds	1,300	199	1,101
Transportation	378,298	297,987	80,311
Other support services	<u>4,750</u>	<u>177</u>	<u>4,573</u>
Total Support Services	<u>1,951,278</u>	<u>1,740,543</u>	<u>210,735</u>
Total Expenditures	<u>8,347,033</u>	<u>7,337,079</u>	<u>1,009,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,271,547)</u>	<u>(4,822,889)</u>	<u>448,658</u>
OTHER FINANCING SOURCES			
Transfer in	<u>5,271,547</u>	<u>4,822,889</u>	<u>(448,658)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - BEGINNING OF YEAR		<u>-</u>	
FUND BALANCES - END OF YEAR		<u>\$ -</u>	

See independent auditors' report and accompanying notes to required supplementary information.

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Year Ended June 30, 2020

<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

SCHEDULE OF COVERED PAYROLL
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLAN
For the Year Ended June 30, 2020

<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%

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) - WISCONSIN RETIREMENT SYSTEM (WRS) For the Year Ended June 30, 2020

Plan Fiscal Year End	Proportion of the Net Pension Asset	Proportionate Share of the Net Pension Asset (Liability)	Covered Payroll	Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Asset (Liability)
12/31/14	0.20100073%	\$ 4,937,128	\$ 27,545,397	17.92%	102.74%
12/31/15	0.19830743%	(3,222,457)	27,816,092	11.58%	98.20%
12/31/16	0.19466690%	(1,604,520)	27,599,743	5.81%	99.12%
12/31/17	0.19163526%	5,689,878	27,974,128	20.34%	102.93%
12/31/18	0.18658315%	(6,638,043)	27,803,169	23.88%	96.45%
12/31/19	0.18123032%	5,843,692	27,891,048	20.95%	102.96%

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM (WRS) For the Year Ended June 30, 2020

District Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 1,932,068	\$ 1,932,068	\$ -	\$ 27,545,397	7.01%
6/30/16	1,891,493	1,891,493	-	27,816,092	6.80%
6/30/17	1,881,958	1,881,958	-	28,002,425	6.72%
6/30/18	1,856,304	1,856,304	-	27,547,895	6.74%
6/30/19	3,719,729	3,719,729	-	27,932,051	13.32%
6/30/20	2,279,002	2,279,002	-	28,048,045	8.13%

See independent auditors' report and accompanying notes to required supplementary information.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2020

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

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

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. There were no changes of assumptions for the plan.

SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF MENOMONEE FALLS

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of June 30, 2020

	Special Revenue Funds			Total Nonmajor Funds
	Gift Trust	Food Service	Community Service	
ASSETS				
Cash and investments	\$ 645,079	\$ 318,453	\$ 1,031,758	\$ 1,995,290
Receivables				
Accounts	-	-	14,523	14,523
Due from other governments	-	68,506	-	68,506
Inventories	-	6,114	-	6,114
TOTAL ASSETS	\$ 645,079	\$ 393,073	\$ 1,046,281	\$ 2,084,433
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 72	\$ 14,436	\$ 23,539	\$ 38,047
Accrued salaries and wages	-	6,598	14,776	21,374
Payroll taxes and withholdings	-	7,119	11,709	18,828
Other current liabilities	17,647	-	2,712	20,359
Total Liabilities	17,719	28,153	52,736	98,608
Deferred Inflows of Resources				
Unearned revenues	-	134,546	149,529	284,075
Fund Balances				
Nonspendable	-	6,114	-	6,114
Committed	627,360	224,260	844,016	1,695,636
Total Fund Balances	627,360	230,374	844,016	1,701,750
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 645,079	\$ 393,073	\$ 1,046,281	\$ 2,084,433

SCHOOL DISTRICT OF MENOMONEE FALLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2020

	Special Revenue Funds			Total Nonmajor Funds
	Gift Trust	Food Service	Community Service	
REVENUES				
Property taxes	\$ -	\$ -	\$ 825,000	\$ 825,000
Local	504,781	670,620	1,218,485	2,393,886
State	-	17,151	-	17,151
Federal	-	676,128	-	676,128
Other	-	-	180	180
Total Revenues	504,781	1,363,899	2,043,665	3,912,345
EXPENDITURES				
Instruction				
Regular	20,552	-	-	20,552
Vocational	20,351	-	-	20,351
Other	1,545	-	-	1,545
Total Instruction	42,448	-	-	42,448
Support Services				
Pupil Services	441	-	-	441
Instructional support services	2,000	-	-	2,000
Administration	8,336	-	-	8,336
Buildings and grounds	5,409	52,826	-	58,235
Transportation	551	-	-	551
Food service	-	1,352,640	-	1,352,640
Community Service	-	-	2,048,438	2,048,438
Total Support Services	16,737	1,405,466	2,048,438	3,470,641
Total Expenditures	59,185	1,405,466	2,048,438	3,513,089
Net Change in Fund Balance	445,596	(41,567)	(4,773)	399,256
FUND BALANCES - Beginning of Year	181,764	271,941	848,789	1,302,494
FUND BALANCES - END OF YEAR	\$ 627,360	\$ 230,374	\$ 844,016	\$ 1,701,750

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY AGENCY FUND As of June 30, 2020

	Balance 7/1/2019	Additions	Deductions	Balance 6/30/2020
ASSETS				
Cash and investments	\$ 403,484	\$ 84,681	\$ 96,926	\$ 391,239
LIABILITIES				
Accounts payable	\$ 31,721	\$ 10,587	\$ 15,959	\$ 26,349
Due to student groups				
High School	307,059	63,274	71,848	298,485
Middle School	64,474	10,820	8,937	66,357
Elementary School	<u>230</u>	<u>-</u>	<u>182</u>	<u>48</u>
Total Liabilities	<u>\$ 403,484</u>	<u>\$ 84,681</u>	<u>\$ 96,926</u>	<u>\$ 391,239</u>

SINGLE AUDIT

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

To the Board of Education
School District of Menomonee Falls
Menomonee Falls, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Menomonee Falls ("District"), Wisconsin, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the School District of Menomonee Falls' basic financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

School District of Menomonee Falls Response to Findings

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

Purpose of 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

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
November 24, 2020

INDEPENDENT AUDITORS' 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*

To the Board of Education
School District of Menomonee Falls
Menomonee Falls, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the School District of Menomonee Falls ("District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit 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, 2020. The District's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and Major State Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2020-004, 2020-005 and 2020-006. Our opinion on each major federal and major state program is not modified with respect to these matters.

District's Responses to Findings

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

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

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 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 program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-003 to be a material weakness.

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 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-004, 2020-005 and 2020-006 to be significant deficiencies.

School District of Menomonee Falls Responses to Findings

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Milwaukee, Wisconsin
November 24, 2020

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Agency/ Pass-Through Agency/ Program Title	Federal Catalog Number	Pass Through ID Number	Program or Award Amount	Revenues						Total Revenues	Total Expenditures
				Accrued Receivable 6/30/2019	Accrued Payable 6/30/2019	Cash Received	Estimated Receivable 6/30/2020	Accrued Payable 6/30/2020			
U.S. DEPARTMENT OF EDUCATION											
Special Education Cluster											
Passed Through Wisconsin Department of Public Instruction											
Special Education - Grants to States (IDEA, Part B)	84.027	2020-673437-DPI-IDEA-F-341	\$ 646,082	\$ 436,225	\$ -	\$ 882,600	\$ 199,707	\$ -	\$ 646,082	\$ 646,082	
Special Education - Preschool Grants	84.173	2020-673437-DPI-IDEA-P-347	37,649	21,385	354	48,894	9,786	-	37,649	37,649	
Total Special Education Cluster				457,610	354	931,494	209,493	-	683,731	683,731	
Title I-A Grants to Local Educational Agencies	84.010	2020-673437-TIA-141	103,311	108,772	-	166,599	45,484	-	103,311	103,311	
Title III-A English Language Acquisition	84.365	2020-673437-DPI-T3-391	10,349	-	-	10,349	-	-	10,349	10,349	
Title II-A Teach/Principal Training	84.367	2020-673437-TIIA-365	52,951	67,375	-	117,789	2,537	-	52,951	52,951	
Title IV - A Student Support and Academic Enrichment Grants	84.424	2020-673437-TIVA-DPI-381	13,332	8,238	-	11,572	9,998	-	13,332	13,332	
Passed Through Waukesha County Technical College											
Carl D. Perkins Vocational Education and Applied Technology Act											
Waukesha County Career Prep	84.048	2020-673437-CTE-400	8,832	-	-	8,832	-	-	8,832	8,832	
Total U.S. Department of Education				641,995	354	1,246,635	267,512	-	872,506	872,506	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Medicaid Cluster											
Passed through Wisconsin Department of Health Services											
Medical Assistance	93.778	44217100	307,223	47,134	-	341,351	13,006	-	307,223	307,223	
Total U.S. Department of Health and Human Services				47,134	-	341,351	13,006	-	307,223	307,223	
U.S. DEPARTMENT OF AGRICULTURE											
Child Nutrition Cluster											
Passed Through Wisconsin Department of Public Instruction											
National School Lunch Program	10.555	2020-673437-DPI-NSL-547	226,751	46,238	-	272,989	-	-	226,751	226,751	
National School Lunch Program - COVID-19	10.555	2020-673437-DPI-NSL-547	216,677	-	-	171,865	44,812	-	216,677	216,677	
Food Distribution - Commodities	10.555	n/a	102,782	-	-	102,782	-	-	102,782	102,782	
School Breakfast Program	10.553	2020-673437-DPI-SB-546	23,323	5,508	-	28,831	-	-	23,323	23,323	
School Breakfast Program - COVID-19	10.553	2020-673437-DPI-SB-546	106,596	-	-	82,902	23,694	-	106,596	106,596	
Total Child Nutrition Cluster				51,746	-	487,504	68,506	-	676,129	676,129	
TOTAL FEDERAL AWARDS				\$ 740,875	\$ 354	\$ 2,075,490	\$ 349,024	\$ -	\$ 1,855,858	\$ 1,855,858	

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2020

State Agency/ Program Title	State ID Number	State Pass Through ID Number	Program or Award Amount	Revenues			Total Revenues	Total Expenditures	
				Accrued Receivable 7/1/2019	Cash Received	Accrued Receivable 6/30/2020			
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION									
Handicapped Pupils and School Age Parents:									
Internal District Program	255.101	LEA-100	\$ 1,613,120	\$ -	\$ 1,613,120	\$ -	\$ 1,613,120	\$ 1,613,120	
State School Lunch Aid	255.102	LEA-107	14,350	-	14,350	-	14,350	14,350	
Common School Fund - Library Aid	255.103	LEA-104	185,246	-	185,246	-	185,246	185,246	
Pupil Transportation	255.107	LEA-102	84,820	-	84,820	-	84,820	84,820	
General Equalization	255.201	LEA-116	8,760,443	117,269	8,734,231	143,481	8,760,443	8,760,443	
Integration Aid-Nonresident	255.204	LEA-106	571,552	-	571,552	-	571,552	571,552	
School Mental Health Programs	255.227	LEA-176	38,712	-	33,369	5,343	38,712	38,712	
Supplemental Per Pupil Aid	255.245	LEA-181	12,582	-	12,582	-	12,582	12,582	
School Breakfast Program	255.344	LEA-108	2,801	-	2,801	-	2,801	2,801	
Early College Credit Program	255.445	LEA-178	244	-	244	-	244	244	
Educator Effective Eval Sys Grants Public	255.940	LEA-154	26,160	-	26,160	-	26,160	26,160	
Per Pupil Aid	255.945	LEA-113	2,781,016	-	2,781,016	-	2,781,016	2,781,016	
Career and Technical Education Incentive Grant	255.950	LEA-152	21,761	-	21,761	-	21,761	21,761	
Robotics League Participation Grants	255.959	LEA-167	2,124	-	2,124	-	2,124	2,124	
Aid for Special Education Transition Grant	255.960	LEA-168	18,000	-	18,000	-	18,000	18,000	
WISCONSIN DEPARTMENT OF JUSTICE									
School Safety Grants	455.206		32,483	270,116	288,579	14,020	32,483	32,483	
TOTAL STATE AWARDS					\$ 387,385	\$ 14,389,955	\$ 162,844	\$ 14,165,414	\$ 14,165,414

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

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedules”) includes the federal and state grant activity of the School District of Menomonee Falls (“District”) under programs of the federal and state government for the year ended June 30, 2020. 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 it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

Eligible costs of Special Education under project 011 were \$6,634,887 for the year ended June 30, 2020.

NOTE 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.

SCHOOL DISTRICT OF MENOMONEE FALLS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2020

NOTE 5 – PRIOR YEAR FINDINGS

The findings identified as Federal and State Awards Findings and Questioned Costs No. 2019-001, 2019-002, 2019-003 and 2019-04 in the Schedule of Findings and Questioned Costs for the year ended June 30, 2019 have not been satisfactorily resolved and are identified as Findings and Questioned Costs No. 2020-001, 2020-002, 2020-003 and 2020-004 in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020.

NOTE 6 – INDIRECT COST RATE

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

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

FEDERAL AND STATE AWARDS

Internal control over major programs:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified? X yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the *Uniform Guidance or the State Single Audit Guidelines*? X yes no

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

	Federal	State
Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>	<u> \$250,000 </u>

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
93.778	Medical Assistance

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2020

SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

Identification of major state programs:

<u>State I.D. Numbers</u>	<u>Name of State Program</u>
255.101	Handicapped Pupils and School Age Parents
255.201	General Equalization
255.204	Integration Aid – Nonresident
255.107	Pupil Transportation
255.945	Per Pupil Aid

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finding 2020-001 Lack of Segregation of Duties Repeat of Finding 2019-001

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.

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (cont.)

Finding 2020-002 Internal Control Over Financial Reporting Repeat of Finding 2019-002

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.

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.

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 AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2020-003 Programs:

Repeat of Finding 2019-003

Federal CFDA Number and Title:	84.027/84.173	Special Education Cluster
	93.778	Medical Assistance
State Program Number and Title:	255.101	Handicapped Pupils and School Age Parents
	255.201	General Equalization
	255.204	Integration Aid – Nonresident
	255.107	Pupil Transportation
	255.945	Per Pupil Aid
Federal Grantor:		U.S. Department of Education
		U.S. Department of Health and Human Services
State Grantor:		Wisconsin Department of Public Instruction

Lack of Segregation of Duties (see finding 2020-001).

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2020

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (CONT.)

Finding 2020-004 Repeat of Finding 2019-004

Federal CFDA Number and Title: 93.778 Medicaid Cluster
Federal Grantor: U.S. Department of Health and Human Services

Criteria: In order to bill Wisconsin Medicaid for School Based Services (SBS), an approved Individualized Education Program (IEP) for each student is to be obtained identifying the covered SBS services.

Condition: In a sample of 16 students that were provided SBS services, four students did not have a signed IEP on file. The sample was not statistically valid.

Cause: The IEP's on file that did not contain proper authorization were for students who transferred from other different Districts. Menomonee Falls School District never received the original signed IEP from the previous District.

Questioned Costs: Not determinable.

Effect: Unauthorized amounts could be billed to Wisconsin Medicaid.

Recommendation: We recommend that the District review students with current IEP's on file to ensure they contain proper authorization.

Management's Response: The District will review transferred students claimed for Medicaid reimbursement to ensure that a current IEP is on file to support the claims. The District implemented a procedure to collect IEP documentation of all new transferring in students, when applicable.

Finding 2020-005

State Program Number and Title: 255.107 Pupil Transportation
State Grantor: Wisconsin Department of Public Instruction

Criteria: An LEA at its option may provide regular year transportation for distances of less than two miles. However, pupils transported less than two miles during the regular school year are not counted on the transportation report unless the transportation is being provided as part of an unusually hazardous transportation plan (UHT) filed by the LEA.

Condition: In a sample of 14 students that were transported a distance of less than two miles; nine students were improperly counted on the transportation report and were not part of an unusually hazardous transportation plan. The sample was not statistically valid.

Cause: Menomonee Falls School District misunderstood the reporting requirements as to which students should be counted on the transportation report depending on their status and distance of transportation.

Questioned Costs: Not determinable.

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2020

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS (CONT.)

Finding 2020-005 (cont.)

Effect: Unauthorized amounts could be claimed to Wisconsin Department of Public Instruction.

Recommendation: We recommend that the District develop a process for tracking and documenting which category a student should be counted in on the transportation report.

Management's Response: The district worked with DPI to ensure accurate reporting. The 2019-2020 Pupil Transportation report PI-1547 was resubmitted

Finding 2020-006

State Program Number and Title: 255.107 Pupil Transportation
State Grantor: Wisconsin Department of Public Instruction

Criteria: WI Stats. 121.58 (2) (am) requires the pupil to be actually transported to receive aid. Although pupils may be eligible for transportation, they should not be included on the transportation report if they are not actually transported.

Condition: The district was unable to provide documentation that the selected pupils were transported at least one day throughout the school year. This is a systemic problem. The sample was not statistically valid.

Cause: The District does not have a process to track or document students physically riding the bus.

Questioned Costs: Not determinable.

Effect: Pupils who did not ride the bus at least once during the school year could be improperly claimed on transportation listing.

Recommendation: We recommend that the District develop a process for tracking and documenting whether a student physically rode the bus during the school year.

Management's Response: The district worked with Johnson Bus on a procedure to take attendance on the bus each semester. The District will also collect teacher classroom bus rosters, where applicable.

SCHOOL DISTRICT OF MENOMONEE FALLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

SECTION IV – OTHER ISSUES

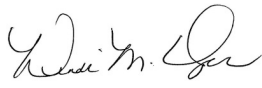
Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

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 Justice _____ yes X no
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

November 24, 2020