

School District of Menomonee Falls

Financial Statements and
Supplementary Information

June 30, 2021

School District of Menomonee Falls

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Independent Auditors' Report

To the Board of Education of
School District of Menomonee Falls

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, 2021 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.

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, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the School District of Menomonee Falls adopted the provisions of GASB Statement No. 84, Fiduciary Activities, effective July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021 on our consideration of the School District of Menomonee Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District of Menomonee Falls' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District of Menomonee Falls' internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 10, 2021

School District of Menomonee Falls

Statement of Net Position

June 30, 2021

Assets

Cash and investments	\$ 26,538,792
Receivables:	
Taxes	9,632,126
Accounts	74,737
Due from other governments	2,267,946
Inventories and prepaid items	337,335
Other assets	5,000
Restricted assets:	
Net pension asset	10,905,197
Capital assets:	
Land	556,920
Construction in progress	289,429
Other capital assets	99,302,703
Less accumulated depreciation	<u>(42,441,689)</u>
Total assets	<u>107,468,496</u>

Deferred Outflows of Resources

Deferred outflow related to pension, WRS	17,247,056
Deferred outflow related to pension, single employer	836,526
Deferred charges on refunding	<u>540,033</u>
Total deferred outflows of resources	<u>18,623,615</u>

Liabilities

Accounts payable and accrued expenses	13,164,143
Accrued interest payable	280,454
Due to other governments	67,352
Other liabilities	19,708
Noncurrent liabilities:	
Due within one year	3,015,000
Due in more than one year	<u>45,626,766</u>
Total liabilities	<u>62,173,423</u>

Deferred Inflows of Resources

Deferred inflow related to pension, WRS	23,964,593
Deferred inflow related to pension, single employer	720,508
Unearned revenues	<u>330,862</u>
Total deferred inflows of resources	<u>25,015,963</u>

Net Position

Net investment in capital assets	19,718,242
Restricted for debt service	3,709,036
Restricted for pension	10,905,197
Unrestricted	<u>4,570,250</u>
Total net position	<u>\$ 38,902,725</u>

See notes to the financial statements

School District of Menomonee Falls

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Instruction:				
Regular	\$ 19,956,375	\$ 2,628,722	\$ 230,185	\$ (17,097,468)
Vocational	1,335,103	-	-	(1,335,103)
Special education	5,555,392	-	3,309,393	(2,245,999)
Other	1,766,422	-	77,257	(1,689,165)
Total instruction	<u>28,613,292</u>	<u>2,628,722</u>	<u>3,616,835</u>	<u>(22,367,735)</u>
Support services:				
Pupil services	2,678,198	-	86,457	(2,591,741)
Instructional support services	3,131,677	-	413,112	(2,718,565)
Administration	3,638,028	-	-	(3,638,028)
Buildings and grounds	6,724,110	42,000	354,957	(6,327,153)
Pupil transportation	2,148,741	39,776	79,646	(2,029,319)
Other support services	2,023,296	1,645	9,768	(2,011,883)
Interest and fees	1,385,948	-	-	(1,385,948)
Community service	1,402,445	740,890	-	(661,555)
Food service	1,574,122	60,353	1,670,680	156,911
Total support services	<u>24,706,565</u>	<u>884,664</u>	<u>2,614,620</u>	<u>(21,207,281)</u>
Total	<u>\$ 53,319,857</u>	<u>\$ 3,513,386</u>	<u>\$ 6,231,455</u>	<u>(43,575,016)</u>
General Revenues				
Taxes:				
Property taxes, levied for general purposes				33,269,109
Property taxes, levied for debt service				5,083,259
Property taxes, levied for community service				825,000
Property taxes, levied for other				2,875
Intergovernmental revenues not restricted to specific programs				12,677,308
Investment income				20,890
Miscellaneous				<u>763,575</u>
Total general revenues				<u>52,642,016</u>
Change in net position				9,067,000
Net Position, Beginning				<u>29,835,725</u>
Net Position, Ending				<u>\$ 38,902,725</u>

See notes to the financial statements

School District of Menomonee Falls

Balance Sheet
Governmental Funds
June 30, 2021

	Special Revenue					Total
	General Fund	Special Education Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	
Assets						
Cash and investments	\$ 20,488,154	\$ -	\$ 112,702	\$ 3,989,490	\$ 1,948,446	\$ 26,538,792
Receivables:						
Taxes	9,632,126	-	-	-	-	9,632,126
Accounts	25,967	22,088	-	-	26,682	74,737
Due from other funds	16,831	-	-	-	-	16,831
Due from other governments	1,159,838	810,940	-	-	297,168	2,267,946
Inventories	9,063	-	-	-	6,114	15,177
Prepaid items	320,257	-	-	-	1,901	322,158
Other assets	5,000	-	-	-	-	5,000
Total assets	\$ 31,657,236	\$ 833,028	\$ 112,702	\$ 3,989,490	\$ 2,280,311	\$ 38,872,767
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 261,265	\$ 28,570	\$ -	\$ -	\$ 17,345	\$ 307,180
Accrued salaries and wages	1,856,017	449,245	-	-	46,879	2,352,141
Payroll taxes and benefits	10,136,251	338,382	-	-	30,189	10,504,822
Due to other funds	-	16,831	-	-	-	16,831
Due to other governments	67,352	-	-	-	-	67,352
Other current liabilities	-	-	-	-	19,709	19,709
Total liabilities	12,320,885	833,028	-	-	114,122	13,268,035
Deferred Inflows of Resources						
Unearned revenues	9,705	-	-	-	321,157	330,862
Fund Balances						
Nonspendable	329,320	-	-	-	8,015	337,335
Restricted	-	-	112,702	3,989,490	-	4,102,192
Committed	-	-	-	-	1,837,017	1,837,017
Assigned	6,250,000	-	-	-	-	6,250,000
Unassigned	12,747,326	-	-	-	-	12,747,326
Total fund balances	19,326,646	-	112,702	3,989,490	1,845,032	25,273,870
Total liabilities, deferred inflows of resources and fund balances	\$ 31,657,236	\$ 833,028	\$ 112,702	\$ 3,989,490	\$ 2,280,311	\$ 38,872,767

See notes to the financial statements

School District of Menomonee Falls

Reconciliation of the Governmental Funds Balance Sheet

to the Statement of Net Position

June 30, 2021

Total Fund Balances - Governmental Funds \$ 25,273,870

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	\$ 100,149,052	
Accumulated depreciation	<u>(42,441,689)</u>	57,707,363

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. 18,083,582

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. (24,685,101)

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	(40,686,046)	
Net pension asset	10,905,197	
Deferred charges on refunding	540,033	
Accrued interest on general obligation debt	(280,453)	
Total pension obligation, single employer	(7,942,929)	
Other post-employment benefit liability	<u>(12,791)</u>	<u>(37,476,989)</u>

Net Position of Governmental Activities \$ 38,902,725

School District of Menomonee Falls

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

	<u>General Fund</u>	<u>Special Revenue Education Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues						
Property taxes	\$ 33,269,109	\$ -	\$ -	\$ 5,083,259	\$ 825,000	\$ 39,177,368
Local	865,046	23	809	3,905	1,022,082	1,891,865
Interdistrict	1,866,148	30,783	-	-	-	1,896,931
Intermediate	4,409	1,319	-	-	-	5,728
State	12,992,435	1,899,864	-	-	24,846	14,917,145
Federal	700,049	1,609,223	-	-	1,645,835	3,955,107
Other	107,801	-	-	-	434,912	542,713
Total revenues	<u>49,804,997</u>	<u>3,541,212</u>	<u>809</u>	<u>5,087,164</u>	<u>3,952,675</u>	<u>62,386,857</u>
Expenditures						
Instruction:						
Regular	21,163,358	-	-	-	10,272	21,173,630
Special education	224,249	5,676,641	-	-	11	5,900,901
Vocational	1,411,420	-	-	-	5,228	1,416,648
Other	1,801,391	-	-	-	52,025	1,853,416
Total instruction	<u>24,600,418</u>	<u>5,676,641</u>	<u>-</u>	<u>-</u>	<u>67,536</u>	<u>30,344,595</u>
Support services:						
Pupil services	1,714,141	1,184,091	-	-	1,739	2,899,971
Instructional support services	2,858,523	433,381	-	-	-	3,291,904
Administration	3,924,377	14,440	-	-	9,363	3,948,180
Buildings and grounds	7,048,333	2,499	225,544	-	717,095	7,993,471
Transportation	1,697,549	434,522	-	-	-	2,132,071
Other support services	2,289,582	1,696	-	-	352	2,291,630
Debt service:						
Principal	-	-	-	11,555,000	-	11,555,000
Interest and fees	-	-	-	1,338,919	-	1,338,919
Food service	-	-	-	-	1,539,845	1,539,845
Community service	-	-	-	-	1,473,463	1,473,463
Total support services	<u>19,532,505</u>	<u>2,070,629</u>	<u>225,544</u>	<u>12,893,919</u>	<u>3,741,857</u>	<u>38,464,454</u>
Total expenditures	<u>44,132,923</u>	<u>7,747,270</u>	<u>225,544</u>	<u>12,893,919</u>	<u>3,809,393</u>	<u>68,809,049</u>
Excess (deficiency) of revenues over expenditures	<u>5,672,074</u>	<u>(4,206,058)</u>	<u>(224,735)</u>	<u>(7,806,755)</u>	<u>143,282</u>	<u>(6,422,192)</u>
Other Financing Sources (Uses)						
Proceeds on debt issued	-	-	-	8,325,000	-	8,325,000
Premium on debt issued	-	-	-	349,216	-	349,216
Transfers in	-	4,206,058	-	-	-	4,206,058
Transfers out	(4,206,058)	-	-	-	-	(4,206,058)
Total other financing sources (uses)	<u>(4,206,058)</u>	<u>4,206,058</u>	<u>-</u>	<u>8,674,216</u>	<u>-</u>	<u>8,674,216</u>
Net change in fund balances	1,466,016	-	(224,735)	867,461	143,282	2,252,024
Fund Balances, Beginning	<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>
Fund Balances, Ending	<u>\$ 19,326,646</u>	<u>\$ -</u>	<u>\$ 112,702</u>	<u>\$ 3,989,490</u>	<u>\$ 1,845,032</u>	<u>\$ 25,273,870</u>

See notes to the financial statements

School District of Menomonee Falls

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 2,252,024

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	2,854,624
Depreciation is reported in the district-wide statements	(1,828,814)

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	11,555,000
Debt issued	(8,325,000)

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	32,061
Change in net pension asset, WRS	5,061,505
Change in total pension obligation, single employer	(871,255)
Change in other post-employment benefit liability	92,038
Amortization of refunding loss	(240,621)
Deferred outflows of resources related to pensions	5,025,971
Deferred inflows of resources related to pensions	(6,352,848)

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	161,531
Premium on debt issued	(349,216)

Change in Net Position of Governmental Activities \$ 9,067,000

School District of Menomonee Falls

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2021

	<u>Employee Benefit Trust Fund</u>
	<u>Post-Retirement Health Benefits</u>
Assets	
Cash and investments	\$ <u>2,635,506</u>
Net Position	
Restricted for post-retirement health benefits	\$ <u>2,635,506</u>
Total liabilities and net position	\$ <u>2,635,506</u>

See notes to the financial statements

School District of Menomonee Falls

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

Year Ended June 30, 2021

	Employee Benefit Trust Fund
	Post-Retirement Health Benefits
Additions	
Employee contributions	\$ 1,605
Investment income	<u>6,382</u>
Total additions	<u>7,987</u>
Deductions	
Benefits	<u>45,273</u>
Total deductions	<u>45,273</u>
Change in net position	(37,286)
Net Position, Beginning	<u>2,672,792</u>
Net Position, Ending	<u>\$ 2,635,506</u>

See notes to the financial statements

School District of Menomonee Falls

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June 30, 2021

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School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

1. 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).

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.

Fiduciary Component Units

District-Wide and Fund Financial Statements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented July 1, 2020.

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 percent of the corresponding total for all funds of that category or type and

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

- 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.

Governmental Funds

The District reports the following major governmental funds:

General Fund

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

Special Revenue Fund

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

Debt Service Funds

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

Capital Projects Funds

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

The District reports the following nonmajor governmental funds:

Special Revenue Funds

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

Gift Trust Fund
Community Service Fund
Food Service Fund

In addition, the District reports the following fund types:

Pension (and Other Employee Benefit) Trust Funds

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

Post-Retirement Health Benefits Fund

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

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. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

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

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

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

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

Fiduciary Fund

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

All Financial Statements

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

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

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

Deposits and Investments

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

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

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

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2021, 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 3. for further information.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

Receivables

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

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

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

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

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

Property tax calendar - 2020 tax roll:

Lien date and levy date	December 2020
Tax bills mailed	December 2020
Payment in full or	January 31, 2021
First installment due	January 31, 2021
Second installment due	July 31, 2021

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. Long-term interfund loans (noncurrent portion) are reported as advances from and to other funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

Government-Wide Statements

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

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

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

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

Fund Financial Statements

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

Deferred Outflows of Resources

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

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

Compensated Absences

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

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

Long-Term Obligations/Conduit Debt

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

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

Deferred Inflows of Resources

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

Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. *Nonspendable* - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. *Restricted* - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the School Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the School Board of Education that originally created the commitment.
- d. *Assigned* - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Director of Business Services to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

School District of Menomonee Falls

Notes to Financial Statements

June 30, 2021

- e. *Unassigned* - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

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

See Note 3. for further information.

Fiduciary fund 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.

Pension

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

For purposes of measuring the Total Pension Liability, 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.

2. Stewardship, Compliance and Accountability

Excess Expenditures and Other Financing Uses Over Appropriations

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Special Revenue, Food Service Fund	\$ 1,424,824	\$ 1,611,915	\$ 187,091
Debt Service Fund	4,195,059	12,893,919	8,698,860
Special Revenue, Gift Trust Fund	75,000	724,015	649,015

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

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

Limitations on the District's Revenues

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

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

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

3. Detailed Notes on All Funds

Deposits and Investments

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

	<u>Carrying Value</u>	<u>Statement Balances</u>	<u>Associated Risks</u>
Deposits	\$ 1,682,366	\$ 2,255,625	Custodial Credit Risk
Mutual funds, bonds	1,967,973	1,967,973	Credit and Interest Rate Risk, Investments Highly Sensitive to Interest Rate Changes
LGIP	25,519,249	25,519,249	Credit Risk
Petty cash	<u>4,710</u>	<u>-</u>	N/A
Total deposits and investments	<u>\$ 29,174,298</u>	<u>\$ 29,742,847</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 26,538,792		
Per statement of net position, fiduciary funds			
Employee Benefit Trust Fund	<u>2,635,506</u>		
Total deposits and investments	<u>\$ 29,174,298</u>		

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

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

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

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, 2021, \$339,766 of the District's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 339,766</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, 2021, 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

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, 2021, the District's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (In Years)</u>		
		<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>6-15 Years</u>
Mutual funds, bonds	<u>\$ 1,967,973</u>	<u>\$ -</u>	<u>\$ 1,967,973</u>	<u>\$ -</u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

Investments Highly Sensitive to Interest Rate Changes

At June 30, 2021, the District held \$1,967,973 in bond mutual funds. The market value of this investment at June 30, 2021, was \$1,967,973.

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

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds, bonds	<u>\$ 1,967,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,967,973</u>

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

Receivables

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

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

	<u>Unearned</u>
Deferred amounts, food service	\$ 94,150
Deferred amounts, community service	227,007
Deferred amounts, general fund	<u>9,705</u>
Total unearned/unavailable revenue for governmental funds	<u>\$ 330,862</u>

Restricted Assets

The following represent the balances of the restricted assets:

Net Pension Asset

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

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 556,920	\$ -	\$ -	\$ 556,920
Construction in progress	-	289,429	-	289,429
Total capital assets not being depreciated	<u>556,920</u>	<u>289,429</u>	<u>-</u>	<u>846,349</u>
Capital assets being depreciated:				
Buildings	90,875,729	1,513,260	-	92,388,989
Land improvements	2,222,998	-	-	2,222,998
Furniture and equipment	<u>3,638,781</u>	<u>1,051,935</u>	<u>-</u>	<u>4,690,716</u>
Total capital assets being depreciated	<u>96,737,508</u>	<u>2,565,195</u>	<u>-</u>	<u>99,302,703</u>
Total capital assets	<u>97,294,428</u>	<u>2,854,624</u>	<u>-</u>	<u>100,149,052</u>
Less accumulated depreciation for:				
Buildings	(38,092,671)	(1,562,562)	-	(39,655,233)
Land improvements	(10,621)	(2,430)	-	(13,051)
Furniture and equipment	<u>(2,509,583)</u>	<u>(263,822)</u>	<u>-</u>	<u>(2,773,405)</u>
Total accumulated depreciation	<u>(40,612,875)</u>	<u>(1,828,814)</u>	<u>-</u>	<u>(42,441,689)</u>
Net capital assets being depreciated	<u>56,124,633</u>	<u>736,381</u>	<u>-</u>	<u>56,861,014</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 56,681,553</u>	<u>\$ 1,025,810</u>	<u>\$ -</u>	<u>\$ 57,707,363</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

Instruction:	
Regular instruction	\$ 76,624
Vocational	8,320
Other	5,065
Support services:	
Pupil transportation	16,670
Administration	150,480
Building and grounds	1,481,550
Other support services	6,699
Food service	<u>83,406</u>
Total governmental activities depreciation expense	<u>\$ 1,828,814</u>

School District of Menomonee Falls

Notes to Financial Statements

June 30, 2021

Interfund Receivables/Payables and Transfers

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue, Special Education Fund	\$ 16,831
Total, fund financial statements		16,831
Less fund eliminations		<u>(16,831)</u>
Total internal balances, government-wide statement of net position		<u>\$ -</u>

All amounts are due within one year.

Transfers

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Special Revenue, Special Education Fund	General Fund	<u>\$ 4,206,058</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
June 30, 2021

Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 42,050,000	\$ 8,325,000	\$ 11,555,000	\$ 38,820,000	\$ 3,015,000
(Discounts)/Premiums:	<u>1,678,361</u>	<u>349,216</u>	<u>161,531</u>	<u>1,866,046</u>	<u>-</u>
Subtotal	<u>43,728,361</u>	<u>8,674,216</u>	<u>11,716,531</u>	<u>40,686,046</u>	<u>3,015,000</u>
Other liabilities:					
Other postemployment benefits	104,829	-	92,038	12,791	-
Total pension liability - single employer	<u>7,071,674</u>	<u>1,212,315</u>	<u>341,060</u>	<u>7,942,929</u>	<u>-</u>
Total other liabilities	<u>7,176,503</u>	<u>1,212,315</u>	<u>433,098</u>	<u>7,955,720</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 50,904,864</u>	<u>\$ 9,886,531</u>	<u>\$ 12,149,629</u>	<u>\$ 48,641,766</u>	<u>\$ 3,015,000</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10 percent of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2021, was \$413,837,006. Total general obligation debt outstanding at year end was \$38,820,000.

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

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance June 30, 2021</u>
GO Refunding Bonds	7/8/2014	4/1/2023	2.00-2.50%	\$ 8,835,000	\$ 1,715,000
GO Improvement Bonds	7/11/2016	4/1/2036	2.00-5.00%	30,700,000	25,935,000
GO Promissory Note	4/18/2018	4/1/2023	4.64%	2,000,000	800,000
GO Refunding Bonds	4/18/2018	4/1/2024	3.00%	3,720,000	2,045,000
GO Refunding Bonds	2/17/2021	4/1/2027	2-2.75%	8,325,000	<u>8,325,000</u>
Total governmental activities, general obligation debt					<u>\$ 38,820,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 3,015,000	\$ 1,109,036
2023	3,095,000	1,012,069
2024	2,740,000	938,219
2025	2,075,000	881,319
2026	2,110,000	848,419
2027-2031	11,830,000	3,381,256
2032-2036	<u>13,955,000</u>	<u>1,392,881</u>
Total	<u>\$ 38,820,000</u>	<u>\$ 9,563,199</u>

School District of Menomonee Falls

Notes to Financial Statements

June 30, 2021

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.

Current Refunding

On February 17, 2021, the District issued \$8,325,000 in general obligation bonds with an average coupon rate of 1.37 percent to refund \$8,610,000 of outstanding bonds with an average coupon rate of 2.05 percent. The net proceeds along with existing funds of the District were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$9,302,374 from 201 through 2027. The cash flow requirements on the current refunding bonds are \$8,795,442 from 2021 through 2027. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$507,231.

Net Position/Fund Balances

Net position reported on the district-wide statement of net position at June 30, 2021, includes the following:

Governmental Activities

Net investment in capital assets:

Land	\$ 556,920
Construction in progress	289,429
Other capital assets, net of accumulated depreciation	56,861,014
Less long-term debt outstanding	(38,820,000)
Plus unspent capital related debt proceeds	111,892
Plus noncapital debt proceeds	2,045,000
Plus deferred charge on refunding	540,033
Less unamortized debt premium	<u>(1,866,046)</u>
Total net investment in capital assets	<u>\$ 19,718,242</u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2021, include the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balances					
Nonspendable:					
Prepaid items	\$ 320,257	\$ -	\$ -	\$ 1,901	\$ 322,158
Inventories	<u>9,063</u>	<u>-</u>	<u>-</u>	<u>6,114</u>	<u>15,177</u>
Subtotal	<u>329,320</u>	<u>-</u>	<u>-</u>	<u>8,015</u>	<u>337,335</u>
Restricted for:					
Debt service	-	3,989,490	-	-	3,989,490
Capital projects	<u>-</u>	<u>-</u>	<u>112,702</u>	<u>-</u>	<u>112,702</u>
Subtotal	<u>-</u>	<u>3,989,490</u>	<u>112,702</u>	<u>-</u>	<u>4,102,192</u>
Committed to:					
Gift trust	-	-	-	516,229	516,229
Food service	-	-	-	385,965	385,965
Community service	<u>-</u>	<u>-</u>	<u>-</u>	<u>934,823</u>	<u>934,823</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,837,017</u>	<u>1,837,017</u>
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	<u>2,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>
Subtotal	<u>6,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,250,000</u>
Unassigned:	<u>12,747,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,747,326</u>
Total fund balances	<u>\$ 19,326,646</u>	<u>\$ 3,989,490</u>	<u>\$ 112,702</u>	<u>\$ 1,845,032</u>	<u>\$ 25,273,870</u>

4. Other Information

Employees' Retirement System

Plan Description

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

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

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

Vesting

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

Benefits Provided

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

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

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

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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)
2020	1.7	21.0

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

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 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 \$1,904,057 in contributions from the District.

Contribution rates for the plan year reported as of June 30, 2021 are:

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

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

At June 30, 2021, the District reported an asset of \$10,905,197 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020. 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, 2020, the District's proportion was 0.17467492 percent, which was a decrease of 0.00655540 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,278,211.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,783,169	\$ 3,399,666
Changes in assumptions	247,351	-
Net differences between projected and actual earnings on pension plan investments	-	20,473,620
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,821	91,307
Employer contributions subsequent to the measurement date	<u>1,205,715</u>	<u>-</u>
Total	<u>\$ 17,247,056</u>	<u>\$ 23,964,593</u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

\$1,205,715 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2022	\$ (2,037,361)
2023	(572,127)
2024	(3,732,933)
2025	(1,580,831)

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2019
Measurement Date of Net Pension Liability (Asset):	December 31, 2020
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 percent 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, 2020 is based upon a roll-forward of the liability calculated from the December 31, 2019 actuarial valuation.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

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:

Core Fund Asset Class	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	51 %	7.2 %	4.7 %
Fixed Income	25	3.2	0.8
Inflation Sensitive Assets	16	2.0	(0.4)
Real Estate	8	5.6	3.1
Private Equity/Debt	11	10.2	7.6
Multi-Asset	4	5.8	3.3
Total Core Fund	115	6.6	4.1
Variable Fund Asset Class			
U.S Equities	70	6.2	4.1
International Equities	30	7.4	4.9
Total Variable Fund	100	7.1	4.6

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.4 percent
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 percent was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a long term bond rate of 2.00 percent. (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, 2020. 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 percent expected rate of return implies that a dividend of approximately 1.9 percent 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 long term expected 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
June 30, 2021

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:

	<u>1% Decrease to Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase to Discount Rate (8.00%)</u>
District's proportionate share of the net pension liability (asset)	\$ 10,380,236	\$ (10,905,197)	\$ (26,539,190)

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, 2021, the District reported a payable to the pension plan of \$771,001, which represents contractually required contributions outstanding as of the end of the year.

Risk Management

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

Self Insurance

On January 1, 2013, the District established a self-funded health and dental benefit plan for its employees. The Plan administrator, United HealthCare (administrator), is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2021.

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

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

Administrator did not provide certification for health plan as of June 30, 2021. District discussed with OCI to determine if the District needs hire an actuary to analyze health plan. OCI does not require the District hire an actuary.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$1,000 per individual and/or 125 percent of the annual estimated claims as provided by Humana. For the year ended June 30, 2021, the aggregate claim limit was \$3,223,352. The District has no stop-loss coverage for dental care coverage of the Plan.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

At June 30, 2021, the District has reported a liability of \$8,361,431, which represents reported and unreported claims which were incurred on or before June 30, 2021, but were not paid by the District as of that date. Changes in the claims liability for the years ended June 30, 2020 and June 30, 2021 are as follows:

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid Claims, Beginning	\$ 6,865,289	\$ 7,905,431
Current year claims and changes in estimates	5,762,035	5,668,117
Claim payments	<u>(4,721,893)</u>	<u>(5,212,117)</u>
Unpaid Claims, Ending	<u>\$ 7,905,431</u>	<u>\$ 8,361,431</u>

Commitments and Contingencies

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

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

The District has active construction projects as of June 30, 2021. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

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, 2021 the District has a remaining liability of \$12,791 to be paid to 11 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, 2021, the District has \$2,635,506 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.

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

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, 2021, 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 \$304,260 for pension benefits as they came due during the reporting period. The District is funding these benefits on a pay-as-you-go basis.

Changes in Total Pension Liability

The District's change in total pension liability for the fiscal year ended June 30, 2021 was as follows:

	<u>Total Pension Liability</u>
Beginning of Year Balance	\$ 7,071,674
Service cost	387,375
Interest on total pension liability	248,319
Changes of assumptions or other inputs	576,621
Benefit payments	<u>(341,060)</u>
End of Year Balance	<u><u>\$ 7,942,929</u></u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

Assumptions

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

Measurement Date:	June 30, 2020
Actuarial Valuation Date:	June 30, 2019
Inflation:	2.00%
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:	2.25%
Source of Discount Rate:	Bond Buyer 20-Bond GO Index
Source of Mortality Assumptions:	Wisconsin 2018 Mortality Table adjusted for mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)
Dates of Experience Studies	Experience study conducted in 2018 using WRS experience from 2015-2017

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

The following is a sensitivity analysis of the total pension liability to changes in the discount rate. The table below presents the pension liability of the District calculated using the current discount rate of 2.25 percent as well as what the total pension liability would be if it were to be calculated using a discount rate that is 1 percentage point lower (1.25 percent) or 1 percentage point higher (3.25 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	<u>\$ 8,420,565</u>	<u>\$ 7,942,929</u>	<u>\$ 7,479,559</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2021, the District recognized pension expense of \$609,288.

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 424,554
Changes in assumptions	532,266	295,954
Employer contributions subsequent to the measurement date	<u>304,260</u>	<u>-</u>
Total	<u>\$ 836,526</u>	<u>\$ 720,508</u>

School District of Menomonee Falls

Notes to Financial Statements
June 30, 2021

\$304,260 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2022	\$ (26,406)
2023	(26,406)
2024	(26,406)
2025	(26,406)
2026	(26,406)
Thereafter	(56,212)

Effect of New Accounting Standards on Current-Period Financial Statements

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

- 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 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Statement No. 94, *Public-Private and Public-Public 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*

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

Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Property taxes	\$ 33,269,109	\$ 33,269,109	\$ -
Local	1,437,517	865,046	(572,471)
Interdistrict	1,995,991	1,866,148	(129,843)
Intermediate	-	4,409	4,409
State	12,842,425	12,992,435	150,010
Federal	327,496	700,049	372,553
Other	171,500	107,801	(63,699)
Total revenues	<u>50,044,038</u>	<u>49,804,997</u>	<u>(239,041)</u>
Expenditures			
Instruction:			
Regular	22,553,829	21,163,358	1,390,471
Special education	488,054	224,249	263,805
Vocational	1,479,320	1,411,420	67,900
Other	2,190,288	1,801,391	388,897
Total instruction	<u>26,711,491</u>	<u>24,600,418</u>	<u>2,111,073</u>
Support services:			
Pupil services	1,827,999	1,714,141	113,858
Instructional support services	3,190,218	2,858,523	331,695
Administration	4,150,649	3,924,377	226,272
Buildings and grounds	6,536,378	7,048,333	(511,955)
Transportation	1,673,587	1,697,549	(23,962)
Debt service	132,000	-	132,000
Other support services	2,575,520	2,289,582	285,938
Total support services	<u>20,086,351</u>	<u>19,532,505</u>	<u>553,846</u>
Total expenditures	<u>46,797,842</u>	<u>44,132,923</u>	<u>2,664,919</u>
Excess of revenues over expenditures	<u>3,246,196</u>	<u>5,672,074</u>	<u>2,425,878</u>
Other Financing Uses			
Transfers out	<u>(4,926,296)</u>	<u>(4,206,058)</u>	<u>720,238</u>
Total other financing uses	<u>(4,926,296)</u>	<u>(4,206,058)</u>	<u>720,238</u>
Net change in fund balance	<u>\$ (1,680,100)</u>	1,466,016	<u>\$ 3,146,116</u>
Fund Balances, Beginning		<u>17,860,630</u>	
Fund Balances, Ending		<u>\$ 19,326,646</u>	

See notes to required supplementary information

School District of Menomonee Falls

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

Special Revenue Fund - Special Education Fund

Year Ended June 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Interdistrict	\$ 40,000	\$ 30,783	\$ (9,217)
Local	-	23	23
Intermediate	-	1,319	1,319
State	2,039,228	1,899,864	(139,364)
Federal	<u>998,279</u>	<u>1,609,223</u>	<u>610,944</u>
Total revenues	<u>3,077,507</u>	<u>3,541,212</u>	<u>463,705</u>
Expenditures			
Instruction:			
Special education	<u>6,133,039</u>	<u>5,676,641</u>	<u>456,398</u>
Total instruction	<u>6,133,039</u>	<u>5,676,641</u>	<u>456,398</u>
Support services:			
Pupil services	1,005,093	1,184,091	(178,998)
Instructional support services	458,456	433,381	25,075
Administration	15,000	14,440	560
Buildings and grounds	200	2,499	(2,299)
Transportation	389,765	434,522	(44,757)
Other support services	<u>2,250</u>	<u>1,696</u>	<u>554</u>
Total support services	<u>1,870,764</u>	<u>2,070,629</u>	<u>(199,865)</u>
Total expenditures	<u>8,003,803</u>	<u>7,747,270</u>	<u>256,533</u>
Excess (deficiency) of revenues over expenditures	<u>(4,926,296)</u>	<u>(4,206,058)</u>	<u>720,238</u>
Other Financing Sources			
Transfer in	<u>4,926,296</u>	<u>4,206,058</u>	<u>(720,238)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balances, Beginning		<u>-</u>	
Fund Balances, Ending		<u><u>\$ -</u></u>	

See notes to required supplementary information

School District of Menomonee Falls

Schedule of Changes in the Total Pension Liability
 Single Employer Defined Benefit Pension Plan
 Year Ended June 30, 2021

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

Schedule of Covered Payroll
 Single Employer Defined Benefit Pension Plan
 Year Ended June 30, 2021

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

See notes to required supplementary information

School District of Menomonee Falls

Schedule of District's Proportionate Share of the Net Pension (Liability) Asset -
Wisconsin Retirement System
Year Ended June 30, 2021

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

Schedule of Employer Contributions - Wisconsin Retirement System
Year Ended June 30, 2021

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

See notes to required supplementary information

School District of Menomonee Falls

Notes to Required Supplementary Information
June 30, 2021

Budgetary Information

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

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

Wisconsin Retirement System (WRS) Pension

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

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

Changes 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. The discount rate changed from 3.5% in 2020 to 2.25% in 2021. The Inflation rate changed from 2.5% in 2020 to 2.0% in 2021.

SUPPLEMENTARY INFORMATION

School District of Menomonee Falls

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2021

	Special Revenue Funds			Total Nonmajor Funds
	Gift Trust	Food Service	Community Service	
Assets				
Cash and investments	\$ 533,411	\$ 211,950	\$ 1,203,085	\$ 1,948,446
Receivables:				
Accounts	-	-	26,682	26,682
Due from other governments	-	297,168	-	297,168
Inventories	-	6,114	-	6,114
Prepaid expenses	-	-	1,901	1,901
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 533,411</u>	<u>\$ 515,232</u>	<u>\$ 1,231,668</u>	<u>\$ 2,280,311</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 13,401	\$ 3,944	\$ 17,345
Accrued salaries and wages	-	8,007	38,872	46,879
Payroll taxes and withholdings	-	7,595	22,594	30,189
Other current liabilities	17,182	-	2,527	19,709
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>17,182</u>	<u>29,003</u>	<u>67,937</u>	<u>114,122</u>
Deferred Inflows of Resources				
Unearned revenues	-	94,150	227,007	321,157
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Nonspendable	-	6,114	1,901	8,015
Committed	516,229	385,965	934,823	1,837,017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>516,229</u>	<u>392,079</u>	<u>936,724</u>	<u>1,845,032</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 533,411</u>	<u>\$ 515,232</u>	<u>\$ 1,231,668</u>	<u>\$ 2,280,311</u>

School District of Menomonee Falls

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

Year Ended June 30, 2021

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Funds</u>
	<u>Gift Trust</u>	<u>Food Service</u>	<u>Community Service</u>	
Revenues				
Property taxes	\$ -	\$ -	\$ 825,000	\$ 825,000
Local	220,839	60,353	740,890	1,022,082
State	-	24,846	-	24,846
Federal	-	1,645,835	-	1,645,835
Other	392,045	42,586	281	434,912
Total revenues	<u>612,884</u>	<u>1,773,620</u>	<u>1,566,171</u>	<u>3,952,675</u>
Expenditures				
Instruction:				
Regular	10,272	-	-	10,272
Vocational	5,228	-	-	5,228
Special education	11	-	-	11
Other	52,025	-	-	52,025
Total Instruction	<u>67,536</u>	<u>-</u>	<u>-</u>	<u>67,536</u>
Support services:				
Pupil services	1,739	-	-	1,739
Administration	9,363	-	-	9,363
Buildings and grounds	645,025	72,070	-	717,095
Other support services	352	-	-	352
Food service	-	1,539,845	-	1,539,845
Community service	-	-	1,473,463	1,473,463
Total support services	<u>656,479</u>	<u>1,611,915</u>	<u>1,473,463</u>	<u>3,741,857</u>
Total expenditures	<u>724,015</u>	<u>1,611,915</u>	<u>1,473,463</u>	<u>3,809,393</u>
Net change in fund balance	(111,131)	161,705	92,708	143,282
Fund Balances, Beginning	<u>627,360</u>	<u>230,374</u>	<u>844,016</u>	<u>1,701,750</u>
Fund Balances, Ending	<u>\$ 516,229</u>	<u>\$ 392,079</u>	<u>\$ 936,724</u>	<u>\$ 1,845,032</u>

**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 of
School District of Menomonee Falls

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, 2021 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 December 10, 2021.

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 2021-001 and 2021-002 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 responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 10, 2021

**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 of
School District of Menomonee Falls

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, 2021. 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, 2021.

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-003, that we consider to be a material weakness.

District's Response to Finding

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of 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

Milwaukee, Wisconsin
December 10, 2021

School District of Menomonee Falls

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

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 6/30/2020	Accrued Payable 6/30/2020	Cash Received	Estimated Receivable 6/30/2021	Accrued Payable 6/30/2021		
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	2021-673437-DPI-IDEA-F-341	\$ 1,312,000	\$ 199,707	\$ -	\$ 669,562	\$ 842,145	\$ -	\$ 1,312,000	\$ 1,312,000
Special Education - Preschool Grants	84.173	2021-673437-DPI-IDEA-P-347	56,138	9,786	-	35,755	30,169	-	56,138	56,138
Total Special Education Cluster				209,493	-	705,317	872,314	-	1,368,138	1,368,138
Title I-A Grants to Local Educational Agencies	84.010	2021-673437-TIA-141	104,190	45,484	-	80,137	69,537	-	104,190	104,190
Title III-A English Language Acquisition	84.365	2021-673437-DPI-T3-391	2,855	-	-	681	2,174	-	2,855	2,855
Title II-A Teach/Principal Training	84.367	2021-673437-TIIA-365	48,684	2,537	-	14,371	36,850	-	48,684	48,684
Title IV - A Student Support and Academic Enrichment Grants	84.424	2021-673437-TIVA-DPI-381	13,468	9,998	-	16,817	6,644	-	13,463	13,463
COVID-19 Education Stabilization Fund	84.425	2021-673437-TIVA-DPI-381	433,772	-	-	83,181	350,591	-	433,772	433,772
Passed Through Waukesha County Technical College										
Carl D. Perkins Vocational Education and Applied Technology Act										
Waukesha County Career Prep	84.048	2021-673437-CTE-400	5,763	-	-	5,763	-	-	5,763	5,763
Total U.S. Department of Education				267,512	-	906,267	1,338,110	-	1,976,865	1,976,865
U.S. Department of Health and Human Services										
Medicaid Cluster										
Passed through Wisconsin Department of Health Services										
Medical Assistance	93.778	44217100	332,408	13,006	-	323,326	22,088	-	332,408	332,408
Total U.S. Department of Health and Human Services				13,006	-	323,326	22,088	-	332,408	332,408
U.S. Department of Agriculture										
Child Nutrition Cluster										
Passed Through Wisconsin Department of Public Instruction										
Food Distribution - Commodities	10.555	n/a	139,602	-	-	139,602	-	-	139,602	139,602
COVID-19 National School Lunch Program	10.555	2021-673437-DPI-NSL-547	1,153,959	44,812	-	976,428	222,343	-	1,153,959	1,153,959
COVID-19 School Breakfast Program	10.553	2021-673437-DPI-SB-546	352,273	23,694	-	301,142	74,825	-	352,273	352,273
Total Child Nutrition Cluster				68,506	-	1,417,172	297,168	-	1,645,834	1,645,834
Total federal awards				\$ 349,024	\$ -	\$ 2,646,765	\$ 1,657,366	\$ -	\$ 3,955,107	\$ 3,955,107

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

School District of Menomonee Falls

Schedule of Expenditures of State Awards
 Year Ended June 30, 2021

State Agency/ Program Title	State ID Number	State Pass Through ID Number	Program or Award Amount	Revenues				Total Expenditures
				Accrued Receivable 7/1/2020	Cash Received	Accrued Receivable 6/30/2021	Total Revenues	
Wisconsin Department of Public Instruction								
Handicapped Pupils and School Age Parents:								
Internal District Program	255.101	LEA-100	\$ 2,022,451	\$ -	\$ 1,869,787	\$ -	\$ 1,869,787	\$ 1,869,787
State School Lunch Aid	255.102	LEA-107	17,073	-	17,073	-	17,073	17,073
Common School Fund - Library Aid	255.103	LEA-104	167,478	-	167,478	-	167,478	167,478
Pupil Transportation	255.107	LEA-102	79,469	-	79,469	-	79,469	79,469
General Equalization	255.201	LEA-116	8,539,665	143,481	8,407,001	132,664	8,396,184	8,396,184
Integration Aid-Nonresident	255.204	LEA-106	380,932	-	380,932	-	380,932	380,932
Supplemental Per Pupil Aid	255.245	LEA-181	11,378	-	11,378	-	11,378	11,378
Transition Readiness Program	255.257	LEA-174	9,077	-	9,077	-	9,077	9,077
School Mental Health Programs	255.297	LEA-177	46,692	5,343	38,481	13,554	46,692	46,692
School Breakfast Program	255.344	LEA-108	7,773	-	7,773	-	7,773	7,773
Early College Credit Program	255.445	LEA-178	973	-	973	-	973	973
Educator Effective Eval Sys Grants Public	255.940	LEA-154	32,960	-	32,960	-	32,960	32,960
Per Pupil Aid	255.945	LEA-113	2,778,048	-	2,778,048	-	2,778,048	2,778,048
Career and Technical Education Incentive Grant	255.950	LEA-152	22,334	-	22,334	-	22,334	22,334
Reading Readiness Public Program	255.956	LEA-166	17,604	-	17,604	-	17,604	17,604
Robotics League Participation Grants	255.959	LEA-167	4,359	-	4,359	-	4,359	4,359
Aid for Special Education Transition Grant	255.960	LEA-168	21,000	-	21,000	-	21,000	21,000
Wisconsin Department of Justice								
School Safety Grants	455.206	N/A	-	14,020	14,020	-	-	-
Total state awards				\$ 162,844	\$ 13,879,747	\$ 146,218	\$ 13,863,121	\$ 13,863,121

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
Year Ended June 30, 2021

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, 2021. 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.

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.

3. Special Education and School Age Parents Program

Eligible costs of Special Education under project 011 were \$6,214,162 for the year ended June 30, 2021.

4. Oversight Agency

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

5. Prior Year Findings

The findings identified as Federal and State Awards Findings and Questioned Costs No. 2020-001, 2020-002 and 2020-003 in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 have not been satisfactorily resolved and are identified as Findings and Questioned Costs No. 2021-001, 2021-002, and 2021-003 in the Schedule of Findings and Questioned Costs for the year ended June 30, 2021. 2020-004 and 2020-005 as noted in the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 have been addressed.

6. Indirect Cost Rate

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

School District of Menomonee Falls

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

Material weakness (es) identified? yes no

Significant deficiency (ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal and State Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

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

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

	Federal Programs	State Programs
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	\$250,000

Identification of major federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.555, 10.553 93.778	Child Nutrition Cluster Medical Assistance

School District of Menomonee Falls

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Identification of major state programs:

<u>State Numbers</u>	<u>Name of State Program</u>
255.201	General Equalization
255.204	Integration Aid – Nonresident

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

Finding 2021-001: Lack of Segregation of Duties

Repeat of Finding 2020-001

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
Year Ended June 30, 2021

Finding 2021-002: Internal Control Over Financial Reporting

Repeat of Finding 2020-002

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

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

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

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

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

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 2021-003 Programs:

Repeat of Finding 2020-003

Federal CFDA Number and Title:	10.55X	Child Nutrition Cluster
	93.778	Medical Assistance
State Program Number and Title:	255.201	General Equalization
	255.204	Integration Aid – Nonresident

Federal Grantor:	U.S. Department of Agriculture
	U.S. Department of Health and Human Services
State Grantor:	Wisconsin Department of Public Instruction

Lack of Segregation of Duties (see finding 2021-001).

School District of Menomonee Falls

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section IV – Other Issues

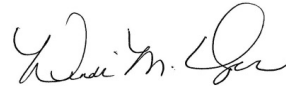
Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

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

December 10, 2021