

Pewaukee School District

Financial Statements and
Supplementary Information

June 30, 2021

Pewaukee School District

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Independent Auditors' Report

To the Board of Education of
Pewaukee School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pewaukee School District, Wisconsin, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Pewaukee School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Pewaukee School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Pewaukee School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Pewaukee School District, 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 Pewaukee School District 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. These reporting standards limit the disclosure of condensed financial statements and other information in the management's discussion and analysis. Management has elected to include more information in the management's discussion and analysis than is required by these standards. 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 schedule of investment returns - Health 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 Pewaukee School District's basic financial statements. The supplementary information as listed in the table of contents, which includes the schedules of expenditures of federal awards 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 is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021 on our consideration of the Pewaukee School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Pewaukee School District's 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 Pewaukee School District's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
November 22, 2021



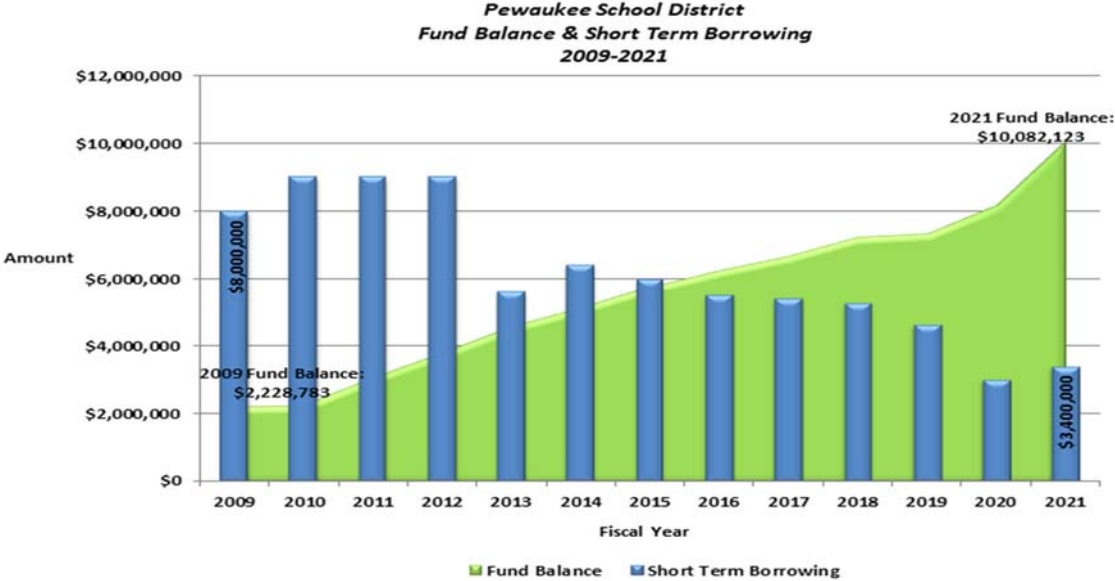
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
For the Year Ended June 30, 2021

The following discussion and analysis of the Pewaukee School District's financial performance provides an overall review of financial activities for the fiscal year and focuses on School District financial performance as a whole.

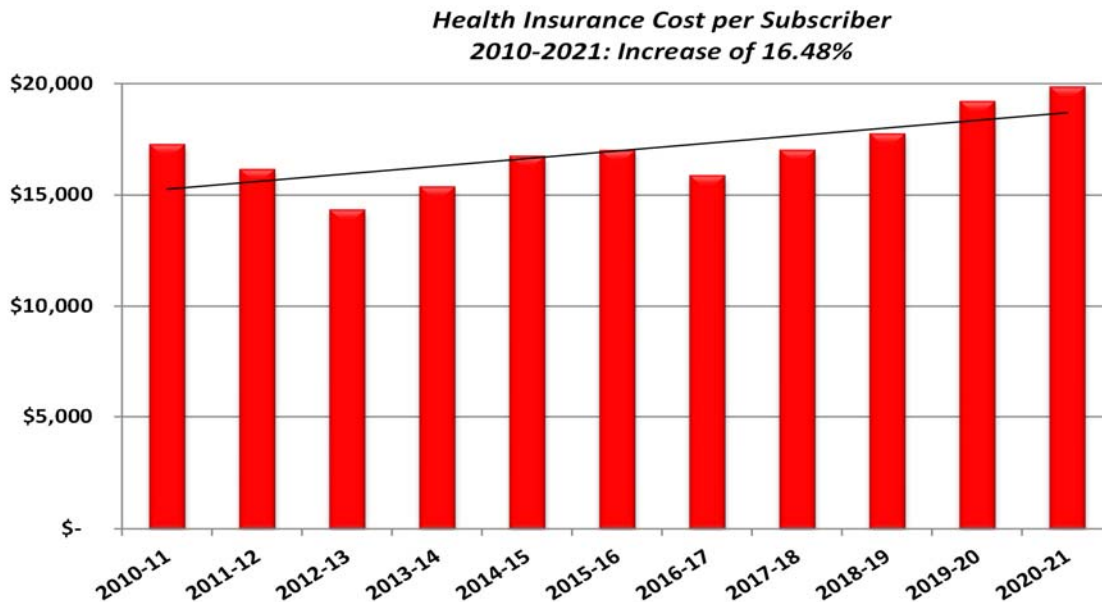
FINANCIAL HIGHLIGHTS

Review of Funds:

The General Fund (Fund 10) balance increased by \$1,498.32K from \$8.584M to \$10.082M. The fund balance is approximately 29.74% of General Fund expenditures. The original budget for 2020-21 was adopted with an expected surplus of approximately \$100,000. The budget surplus generated was primarily the result of operational savings due to the modification of the educational program delivery caused by the global pandemic. Personnel costs account for nearly seventy-nine percent of the overall operating budget. The District has taken a deliberate approach to increasing their reserves over the past several years. This approach has resulted in a significant reduction in the reliance of the district on short term borrowing for cash flow purposes as the following chart indicates:



Pewaukee School District served as the fiscal agent in the operations of the Waukesha Area Health Insurance Purchasing Cooperative. This group formed to create buying power for the smaller groups within individual districts generating premium savings for all members of the cooperative. Seven (7) districts participated in the initial offering. The members of the cooperative began their insurance coverage through United Health Care in September 2007 with their first renewal date on July 1, 2008. By September 1, 2014 the membership in the Cooperative had grown to ten school districts. The cooperative has implemented a robust wellness operating plan for all member districts. Improving the health of the group through the participation in the wellness activities offered will be monitored to measure the effectiveness of the plan in lowering the overall cost of health insurance. The following table illustrates the impact of the health insurance plan on the Operating Budget cost per subscriber over the past ten years.



Financial activity resulted in a decrease in fund balance in the Food Service Fund (Fund 50) of \$23,435. Revenues of \$901,912 and expenditures of \$925,347, resulting in a total fund balance of \$241,814 as of June 30, 2021. Reinvestment in additional resources to be used in the program to enhance participation will be the target for these reserves. The District elected to maintain payroll for this employee group through the pandemic closure and throughout the modification of service delivery. This was the primary reason for the deficit in the fiscal year.

Capital assets have been reported at \$106,058,128 and accumulated depreciation of \$31,883,668 for a net capital asset book value of \$74,174,460. The amount listed represents the estimated historical cost of all sites, site improvements, buildings and building improvements, furniture and equipment with a unit value of at least \$5,000. Independent physical inventories are conducted in spring on a biannual cycle with the most recent completed in the spring of 2021. Upon the completion of the current construction projects a full valuation will be conducted. Capital assets were assigned to an expense function and annual and accumulated depreciation for each expense function has been incorporated into the financial statements.

The District has planned for the future costs associated with the upkeep and maintenance of the facilities. Preventative maintenance and life cycle replacement of equipment are addressed in the Long Range Capital Improvement Plan. This plan is revisited annually and presented to the Board of Education. Major improvements to the facilities in the District are assessed in ten year increments through the Facility Master Planning process. During the 2017-18 school year our

Board of Education facilitated several community engagement sessions to develop a comprehensive facility improvement plan for the district. The Board of Education approved a referendum to be presented to the voters on November 6, 2018. This referendum was approved by vote of over 59% in favor of approving the project. Construction began in the Spring of 2019 and will be completed in Fall 2021.

The resident student full-time equivalent (FTE) count, which is a major variable in the district's revenue limit calculation, decreased by 87 students or 3.13% from September 2019 to September 2020. This reduction was a direct result of the parent choices for education during the pandemic. The loss of resident FTE was the greatest at the lower elementary grade levels. The count decreased from 2,779 full-time equivalent resident students to 2,692, full-time equivalent resident students. Pewaukee has experienced growth in our resident population through new developments in the community and residential turnover. While the pace of development has slowed due to the pandemic, new developments are again progressing. Over 125 single family home sites will be available by the Summer 2022.

Total revenues from Governmental Funds were \$43,941,374. This amount includes \$29,391,879 of local revenues, \$10,395,650 of state revenues, and \$4,153,845 from other sources. Local revenues represent 66.88% of all revenue. State revenues represent 23.65% of all revenue. Due to the position of the Pewaukee School District in the state aid distribution formula we experienced a decrease in Equalization Aid in the 2020-21 fiscal year of 14.80% or \$1,150,723.

The District's overall financial status, as reflected in total net position of \$40,716,572, reflecting the decrease in long-term liabilities as construction debt payments were made, offset by increases to the total asset base.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four parts:

1. Management's Discussion and Analysis.
2. Basic Financial Statements (District-wide and Fund Statements.)
3. Notes to the Financial Statements.
4. Required and Additional Supplementary Information.

The basic financial statements consist of district-wide Financial Statements and Fund Financial Statements that present different views of the district's financial activities.

District-wide Financial Statements

The *Statement of Net Position* and *Statement of Activities* provide information on a District-wide basis. These statements present an aggregate view of the District's finances. These statements contain useful long-term information as well as information for the 2020-21 fiscal year.

The *Statement of Net Position* compares assets and deferred outflows of resources to liabilities and deferred inflows of resources to give an overall view of the financial health of the District.

The *Statement of Activities* defines the District's expenses by function and illustrates the total that offset by corresponding revenues (charges for services and/or operating grants and contributions). General revenue and any extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue and recognizing the change in net assets for the District from the previous year.

Fund Financial Statements

The remaining statements: *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* focus on individual parts of the District. Fund statements generally report operations in more detail than the District-wide statements and support the *Statement of Net Position*.

The *Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual* is required supplementary information, which further explains and supports the financial statements by including a comparison of the District's budget data for the year.

The *Notes to the Financial Statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

Supplementary Information provides information specific to non-major governmental funds.

The major features of the District's financial statements, including the portion of the activities reported and type of information contained is shown in Table 1.

Table 1 – Major Features of District-wide and Fund Financial Statements

	District-wide Statements	Governmental Fund Statements	Proprietary Fund Statements	Fiduciary Fund Statements
Scope	Entire District (except fiduciary funds)	The activity of the District that is not proprietary or fiduciary, such as instructional, support services and community services.	An activity the District operates similar to private businesses. <u>The District does not report any program for this designation.</u>	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and changes in Fund Balance	Statement of Net Position Statement of Revenues, Expenses and changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Changes in Fiduciary Net Position
Basis of Accounting and Measurement Focus	Accrual accounting Economic resources focus	Modified accrual accounting Current financial resources focus	Accrual accounting Economic resources focus	Accrual accounting Economic resources focus
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities are included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both financial and capital, short-term and long-term. <u>The District's fiduciary funds do not currently contain capital assets.</u>
Type of Inflow and Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year. Expenditures when goods or services have been received and the related liabilities are due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

Table 2 – Condensed Statement of Net Position

	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>
<u>Assets</u>					
Current Assets	\$14,702,959	\$15,402,112	\$58,734,817	\$35,721,305	\$24,149,353
Non-Current Assets	42,692,846	44,241,112	39,210,183	64,760,131	81,264,841
Total Assets	\$57,395,805	\$59,643,224	\$97,945,000	\$100,481,436	\$105,414,194
<u>Deferred Outflows of Resources</u>	\$6,653,237	\$5,800,266	\$11,281,406	\$9,488,301	\$13,520,283
<u>Liabilities</u>					
Current Liabilities	\$8,716,585	\$8,078,733	\$11,249,893	\$8,212,425	\$10,922,987
Non-Current Liabilities	23,956,893	21,209,448	63,437,226	57,386,879	51,372,510
Total Liabilities	\$32,673,478	\$29,288,181	\$74,687,119	\$65,599,304	\$62,295,497
<u>Deferred Inflows of Resources</u>	\$2,913,041	\$6,656,833	\$5,876,350	\$11,261,912	\$15,922,408
<u>Net Position</u>					
Net Investment in Capital Assets	\$20,867,921	\$21,954,296	\$17,830,652	\$24,378,396	\$24,484,044
Restricted for Debt Service	420,446	414,628	3,873,252	979,492	4,159,035
Restricted for Food Service	0	0	297,972	265,249	241,814
Restricted for Trust	0	0	11,225	10,076	312,896
Restricted for pensions	0	3,303,216	0	3,650,931	7,090,381
Unrestricted	7,174,156	3,826,336	6,649,836	3,824,377	4,428,402
Total Net Position	\$28,462,523	\$29,498,476	\$28,662,937	\$33,108,521	\$40,716,572

Statement of Net Position: (Table 2)

As of June 30, 2021, the District reported total assets of \$105.41M, total deferred outflows of resources of \$13.52M, total liabilities of \$62.30M and total deferred inflows of resources of \$15.92M. Net position amounts to \$40.72M. Fiscal Year 2020-21 is the nineteenth year the District has reported capital assets on the balance sheet. Capital asset reporting includes historical cost of sites, site improvements, buildings, building improvements, furniture and equipment (all net of accumulated depreciation).

Table 3
Statement of Activities

Revenues:		2017-18	2018-19	2019-20	2020-21
Program:	Charges for Services	3,016,675	3,044,956	3,069,834	2,828,017
	Operating Grants & Cont.	2,107,815	2,381,552	2,197,750	3,261,720
General:	Property & Other Taxes	26,212,347	26,055,175	27,772,455	28,589,166
	General State Aid	6,325,881	8,021,029	10,209,590	8,997,447
	Other	186,631	610,226	843,501	265,024
	Total Revenue	\$37,849,349	\$40,112,938	\$44,093,130	\$43,941,374
<hr/>					
Expenses:					
Instruction:	Regular	14,526,511	15,676,920	15,539,576	15,049,955
	Vocational	1,450,447	1,435,475	1,404,588	1,362,264
	Special Education	3,227,170	3,274,858	3,445,844	3,252,024
	Other Instruction	1,436,413	1,545,186	1,555,865	1,737,643
Support:	Pupil Services	1,303,626	1,353,621	1,366,695	1,427,873
	Instructional Support	2,113,545	2,544,712	2,541,345	2,494,348
	Administration	2,878,141	3,080,153	2,941,772	2,695,239
	Buildings & Grounds	2,963,889	4,757,804	3,124,947	1,551,173
	Pupil Transportation	1,280,503	1,369,648	1,376,321	1,345,961
	Other Support Services	3,218,733	1,984,070	2,475,235	1,919,532
	Interest and Fees	462,193	2,008,735	2,079,382	2,003,237
	Food Service	1,000,095	964,582	848,795	901,194
	Depreciation Unallocated	952,130	952,713	947,181	921,417
	Total Expense	\$36,813,396	\$40,948,477	\$39,647,546	\$36,661,860
<hr/>					
Change in Net Position		\$1,035,953	(\$835,539)	\$4,445,584	\$7,279,514
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See independent auditors' report

Revenues

- The District received \$43.94M in revenue for the 2020-21 fiscal year. Approximately sixty-five percent (65.08%) of the District's total revenue came from local school property tax and prior year tax charge backs. About twenty percent (20.47%) of the total came from general state aid. The District receives fourteen percent (14.45%) in the form of specific use State Grants, Federal Aid, and direct fees for services and other revenues. The overall make-up of the sources of revenue did not vary significantly from the previous fiscal year.
- Individuals who directly participated or benefited from a program contributed \$2.83M of the cost. Book and activity fees, admissions to athletic events, lunch fees, open enrollment tuition, and building rental fees are included as charges for services.
- Federal and State governments subsidized certain programs with grants and contributions of \$3.26M. Special Education Aid and Transportation Aid are examples of operating grants and contributions.
- General Revenues in the form of property taxes accounted for \$28.59M and general state aid for \$9.00M. Charges for services and operating grants and contributions total \$6.09M.

Expenses

- The District's total expenditures were \$36.66M for fiscal year 2020-21. Sixty-nine percent (69.08%) of expenses were for direct instruction and instructional support services. Costs for teacher salaries/benefits, textbooks, and instructional supplies are examples of direct instruction and instructional services expenditures. Support services account for \$11.34M or thirty percent (30.08%) of total expenditures. These costs include administration, facility maintenance, pupil transportation, food service, central administration and risk management.
- The total cost of all governmental activities was \$36.66M.
- The net cost of governmental activities was \$30.57M. The net cost is the total cost less the program revenues. Refer to the Statement of Activities for the detailed adjustments made for the net cost.

Table #4 – Net Cost of Governmental Activities

	2018-19		2019-20		2020-21	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>
Regular Instruction	\$15,676,920	\$13,557,984	\$15,539,576	\$13,289,196	\$15,049,955	\$12,695,968
Vocational Instruction	1,435,475	1,413,757	1,404,588	140,195	1,362,264	(289,217)
Special Education	3,274,858	1,902,737	3,445,844	3,418,899	3,252,024	3,205,846
Other Instruction	1,545,186	1,425,960	1,555,865	1,461,363	1,737,643	1,383,393
Pupil Services	1,353,621	1,340,227	1,366,695	1,360,343	1,427,873	1,398,414
Instructional Support	2,544,712	2,266,134	2,541,345	2,237,825	2,494,348	2,149,293
Administration	3,080,153	3,080,153	2,941,772	2,895,843	2,695,239	2,686,123
Buildings and Grounds	4,757,804	4,485,275	3,124,947	2,938,324	1,551,173	1,324,981
Pupil Transportation	1,369,648	1,269,787	1,376,321	1,280,728	1,345,961	1,257,425
Other Support Services	1,984,070	1,881,902	2,475,235	2,316,045	1,919,532	1,835,822
Interest and Fees	2,008,735	2,008,735	2,079,382	2,079,382	2,003,237	2,003,237
Food Service	964,582	-63,395	848,795	14,638	901,194	(579)
Depreciation Unallocated	952,713	952,713.00	947,181	947,181.00	921,417	921,417
Total	\$40,948,477	\$35,521,969	\$39,647,546	\$34,379,962	\$36,661,860	\$30,572,123

General Fund Budgetary Comparison:

The District adopts a preliminary budget in May for the subsequent fiscal year. Consistent with current state statutes and regulations, the preliminary budget is amended in October to reflect the actual revenue cap and state aid certification. Thereinafter the budget is referred to as the Original Budget.

- General Fund (Fund 10) was originally approved with an expected surplus of \$100,000. The final fiscal year operations resulted in a General Fund surplus of \$1,498,317. This surplus was the result of reduced expenditures in the General Fund related primarily to operational and personnel costs in the amount of \$943,650 and revenues that came in over budget in the General Fund budget by \$95,531 in addition to the planned \$100,000 surplus.

Fund Balances:

- The District shows a total for all fund balances of \$20,199,942 as of June 30, 2021. (See Note 3 in the financial statements for the detail of total governmental fund balances.)
- \$10.08M is in the General Fund (Fund 10). The District utilizes this fund balance for funding short-term operations. The interest earned on investment of these funds provides additional spending capacity. The Fund 10 balance is approximately 29.74% of General Fund operating expenditures. A fund balance of this size is a positive sign of financial viability, enhances the District's bond rating, and allows the District to respond to non-recurring economic needs.
- \$4.94M is in the Debt Service Fund (Fund 30), which is reserved to make the September 2021 principal and interest payments on long-term debt. This balance is restricted for use on outstanding debt costs.
- \$242K is in the Food Service Fund (Fund 50), which is used to fund capital equipment needs.
- \$313K is in the Gift Fund (Fund 21), which represents donations to the District and proceeds for student organizations to be spent for a specific purpose.
- \$4.62M is in the Capital Projects Fund and will be used to complete projects which have been identified in the Long Range Capital Improvement Plan.

Governmental Activities:

The District’s current financial position can be credited to effective and conservative fiscal management.

- It has been the goal of the Board of Education to implement ongoing capital improvement projects in all the buildings of the District. A list of capital improvement projects is reviewed by administration and the Board every fiscal period to ensure that the physical plants in the District are kept in excellent condition and that costly major repairs may be averted through timely facility preventative maintenance. In the 2013-14 school year the Board of Education acted to combine their Five Year Capital Improvement plan and the Ten Year Campus Improvement Plan into a single Long Range Capital Improvement Plan. The Board also took action to create a long-term Capital Improvement Trust Fund (Fund 46) to address future funding needs. As of June 30, 2021 this fund maintains a balance of \$652,934. The District also maintains a Capital Improvement Fund (Fund 41) with a fiscal year-end balance of \$1,491,014.
- Each year, detailed attention is paid to staffing levels. Class size levels are monitored closely to ensure high quality instruction despite the constraints of the state-imposed revenue limit.

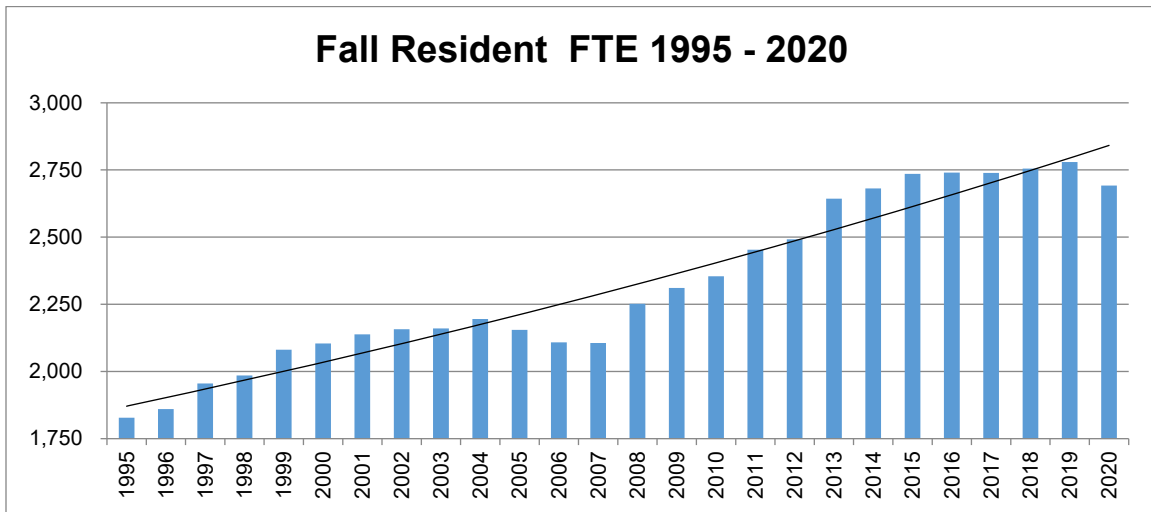
Staffing Table

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19	Actual 2019-20	Proposed 2020-21	Inc/(Dec) from PY
Teachers	182.90	186.42	193.08	197.46	198.23	206.19	7.96
Administrators	13.00	13.50	12.50	14.00	14.00	14.00	-
Aides	29.64	31.76	36.49	37.81	42.47	42.67	0.20
Custodians	18.60	18.85	17.78	18.75	19.00	20.40	1.40
Secretaries	12.38	14.26	14.38	15.07	15.10	15.48	0.38
Technology Staff	5.38	5.38	5.69	5.69	5.69	5.69	-
Psych, Social Emotional Support & Career Planning	2.00	3.50	4.10	4.10	4.20	4.20	-
District Assistants/Support*	17.18	17.18	16.84	17.31	17.75	17.60	(0.15)

(* District Assistants/Support: Buildings & Grounds Dir., Human Resources Dir., Comptroller, Marketing & Communications Manager, Accounts Payable, Payroll, District Office Admin Assistants, Athletic Director, Volunteer Coordinator, School Nurses, Data Coordinator, Theatre Supervisor, and Custodial Operations Supervisor). School Nursing Services were moved to Confidential Support and accounted for in the above table beginning in the 12-13 school year. Previously they were considered Itinerant or Pool staff.

- The District keeps a close watch on enrollment projections and plans personnel decisions accordingly. Projections are outsourced every four years using the Applied Population Laboratory from the University of Wisconsin – Madison. The district has experienced growth in the resident student population since the mid 1980’s in all but two years. December 2016 projections calling for the resident population to exceed 3,000 by the 2021-22 school year have been tempered by the impact of the pandemic. Turnover (sales) of existing homes within the District continues to be strong and is a source of continuing growth in the resident student population. The District anticipates a return to stable, manageable growth in the near future.

Open Enrollment is utilized by the district to provide additional revenue for investment into the educational programs of the district while offsetting the fixed cost of operations. The Pewaukee School District experienced a net revenue (difference between incoming and outgoing students) of \$984K in the General Fund.



Capital Asset and Debt Administration

Capital Assets

- In order to comply with GASB 34, the District retains an independent appraisal firm to perform a comprehensive physical inventory every other year (and a book review in each off-year) of all capital assets over \$5,000 and calculates both annual and accumulated depreciation on all applicable capital assets. (Note 3 in the Financial Statements details the capital assets).

Long Term Debt

- As of June 30, 2021 the District had \$47.35M in long-term obligations, which includes promissory notes, general obligation bonds. (Note 3 in the Financial Statements details the long-term obligations).

General Obligation Debt of the District is secured by an irrevocable tax levy adopted by the Board of Education at the time of issuance. Wisconsin State Statutes require that the first property tax receipts be segregated for use for annual debt service payment. The Pewaukee School District complies with all these statutory requirements.

Decisions that Will Impact the Future of the District

- One of the most important variables in the District's financial future is controlling the cost of health insurance for its employees. If these rates increase, the cost of health benefits will have a detrimental impact on the instructional services of the District. District administration has been implementing various employee cost-sharing and cost-saving measures to offset the District's portion of this expense but this issue continues to be a budgetary challenge. Through the continuous improvement efforts of the District, there has been a robust wellness program developed and implemented within the District. Working in collaboration with the members of the Waukesha County Area Schools Cooperative (WCASC) we are able to implement long term solutions to control the cost of health insurance for our District.
- It is important the District continues to be able to complete capital improvement projects. The unique campus setting of the Pewaukee School District is an important asset which helps attract and retain students and staff. It is one of the Board of Education's strategic goals and an annual budget priority to continue to upgrade and maintain the physical plants of the District. Space for the growing resident population will be monitored closely. Planning for meeting the facility needs of the future is reviewed in ten year increments to ensure that the educational environment is appropriate to meet the needs of the next generation of learners. Conducting a thorough review of the Facility Master Plan with a focus on the viability of maintaining a single campus to meet the needs of a diverse resident student population is currently underway in the District.
- The District enjoys a positive impact from the Public School Open Enrollment Program, with approximately 90 students leaving the District and 240 students entering the District. This produces a revenue gain of approximately \$1.00M per year. Leveraging this source of revenue to augment the sources of funds available to provide an enhanced learning experience for all students is a core strategic action.
- Pewaukee School District continues to benefit from very strong growth in the local tax base and increases in residential construction. These trends should have a beneficial effect upon District finances for the next 2-3 years. The commercial tax base will also increase due to the addition of retail developments in the Village of Pewaukee.
- Funding allocated from the Federal Government through the CARES and ARPA Acts will have a significant impact on the operations of the District. In the State of Wisconsin 2021-23 biennial budget public schools were allocated an increase of \$0 per pupil to the revenue limits for each year of the biennium. Districts must strategically allocate the available resources within the parameters allowed to meet the needs of all students. Pewaukee School District has developed a plan to effectively allocate these resources.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, please contact:

John Gahan, Assistant Superintendent
Pewaukee School District
404 Lake Street
Pewaukee, WI 53072
Phone: (262) 695-5038
gahajoh@pewaukeeschools.org

Pewaukee School District

Statement of Net Position
June 30, 2021

Assets

Current assets:	
Cash and investments	\$ 15,964,245
Taxes receivable	6,987,496
Due from other governments	754,899
Accounts receivable	66,799
Prepaid items	375,914
	<hr/>
Total current assets	24,149,353
Noncurrent assets:	
Restricted asset:	
Net pension asset	7,090,381
	<hr/>
Capital assets:	
Land	1,449,282
Construction in progress	433,550
Other capital assets	104,175,296
Less accumulated depreciation	(31,883,668)
	<hr/>
Total noncurrent assets	81,264,841
Total assets	105,414,194

Deferred Outflows of Resources

Pension related items	11,400,244
OPEB related items	2,120,039
	<hr/>
Total deferred outflows of resources	13,520,283

Liabilities

Current liabilities:	
Short-term debt	3,400,000
Accounts payable and accrued expenses	1,334,791
Current portion of long-term obligations	6,188,196
	<hr/>
Total current liabilities	10,922,987
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	51,372,510
	<hr/>
Total liabilities	62,295,497

Deferred Inflows of Resources

Pension related items	15,548,885
OPEB related items	373,523
	<hr/>
Total deferred inflows of resources	15,922,408

Net Position

Net investment in capital assets	24,484,044
Restricted for debt service	4,159,035
Restricted for food service	241,814
Restricted for pension	7,090,381
Restricted for trust	312,896
Unrestricted	4,428,402
	<hr/>
Total net position	\$ 40,716,572

See notes to financial statements

Pewaukee School District

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 15,049,955	\$ 2,216,517	\$ 137,470	\$ (12,695,968)
Special education	3,252,024	6,236	39,942	(3,205,846)
Vocational	1,362,264	-	1,651,481	289,217
Other	1,737,643	354,250	-	(1,383,393)
Total instruction	21,401,886	2,577,003	1,828,893	(16,995,990)
Support Services				
Pupil services	1,427,873	-	29,459	(1,398,414)
Instructional support services	2,494,348	-	345,055	(2,149,293)
Administration	2,695,239	9,116	-	(2,686,123)
Buildings and grounds	1,551,173	120,526	105,666	(1,324,981)
Pupil transportation	1,345,961	-	88,536	(1,257,425)
Other support services	1,919,532	1,409	82,301	(1,835,822)
Interest and fees	2,003,237	-	-	(2,003,237)
Food service	901,194	119,963	781,810	579
Total support services	14,338,557	251,014	1,432,827	(12,654,716)
Depreciation, Unallocated *	921,417	-	-	(921,417)
Total activities	\$ 36,661,860	\$ 2,828,017	\$ 3,261,720	(30,572,123)
General Revenues				
Taxes:				
Property taxes:				
General purposes				25,646,127
Debt service				2,943,039
State and federal aids not restricted to specific functions:				
General				8,678,726
Other				318,721
Investment income				192,247
Miscellaneous				72,777
Total general revenues				37,851,637
Change in net position				7,279,514
Net Position, Beginning (as restated)				33,437,058
Net Position, Ending				\$ 40,716,572

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

Pewaukee School District

Balance Sheet - Governmental Funds

June 30, 2021

	<u>General Fund</u>	<u>Special Education Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets						
Cash and investments	\$ 5,889,290	\$ -	\$ 4,944,415	\$ 4,618,694	\$ 511,846	\$ 15,964,245
Taxes receivable	6,987,496	-	-	-	-	6,987,496
Due from other funds	240,387	-	-	-	-	240,387
Due from other governments	421,775	290,354	-	-	42,770	754,899
Accounts receivable	30,694	7,966	-	-	28,139	66,799
Prepaid items	374,719	1,195	-	-	-	375,914
	<u>3,862,238</u>	<u>299,515</u>	<u>-</u>	<u>-</u>	<u>28,045</u>	<u>4,189,798</u>
Total assets	<u>\$ 13,944,361</u>	<u>\$ 299,515</u>	<u>\$ 4,944,415</u>	<u>\$ 4,618,694</u>	<u>\$ 582,755</u>	<u>\$ 24,389,740</u>
Liabilities and Fund Balances						
Liabilities						
Short-term notes payable	\$ 3,400,000	\$ -	\$ -	\$ -	\$ -	\$ 3,400,000
Accounts payable	19,022	-	-	-	24,766	43,788
Accrued payroll and related liabilities	415,123	59,128	-	-	3,279	477,530
Accrued interest payable	28,093	-	-	-	-	28,093
Due to other funds	-	240,387	-	-	-	240,387
	<u>3,862,238</u>	<u>299,515</u>	<u>-</u>	<u>-</u>	<u>28,045</u>	<u>4,189,798</u>
Total liabilities	<u>3,862,238</u>	<u>299,515</u>	<u>-</u>	<u>-</u>	<u>28,045</u>	<u>4,189,798</u>
Fund Balances						
Nonspendable	374,719	-	-	-	-	374,719
Restricted	-	-	4,944,415	4,618,694	554,710	10,117,819
Unassigned	9,707,404	-	-	-	-	9,707,404
	<u>10,082,123</u>	<u>-</u>	<u>4,944,415</u>	<u>4,618,694</u>	<u>554,710</u>	<u>20,199,942</u>
Total fund balances	<u>10,082,123</u>	<u>-</u>	<u>4,944,415</u>	<u>4,618,694</u>	<u>554,710</u>	<u>20,199,942</u>
Total liabilities and fund balances	<u>\$ 13,944,361</u>	<u>\$ 299,515</u>	<u>\$ 4,944,415</u>	<u>\$ 4,618,694</u>	<u>\$ 582,755</u>	

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

The net pension asset does not relate to current financial resources and is not reported in the governmental funds.	7,090,381
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. See Note 3.	74,174,460
Deferred outflows of resources related to pensions and OPEB do not relate to current financial resources and are not reported in the governmental funds.	13,520,283
Deferred inflows of resources related to pensions and OPEB do not relate to current financial resources and are not reported in the governmental funds.	(15,922,408)
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(785,380)
Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds. See Note 3.	<u>(57,560,706)</u>
Net position	<u>\$ 40,716,572</u>

See notes to financial statements

Pewaukee School District

 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 Year Ended June 30, 2021

	General Fund	Special Education Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Local	\$ 23,551,458	\$ -	\$ 5,318,202	\$ 158,046	\$ 364,173	\$ 29,391,879
Interdistrict	2,005,251	40,469	-	-	1,409	2,047,129
Intermediate	9,461	-	-	-	-	9,461
State	9,328,852	1,055,934	-	-	10,864	10,395,650
Federal	426,567	655,087	-	-	770,947	1,852,601
Other	80,942	-	-	87,322	76,390	244,654
Total revenues	35,402,531	1,751,490	5,318,202	245,368	1,223,783	43,941,374
Expenditures						
Instruction:						
Regular	14,185,278	-	-	-	30,949	14,216,227
Special education	284,010	3,046,582	-	-	-	3,330,592
Vocational	1,494,116	-	-	-	6,912	1,501,028
Other	1,445,556	-	-	-	308,296	1,753,852
Total instruction	17,408,960	3,046,582	-	-	346,157	20,801,699
Support services:						
Pupil services	1,068,797	476,614	-	-	-	1,545,411
Instructional support services	2,411,386	285,833	-	-	22	2,697,241
Administration	2,977,663	4,655	-	-	-	2,982,318
Buildings and grounds	3,196,782	8,657	-	13,353,880	21,982	16,581,301
Pupil transportation	1,129,083	216,878	-	-	-	1,345,961
Other support services	1,923,300	1,042	-	-	1,565	1,925,907
Debt service:						
Principal retirement	-	-	12,425,000	-	-	12,425,000
Interest and fiscal charges	25,235	-	2,252,776	-	-	2,278,011
Food service	-	-	-	-	903,365	903,365
Total support services	12,732,246	993,679	14,677,776	13,353,880	926,934	42,684,515
Nonprogram	1,238,824	235,257	-	-	-	1,474,081
Total expenditures	31,380,030	4,275,518	14,677,776	13,353,880	1,273,091	64,960,295
Excess (deficiency) of revenues over expenditures	4,022,501	(2,524,028)	(9,359,574)	(13,108,512)	(49,308)	(21,018,921)
Other Financing Sources (Uses)						
Debt issued	-	-	11,225,000	-	-	11,225,000
Debt premium	-	-	1,403,707	-	-	1,403,707
Transfers in	-	2,524,028	-	-	156	2,524,184
Transfers out	(2,524,184)	-	-	-	-	(2,524,184)
Total other financing sources (uses)	(2,524,184)	2,524,028	12,628,707	-	156	12,628,707
Net change in fund balances	1,498,317	-	3,269,133	(13,108,512)	(49,152)	(8,390,214)
Fund Balances, Beginning (as restated)	8,583,806	-	1,675,282	17,727,206	603,862	28,590,156
Fund Balances, Ending	\$ 10,082,123	\$ -	\$ 4,944,415	\$ 4,618,694	\$ 554,710	\$ 20,199,942

See notes to financial statements

Pewaukee School District

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 \$ (8,390,214)

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 activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the district-wide financial statements	\$ 13,738,096	
Contributed asset	1,341,679	
Depreciation expense reported in the statement of activities	(2,014,472)	
Net book value of assets retired	<u>(43)</u>	13,065,260

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

Debt paid	12,425,000
Debt issued	(11,225,000)

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.

Premium on debt issued	(1,403,707)
Amortization of debt premium	364,363

Some expenses reported in the statement of activities do not require
the use of current financial resources and therefore are not reported
as expenditures in governmental funds.

Compensated absences	1,416
Accrued interest on debt	(89,590)
Change in net OPEB liabilities	(249,795)
Change in total pension liability, single employer	(29,155)
Change in net pension asset, WRS	3,439,450
Deferred outflows of resources related to pensions and OPEB	4,031,982
Deferred inflows of resources related to pensions and OPEB	<u>(4,660,496)</u>

Change in Net Position \$ 7,279,514

Pewaukee School District

Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2021

	<u>Employee Benefit Trust Fund Post- Retirement Health Benefits</u>
Assets	
Cash and investments	\$ 608,394
Net Position	
Held in trust for employee benefits	\$ 608,394

Pewaukee School District

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
Year Ended June 30, 2021

	Employee Benefit Trust Fund Post- Retirement Health Benefits
Additions	
District contributions	\$ 420,000
Member contributions	8,323
Interest	522
Total additions	428,845
Deductions	
Benefits paid	417,339
Change in net position	11,506
Net Position, Beginning	596,888
Net Position, Ending	<u>\$ 608,394</u>

See notes to financial statements

Pewaukee School District

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June 30, 2021

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Pewaukee School District

Notes to Financial Statements
June 30, 2021

1. Summary of Significant Accounting Policies

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

Reporting Entity

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

District-Wide and Fund Financial Statements

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

Pewaukee School District

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.

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 that are restricted or committed to providing special education services to District students.

Debt Service Fund

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

Capital Projects Fund

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

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).

Food Service Fund
Trust Fund
Package Cooperative Program Fund

In addition, the District reports the following fund types:

Pension (and Other Employee Benefit) Trust Fund

Pension (and Other Employee Benefit) Trust Fund is 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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

Fiduciary Funds

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

All Financial Statements

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

Pewaukee School District

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.

Investment of most trust funds, is regulated by Chapter 881 of the Wisconsin Statutes. This section gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The District has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

- Credit risk
- Custodial credit 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.

Pewaukee School District

Notes to Financial Statements
June 30, 2021

Receivables

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.

Prepaid Items

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 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Pewaukee School District

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	5-50 Years
Furniture, equipment and vehicles	5-20 Years

Fund Financial Statements

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

Deferred Outflows of Resources

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

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

Compensated Absences

The District's policy allows certain nonteacher employees to earn varying amounts of vacation pay each year depending on the total number of years employed. Employees normally use their entire vacation during the fiscal year. In some instances, employees are not able to use their entire vacation during the fiscal year and the District allows them to accumulate vacation time which is vested and payable upon retirement or termination.

The District does allow certain nonteacher employees hired before July 1, 2011, upon retirement, 33-1/3 percent of sick leave will be credited to the account of the retiring employee will be paid to the employee with a minimum of ten years of service.

The payout of compensated absences for sick and vacation is recorded as an expenditure in the fiscal year that the payment is made for the governmental funds statements. Vested accumulated benefits for sick and vacation are recorded as an expense and liability when earned in the District-wide statements.

The District also allows early retirement elections. Under this program health and dental insurance benefits are paid in future fiscal years. These benefits, though related to services currently received, are recorded as expenditures of the governmental funds in the period in which they are paid rather than the period in which the early retirement occurs.

Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, total pension liabilities and net OPEB liabilities.

Pewaukee School District

Notes to Financial Statements

June 30, 2021

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

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

Deferred Inflows of Resources

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

Equity Classifications

Government-Wide Statements

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

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

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

Fund Statements

Governmental fund balances are displayed as follows:

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

Pewaukee School District

Notes to Financial Statements

June 30, 2021

- 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 Assistant Superintendent to assign amounts for a specific purpose or 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. *Unassigned* - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

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

See Note 3. for further information.

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

Pension

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

For purposes of measuring the single-employer pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, the District's single-employer pension plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District OPEB Plan and additions to/deductions from the District OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the District OPEB Plan. For this purpose, the District OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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

Pewaukee School District

Notes to Financial Statements
June 30, 2021

2. Stewardship, Compliance and Accountability

Excess Expenditures Over Appropriations

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Special Revenue - Food Service Fund	\$ 763,807	\$ 925,347	\$ 161,540

The District controls expenditures at the function level in the General Fund and at the fund level for all other funds. Some individual funds/functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

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	\$ 5,799,052	\$ 6,900,542	Custodial credit
LGIP	8,149,984	8,149,984	Credit
WISC	2,621,783	2,621,783	Custodial and Credit
Athletic cash box funds	1,400	-	N/A
Petty cash	420	-	N/A
Total deposits and investments	<u>\$ 16,572,639</u>	<u>\$ 17,672,309</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 15,964,245		
Per statement of net position, fiduciary funds			
Employee Benefit Trust Fund	<u>608,394</u>		
Total deposits and investments	<u>\$ 16,572,639</u>		

Pewaukee School District

Notes to Financial Statements
June 30, 2021

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 not been considered in computing custodial credit risk.

The District maintains collateral agreements with its banks. At June 30, 2021, the banks had pledged various government securities in the amount of \$6,724,029 to secure the District's deposits.

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.

The District does not have any deposits exposed to custodial credit risk.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District does not have any investments exposed to custodial credit risk.

Credit Risk

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

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

LGIP

WISC

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.

Restricted Assets

The following represent the balance 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.

Pewaukee School District

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	\$ 1,449,282	\$ -	\$ -	\$ 1,449,282
Construction in progress	23,684,630	433,550	23,684,630	433,550
Total capital assets not being depreciated	<u>25,133,912</u>	<u>433,550</u>	<u>23,684,630</u>	<u>1,882,832</u>
Capital assets being depreciated:				
Buildings	59,911,330	38,099,236	-	98,010,566
Land improvements	4,459,149	-	-	4,459,149
Furniture, equipment and vehicles	<u>1,758,477</u>	<u>231,619</u>	<u>284,515</u>	<u>1,705,581</u>
Total capital assets being depreciated	<u>66,128,956</u>	<u>38,330,855</u>	<u>284,515</u>	<u>104,175,296</u>
Total capital assets	<u>91,262,868</u>	<u>38,764,405</u>	<u>23,969,145</u>	<u>106,058,128</u>
Less accumulated for:				
Buildings	(26,096,894)	(1,716,208)	-	(27,813,102)
Land improvements	(2,880,820)	(174,036)	284,472	(2,770,384)
Furniture, equipment and vehicles	<u>(1,175,954)</u>	<u>(124,228)</u>	<u>-</u>	<u>(1,300,182)</u>
Total accumulated	<u>(30,153,668)</u>	<u>(2,014,472)</u>	<u>284,472</u>	<u>(31,883,668)</u>
Net capital assets being depreciated	<u>35,975,288</u>	<u>36,316,383</u>	<u>43</u>	<u>72,291,628</u>
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 61,109,200</u>	<u>\$ 36,749,933</u>	<u>\$ 23,684,673</u>	<u>\$ 74,174,460</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

Instruction:

Regular instruction	\$ 850,618
Vocational	2,796
Other	85,263

Support services:

Building and grounds	94,632
Food service	9,929
Other support services	49,817
Unallocated	<u>921,417</u>

Total governmental activities depreciation expense \$ 2,014,472

Pewaukee School District

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 Education Fund	\$ 240,387
Less fund eliminations		<u>(240,387)</u>
Total internal balances, government-wide statement of net position		<u>\$ -</u>

All amounts are due within one year.

The principal purpose of these interfunds is to temporarily finance expenditures until all revenue sources are received. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. For the statement of net position, interfund balances which are owed within the governmental activities are netted and eliminated.

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 Education Fund	General Fund	\$ 2,524,028	Operating subsidy
Package Cooperative Program Fund	General Fund	<u>156</u>	Operating subsidy
Total, fund financial statements		2,524,184	
Less fund eliminations		<u>(2,524,184)</u>	
Total transfers, government-wide statement of activities		<u>\$ -</u>	

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.

Pewaukee School District

Notes to Financial Statements
June 30, 2021

Short-Term Debt Activity

The District issues short-term debt for for cash flow purposes in advance of property tax collections. The fiscal year begins July 1, but tax collections from the municipalities are received beginning the following January.

Short-term debt activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax and Revenue Anticipation Note	\$ 3,000,000	\$ 3,400,000	\$ 3,000,000	\$ 3,400,000

The current tax and revenue anticipation note is due September 22, 2021 and has an interest rate of 1.00 percent. The total short term interest expended during the year was \$23,288.

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	\$ 48,545,000	\$ 11,225,000	\$ 12,425,000	\$ 47,345,000	\$ 6,130,000
(Discunts)/Premiums:	<u>3,780,819</u>	<u>1,403,707</u>	<u>364,363</u>	<u>4,820,163</u>	<u>-</u>
Subtotal	<u>52,325,819</u>	<u>12,628,707</u>	<u>12,789,363</u>	<u>52,165,163</u>	<u>6,130,000</u>
Other liabilities:					
Vested compensated absences	118,515	8,924	10,340	117,099	58,196
Net OPEB liability - health	3,497,338	-	202,712	3,294,626	-
Total pension liability - single employer	256,387	29,155	-	285,542	-
Net OPEB liability - life	<u>1,245,769</u>	<u>472,565</u>	<u>20,058</u>	<u>1,698,276</u>	<u>-</u>
Total other liabilities	<u>5,118,009</u>	<u>510,644</u>	<u>233,110</u>	<u>5,395,543</u>	<u>58,196</u>
Total governmental activities long-term liabilities	<u>\$ 57,443,828</u>	<u>\$ 13,139,351</u>	<u>\$ 13,022,473</u>	<u>\$ 57,560,706</u>	<u>\$ 6,188,196</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 \$303,348,983. Total general obligation debt outstanding at year-end was \$47,345,000.

Pewaukee School District

Notes to Financial Statements
June 30, 2021

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					Balance
General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	June 30, 2021
General Obligation Promissory Notes	3/5/12	3/1/22	1.5-2.0%	\$ 4,025,000	\$ 100,000
General Obligation Refunding Bonds	3/20/19	9/1/37	3.375-5.0%	16,560,000	16,560,000
General Obligation Refunding Bond	3/20/19	3/1/38	4.0-5.0%	22,485,000	19,460,000
General Obligation Refunding Bond	12/2/20	3/1/30	3.0-5.0%	11,225,000	<u>11,225,000</u>
Total governmental activities, general obligation debt					<u>\$ 47,345,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities	
	Principal	Interest
2022	\$ 6,130,000	\$ 2,060,785
2023	-	1,402,519
2024	7,400,000	2,020,869
2025	-	1,166,269
2026	8,310,000	1,563,119
2027-2031	5,460,000	4,416,944
2032-2036	14,675,000	2,774,594
2037-2038	<u>5,370,000</u>	<u>385,978</u>
Total	<u>\$ 47,345,000</u>	<u>\$ 15,791,077</u>

Other Debt Information

Estimated payments of other long-term liabilities are not included in the debt service requirement schedules. The other liabilities future payments are attributable to governmental activities and will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The District believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Current Refunding

On December 2, 2020, the District issued \$11,225,000 in general obligation bonds with an average coupon rate of 4.00 percent to refund \$11,480,000 of outstanding bonds with an average coupon rate of 3.45 percent. The net proceeds along with existing funds of the District were used to prepay the outstanding debt.

Pewaukee School District

Notes to Financial Statements

June 30, 2021

The cash flow requirements on the refunded debt prior to the current refunding was \$15,306,150 from 2021 through 2031. The cash flow requirements on the 2020 refunding bonds are \$13,162,007 from 2021 through 2030. 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 \$1,765,940.

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2021, \$100,000 of bonds outstanding are considered defeased. The bonds are not callable.

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	\$ 1,449,282
Construction in progress	433,550
Other capital assets, net of accumulated depreciation	72,291,628
Less long-term debt outstanding	(47,345,000)
Plus unspent capital related debt proceeds	2,474,747
Less unamortized debt premium	<u>(4,820,163)</u>

Total net investment in capital assets \$ 24,484,044

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 Funds</u>	<u>Total</u>
Fund Balances					
Nonspendable:					
Prepaid items	\$ 374,719	\$ -	\$ -	\$ -	\$ 374,719
Restricted for:					
Debt service	-	4,944,415	-	-	4,944,415
Capital projects	-	-	4,618,694	-	4,618,694
Food service	-	-	-	241,814	241,814
Trust	-	-	-	312,896	312,896
Unassigned:	<u>9,707,404</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,707,404</u>
Total fund balances	<u><u>\$ 10,082,123</u></u>	<u><u>\$ 4,944,415</u></u>	<u><u>\$ 4,618,694</u></u>	<u><u>\$ 554,710</u></u>	<u><u>\$ 20,199,942</u></u>

Pewaukee School District

Notes to Financial Statements
June 30, 2021

Restatement of Fund Balances/Net Position

Fund balance/net position has been restated in relation to the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Special Revenue - Trust Fund

Special Revenue - Trust Fund balance, June 30, 2020 (as reported)	\$ 10,076
Add reclassification of activities from Fiduciary Fund to Governmental Fund	<u>328,537</u>
Special Revenue - Trust Fund Balance, June 30, 2020 (as restated)	<u>\$ 338,613</u>

Nonmajor Funds

Nonmajor Fund balance, June 30, 2020 (as reported)	\$ 275,325
Add reclassification of activities from Fiduciary Fund to Governmental Fund	<u>328,537</u>
Nonmajor Fund Balance, June 30, 2020 (as restated)	<u>\$ 603,862</u>

Governmental Activities Fund

Governmental Activities Net position, June 30, 2020 (as reported)	\$ 33,108,521
Add reclassification of activities from Fiduciary Fund to Governmental Fund	<u>328,537</u>
Governmental Activities Net Position, June 30, 2020 (as restated)	<u>\$ 33,437,058</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>.

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.

Pewaukee School District

Notes to Financial Statements

June 30, 2021

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 December 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

Pewaukee School District

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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 \$1,277,108 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)	6.75 %	6.75 %

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 \$7,090,381 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 0.11357079 percent, which was an increase of 0.00034764 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the District recognized pension expense of (\$808,976).

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	\$ 10,261,959	\$ 2,210,407
Changes in assumptions	160,823	-
Net differences between projected and actual earnings on pension plan investments	-	13,311,614
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,251	12,520
Employer contributions subsequent to the measurement date	<u>778,439</u>	<u>-</u>
Total	<u>\$ 11,204,472</u>	<u>\$ 15,534,541</u>

Pewaukee School District

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\$778,439 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 June 30:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2022	\$ (1,317,600)
2023	(356,811)
2024	(2,412,156)
2025	(1,021,941)

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.

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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	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	6.6	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 municipal 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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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 asset calculated using the discount rate of 7.00 percent, as well as what the District's proportionate share of the net pension 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)	\$ 6,749,060	\$ (7,090,381)	\$ (17,255,381)

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 \$448,291, 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. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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.

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Other Postemployment Benefits

General Information About the Health OPEB Plan

Plan Description

The District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The plan provides health care benefits to eligible retirees and their spouses. Management of the OPEB plan are vested in the Board of Education.

Benefits Provided

Benefit provisions are established through employment policies approved by the Board of Education.

For Administrators at least age 55 with a minimum of 12 years of service that retire prior to July 1, 2020, the OPEB Plan will contribute to the full (100 percent) amount towards eligible retiree's medical premiums for a period of 5 years but not to exceed Medicare-eligibility. For Administrators at least age 55 with a minimum of 12 years of service that retire after July 1, 2020, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years but not to exceed Medicare-eligibility.

For Teachers at least age 55 with a minimum of 15 years of service or at least age 60 with a minimum of 20 years of service if hired after July 1, 2008 that retire prior to July 1, 2020, the OPEB Plan will make the same contribution towards eligible retiree's medical premiums as is made for active employees for a period of 5 years but not to exceed Medicare-eligibility. For Teachers at least age 55 with a minimum of 15 years of service or at least age 60 with a minimum of 20 years of service if hired after July 1, 2008 that retire after July 1, 2020, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years (3 years if retiring with less than a Master's degree) but not to exceed Medicare-eligibility.

For Confidential Support employees at least age 55 with a minimum of 15 years of service that retire prior to July 1, 2018, the OPEB Plan will contribute to the full (100 percent) amount towards eligible retiree's medical premiums for a period of 5 years but not to exceed Medicare-eligibility. For Confidential Support employees at least age 55 with a minimum of 15 years of service that retire after July 1, 2020, the OPEB Plan will contribute \$16,500 a year into a Premium-Only HRA for a period of 5 years but not to exceed Medicare-eligibility.

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	15
Inactive plan members entitled to but not yet receiving benefit payments	57
Active plan members	<u>203</u>
	<u><u>275</u></u>

Contributions

Contribution requirements are established through employment policies approved by the Board of Education. The required contribution is based on a pay-as-you-go basis, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2021, the District contributed \$362,349.

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Investments

Investment policy. The Trustee of the Plan is authorized to invest funds of the Plan only in investments which the District is permitted to make under Section 66.0603 of the Wisconsin state statutes. See Note I.D.1. for further information.

Concentrations. All OPEB plan assets have been invested in the Wisconsin Local Government Investment Pool.

Rate of return. The annual money-weighted rate of return on investments, net of investment expense, has not been determined. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0%
Investment rate of return	2.25%
Healthcare cost trend rates	6.50% decreasing by 0.10% per year down to 5.0% and level thereafter

Mortality rates were based on the Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60 percent)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2015 - 2017.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Discount Rate

The discount rate used to measure the total OPEB liability was 2.25 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position will not be available to make all projected future benefit payments of current plan members. Therefore, a blended rate was used based on the long-term expected rate of return on OPEB plan investments and/or Bond Buyer 20-Bond Go Index was used to determine the total OPEB liability.

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a)-(b)</u>
Balances at 6/30/2020	\$ 4,094,226	\$ 596,888	\$ 3,497,338
Changes for the year:			
Service cost	205,922	-	205,922
Interest	90,360	-	90,360
Changes of benefit terms	(678,529)	-	(678,529)
Differences between expected and actual experience	629,844	-	629,844
Changes in assumptions	(76,454)	-	(76,454)
Contributions-employer	-	373,333	(373,333)
Net investment income	-	522	(522)
Benefit payments	(362,349)	(362,349)	-
Net changes	(191,206)	11,506	(202,712)
Balances at 6/30/2021	\$ 3,903,020	\$ 608,394	\$ 3,294,626

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were 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 discount rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Net OPEB liability	\$ 3,461,672	\$ 3,294,626	\$ 3,130,192

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

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	1% Decrease (5.5%) Decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5%) Decreasing to 5.0%)	1% Increase (7.5%) Decreasing to 6.0%)
Net OPEB liability	\$ 3,229,745	\$ 3,294,626	\$ 3,368,732

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$649,094. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,140,620	\$ -
Changes of assumptions or other inputs	200,525	156,607
Net difference between projected and actual earnings on OPEB plan investments	<u>22,429</u>	<u>-</u>
Total	<u>\$ 1,363,574</u>	<u>\$ 156,607</u>

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

Year Ended December 31:

2022	\$ 120,041
2023	117,725
2024	116,408
2025	114,059
2026	111,451
Thereafter	627,283

Payable to the OPEB Plan

At June 30, 2021, the District does not report a payable for any outstanding amount of contributions to District OPEB Plan required for the year ended June 30, 2021.

Local Retiree Life Insurance Fund (LRLIF)

Plan Description

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

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

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

Benefits Provided

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

Contributions

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

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

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

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

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

Life Insurance Member Contribution Rates* For the Plan Year

<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30-34	0.06
34-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

*Disabled members under age 70 receive a waiver-of-premium benefit

During the reporting period, the LRLIF recognized \$6,156 in contributions from the employer.

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

At June 30, 2021, the District reported a liability of \$1,698,276 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 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 OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2020, the District's proportion was 0.30873700 percent, which was an increase of 0.01617900 percent from its proportion measured as of December 31, 2019.

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For the year ended June 30, 2021, the District recognized OPEB expense of \$247,854.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 81,036
Net differences between projected and actual earnings on OPEB plan investments	24,726	-
Changes in assumptions	660,653	116,525
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,028	19,355
Employer contributions subsequent to the measurement date	<u>20,058</u>	<u>-</u>
Total	<u>\$ 756,465</u>	<u>\$ 216,916</u>

\$20,058 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2021	\$ 96,664
2022	93,990
2023	91,236
2024	82,165
2025	102,701
Thereafter	52,735

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Actuarial Assumptions

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2020
Measurement Date of Net OPEB Liability	December 31, 2020
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	2.12%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.25%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The Total OPEB Liability for December 31, 2020 is based upon a roll-forward of the liability calculated from the January 1, 2020 actuarial valuation.

Long-Term Expected Return on Plan Assets

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

Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2020

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. Credit Bonds	Barclays Credit	50 %	1.47 %
U.S. Mortgages	Barclays MBS	50	0.82
Inflation			2.20
Long-Term Expected Rate of Return			4.25 %

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The long-term expected rate of return and expected inflation rate remained unchanged from the prior year at 4.25 percent and 2.20 percent respectively. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single Discount Rate

A single discount rate of 2.25 percent was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 2.87 percent for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 2.74 percent as of December 31, 2019 to 2.12 percent as of December 31, 2020. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 2.25 percent, as well as what the District's proportionate share of the net OPEB liability would be if it were 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 to Discount Rate (1.25%)</u>	<u>Current Discount Rate (2.25%)</u>	<u>1% Increase to Discount Rate (3.25%)</u>
District's proportionate share of the net OPEB liability	\$ 2,310,141	\$ 1,698,276	\$ 1,235,540

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.

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At June 30, 2021, the District plan's membership consisted of:

Retirees and beneficiaries	16
Active members	<u>112</u>
Total	<u><u>128</u></u>

The District paid \$54,667 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	\$ 256,387
Service cost	40,556
Interest on total pension liability	5,610
Differences between expected and actual experience	52,134
Benefit payments	(54,667)
Change of assumptions	<u>(14,478)</u>
End of Year Balance	<u><u>\$ 285,542</u></u>

Assumptions

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

Measurement Date:	June 30, 2021
Actuarial Valuation Date:	June 30, 2020
Inflation:	2.00%
Discount Rate:	2.25%
Source of Discount Rate:	Based upon all years of project payments discounted at a municipal bond rate of 2.25%
Source of Mortality Assumptions:	Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60%)
Dates of Experience Studies	Experience study conducted in 2018 using WRS experience from 2015-2017

Pewaukee School District

Notes to Financial Statements
June 30, 2021

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	\$311,690	\$285,542	\$261,892

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2021, the District recognized pension expense of \$60,510. The District does not report any deferred outflows of resources or deferred inflows of resources related to the single-employer define benefit pension plan as of June 30, 2021.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 172,217	\$ -
Changes in actuarial assumptions	<u>23,555</u>	<u>14,344</u>
Total	<u>\$ 195,772</u>	<u>\$ 14,344</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ 14,344
2023	14,344
2024	14,344
2025	14,344
2026	14,344
Thereafter	109,708

Pewaukee School District

Notes to Financial Statements
June 30, 2021

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

Pewaukee School District

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund
Year Ended June 30, 2021

	Original Budget Amounts	Final Budget Amounts	Actual	Variance With Final Budget
Revenues				
Local	\$ 23,568,751	\$ 23,537,001	\$ 23,551,458	\$ 14,457
Interdistrict	2,009,060	2,003,300	2,005,251	1,951
Intermediate	7,736	8,736	9,461	725
State	9,256,747	9,275,235	9,328,852	53,617
Federal	214,990	401,360	426,567	25,207
Other	103,716	81,368	80,942	(426)
Total revenues	<u>35,161,000</u>	<u>35,307,000</u>	<u>35,402,531</u>	<u>95,531</u>
Expenditures				
Instruction:				
Regular	14,461,374	14,407,949	14,185,278	222,671
Special education	296,784	296,504	284,010	12,494
Vocational	1,510,112	1,502,764	1,494,116	8,648
Other	1,465,783	1,462,103	1,445,556	16,547
Total instruction	<u>17,734,053</u>	<u>17,669,320</u>	<u>17,408,960</u>	<u>260,360</u>
Support services:				
Pupil services	1,099,983	1,098,595	1,068,797	29,798
Instructional support services	2,586,592	2,533,385	2,411,386	121,999
Administration	3,084,376	3,097,571	2,977,663	119,908
Buildings and grounds	3,312,564	3,224,930	3,196,782	28,148
Pupil transportation	1,272,304	1,264,804	1,129,083	135,721
Other support services	1,900,062	2,136,945	1,923,300	213,645
Debt service:				
Interest and fiscal charges	25,235	25,235	25,235	-
Total support services	<u>13,281,116</u>	<u>13,381,465</u>	<u>12,732,246</u>	<u>649,219</u>
Nonprogram:				
General tuition payments	1,157,511	1,241,791	1,207,720	34,071
Other nonprogram	5,000	31,104	31,104	-
Total nonprogram	<u>1,162,511</u>	<u>1,272,895</u>	<u>1,238,824</u>	<u>34,071</u>
Total expenditures	<u>32,177,680</u>	<u>32,323,680</u>	<u>31,380,030</u>	<u>943,650</u>
Excess of revenues over expenditures	<u>2,983,320</u>	<u>2,983,320</u>	<u>4,022,501</u>	<u>1,039,181</u>
Other Financing Sources (Uses)				
Transfers out	<u>(2,883,320)</u>	<u>(2,883,320)</u>	<u>(2,524,184)</u>	<u>359,136</u>
Total other financing sources (uses)	<u>(2,883,320)</u>	<u>(2,883,320)</u>	<u>(2,524,184)</u>	<u>359,136</u>
Net change in fund balances	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>1,498,317</u>	<u>\$ 1,398,317</u>
Fund Balances, Beginning			<u>8,583,806</u>	
Fund Balances, Ending			<u>\$ 10,082,123</u>	

See independent auditors' report and notes to required supplementary information

Pewaukee School District

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Special Education Fund
Year Ended June 30, 2021

	<u>Original and Final Budget Amounts</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Interdistrict	\$ 13,500	\$ 40,469	\$ 26,969
State	1,148,447	1,055,934	(92,513)
Federal	725,331	655,087	(70,244)
Total revenues	<u>1,887,278</u>	<u>1,751,490</u>	<u>(135,788)</u>
Expenditures			
Instruction:			
Special education	<u>3,202,488</u>	<u>3,046,582</u>	<u>155,906</u>
Total instruction	<u>3,202,488</u>	<u>3,046,582</u>	<u>155,906</u>
Support services:			
Pupil services	461,654	476,614	(14,960)
Instructional support services	328,130	285,833	42,297
Administration	4,800	4,655	145
Buildings and grounds	6,000	8,657	(2,657)
Pupil transportation	289,440	216,878	72,562
Other support services	500	1,042	(542)
Total support services	<u>1,090,524</u>	<u>993,679</u>	<u>96,845</u>
Nonprogram:			
General tuition payments	<u>477,430</u>	<u>235,257</u>	<u>242,173</u>
Total expenditures	<u>4,770,442</u>	<u>4,275,518</u>	<u>494,924</u>
Excess (deficiency) of revenues over expenditures	(2,883,164)	(2,524,028)	359,136
Other Financing Sources			
Transfer in	<u>2,883,164</u>	<u>2,524,028</u>	<u>(359,136)</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balances, Beginning		<u>-</u>	
Fund Balances, Ending		<u>\$ -</u>	

See independent auditors' report and notes to required supplementary information

Pewaukee School District

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

Plan Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.10662550 %	\$ (2,619,014)	\$ 14,983,365	17.48 %	102.74 %
12/31/15	0.10840687 %	1,761,591	15,658,307	11.25 %	98.20 %
12/31/16	0.10951564 %	902,670	16,077,797	5.61 %	99.12 %
12/31/17	0.11125244 %	(3,303,216)	16,665,759	19.82 %	102.93 %
12/31/18	0.11251029 %	4,002,763	17,523,954	22.84 %	96.45 %
12/31/19	0.11322315 %	(3,650,931)	18,161,605	20.10 %	102.96 %
12/31/20	0.11357079 %	(7,090,381)	18,920,123	37.48 %	105.26 %

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

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 1,049,432	\$ 1,049,432	\$ -	\$ 15,307,386	6.86 %
6/30/16	1,091,800	1,091,800	-	16,069,090	6.80 %
6/30/17	1,105,882	1,105,882	-	16,275,489	6.79 %
6/30/18	1,161,152	1,161,152	-	17,230,585	6.74 %
6/30/19	1,181,317	1,181,317	-	17,870,342	6.61 %
6/30/20	1,245,333	1,245,333	-	18,949,765	6.57 %
6/30/21	1,322,505	1,322,505	-	19,967,809	6.62 %

See independent auditors' report and notes to required supplementary information

Pewaukee School DistrictSchedule of Changes in the Net OPEB Liability and Related Ratios - Health
Year Ended June 30, 2021

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB Liability				
Service cost	\$ 203,606	\$ 196,253	\$ 162,581	\$ 205,922
Interest	112,881	118,589	133,382	90,360
Changes in benefit terms	-	-		(678,529)
Differences between expected and actual experience	-	732,241	-	629,844
Changes in assumptions	(74,039)	(45,843)	236,985	(76,454)
Benefit payments	<u>(268,110)</u>	<u>(335,022)</u>	<u>(336,694)</u>	<u>(362,349)</u>
Net change in total OPEB liability	(25,662)	666,218	196,254	(191,206)
Total OPEB Liability, Beginning	<u>3,257,416</u>	<u>3,231,754</u>	<u>3,897,972</u>	<u>4,094,226</u>
Total OPEB Liability, Ending	<u>\$ 3,231,754</u>	<u>\$ 3,897,972</u>	<u>\$ 4,094,226</u>	<u>\$ 3,903,020</u>
Plan Fiduciary Net Position				
Contributions, employer	\$ 306,292	\$ 335,062	\$ 452,667	\$ 373,333
Net investment income	6,100	10,782	6,870	522
Cash in lieu of adjustment	(33,333)	-	-	-
Benefit payments	<u>(268,110)</u>	<u>(335,022)</u>	<u>(336,694)</u>	<u>(362,349)</u>
Net change in plan fiduciary net position	10,949	10,822	122,843	11,506
Plan Fiduciary Net Position, Beginning	<u>452,274</u>	<u>463,223</u>	<u>474,045</u>	<u>596,888</u>
Plan Fiduciary Net Position, Ending	<u>\$ 463,223</u>	<u>\$ 474,045</u>	<u>\$ 596,888</u>	<u>\$ 608,394</u>
Net OPEB Liability, Ending	<u>\$ 2,768,531</u>	<u>\$ 3,423,927</u>	<u>\$ 3,497,338</u>	<u>\$ 3,294,626</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.33%	12.16%	14.58%	15.59%

See independent auditors' report and notes to required supplementary information

Pewaukee School DistrictSchedule of Employer Contributions - Health
Year Ended June 30, 2021

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually determined contribution	\$ 361,546	\$ 360,638	\$ 360,638	\$ 376,231
Contributions in relation to the contractually determined contribution	<u>306,292</u>	<u>335,062</u>	<u>452,667</u>	<u>373,333</u>
Contribution deficiency (excess)	<u>\$ 55,254</u>	<u>\$ 25,576</u>	<u>\$ (92,029)</u>	<u>\$ 2,898</u>

See independent auditors' report and notes to required supplementary information

Pewaukee School District

Schedule of District's Proportionate Share of the Net OPEB Liability - Life
Year Ended June 30, 2021

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
12/31/17	0.30302600 %	\$ 911,678	\$ 12,743,110	7.15 %	44.81 %
12/31/18	0.29769100 %	768,143	17,458,000	4.40 %	48.69 %
12/31/19	0.29255800 %	1,245,769	17,666,000	7.05 %	37.58 %
12/31/20	0.30873700 %	1,698,276	18,206,000	9.33 %	31.36 %

Schedule of Employer Contributions - Life
Year Ended June 30, 2021

<u>District Fiscal Year Ending</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>
6/30/18	\$ 5,754	\$ 5,754	\$ -	\$ 12,743,110	0.05 %
6/30/19	37,303	37,303	-	17,450,000	0.21 %
6/30/20	41,782	41,782	-	17,662,000	0.24 %
6/30/21	40,085	40,085	-	18,206,000	0.22 %

See independent auditors' report and notes to required supplementary information

School District of Pewaukee

Notes to Required Supplementary Information
Year Ended June 30, 2021

1. 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 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 Board of Education resolution. Budgets are adopted at the function level in the General Fund and at the fund level for all other funds. Appropriations lapse at year-end unless specifically carried over.

2. Single Employer Defined Benefit Pension Plan

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.

Changes in Size or Composition of the Population Covered by the Benefit Terms: There were no changes to the size or composition of the population covered by the benefit terms.

Changes of Assumptions: Assumed rate of inflation changed from 2.5 percent to 2.0 percent. Mortality assumptions are now based on the Wisconsin 2018 Mortality Table adjusted for future mortality improvements using the MP-2018 fully generated improvement scale (multiplied 60 percent). Actuarial assumptions are not based on an experience study conducted in 2018 using Wisconsin Retirement System (WRS) experience from 2015-17.

3. Wisconsin Retirement System

The amounts presented for each fiscal year were determined as of the calendar year-end that 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 WRS.

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

4. Local Retiree Life Insurance Fund

The amounts presented for each fiscal year were determined as of the calendar year-end that 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 LRLIF.

Changes of Assumptions: The Single Discount Rate assumption used to develop the Total OPEB Liability changed from the prior year. Please refer to the Actuarial Assumptions section above for additional details.

School District of Pewaukee

Notes to Required Supplementary Information
Year Ended June 30, 2021

5. OPEB Plan, Health

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.

Significant methods and assumptions used in calculating the actuarially determined contribution:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Amortization method	23 year level percent
Discount rate	2.25 percent
Inflation	2.00 percent

SUPPLEMENTARY INFORMATION

Pewaukee School District

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2021

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Package Cooperative Program Fund	
Assets				
Cash and investments	\$ 198,944	\$ 312,902	\$ -	\$ 511,846
Accounts receivable	28,139	-	-	28,139
Due from other governments	42,770	-	-	42,770
Total assets	<u>\$ 269,853</u>	<u>\$ 312,902</u>	<u>\$ -</u>	<u>\$ 582,755</u>
Liabilities				
Accounts payable	\$ 24,766	\$ -	\$ -	\$ 24,766
Accrued payroll and related liabilities	3,273	6	-	3,279
Total liabilities	<u>28,039</u>	<u>6</u>	<u>-</u>	<u>28,045</u>
Fund Balances				
Restricted	<u>241,814</u>	<u>312,896</u>	<u>-</u>	<u>554,710</u>
Total fund balances	<u>241,814</u>	<u>312,896</u>	<u>-</u>	<u>554,710</u>
Total liabilities and fund balances	<u>\$ 269,853</u>	<u>\$ 312,902</u>	<u>\$ -</u>	<u>\$ 582,755</u>

Pewaukee School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
 Year Ended June 30, 2021

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Package Cooperative Program Fund	
Revenues				
Local	\$ 119,715	\$ 244,458	\$ -	\$ 364,173
Interdistrict	-	-	1,409	1,409
State	10,864	-	-	10,864
Federal	770,947	-	-	770,947
Other	386	76,004	-	76,390
Total revenues	901,912	320,462	1,409	1,223,783
Expenditures				
Instruction:				
Regular	-	30,949	-	30,949
Vocational	-	6,912	-	6,912
Other	-	308,296	-	308,296
Total instruction	-	346,157	-	346,157
Support services:				
Instructional support services	-	22	-	22
Other support services	-	-	1,565	1,565
Buildings and grounds	21,982	-	-	21,982
Food service	903,365	-	-	903,365
Total support services	925,347	22	1,565	926,934
Total expenditures	925,347	346,179	1,565	1,273,091
Excess (deficiency) of revenues over expenditures	(23,435)	(25,717)	(156)	(49,308)
Other Financing Sources				
Transfers in	-	-	156	156
Net change in fund balances	(23,435)	(25,717)	-	(49,152)
Fund Balances, Beginning (as restated)	265,249	338,613	-	603,862
Fund Balances, Ending	\$ 241,814	\$ 312,896	\$ -	\$ 554,710

SINGLE AUDIT

Pewaukee School District

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

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Pass Through Agency	Pass Through Agency ID	Accrued Receivable July 1, 2020	Expenditures		Receipts		Accrued Receivable June 30, 2021
					Grantor	Local	Grantor Reimbursements	Local Share	
U.S. Department of Education									
Title I Grants to Local Educational Agencies: July 1, 2020 - June 30, 2021	84.010	WI DPI	2021-674312-TIA-141	\$ -	\$ 74,901	\$ -	\$ 42,151	\$ -	\$ 32,750
Special Education Cluster (IDEA) Special Education Grants to States: July 1, 2019 - June 30, 2020 July 1, 2020 - June 30, 2021	84.027	WI DPI WI DPI	2021-674312-DPI-IDEA-FT-341	48,430 -	- 560,332	- -	48,430 309,615	- -	- 250,717
				48,430	560,332	-	358,045	-	250,717
Special Education Preschool Grants: July 1, 2020 - June 30, 2021	84.173	WI DPI	2021-674312-DPI-IDEA-P-347	-	32,769	-	2,945	-	29,824
Total Special Education Cluster				48,430	593,101	-	360,990	-	280,541
Improving Teacher Quality State Grants: July 1, 2020 - June 30, 2021	84.367	WI DPI	2021-674312-DPI-TIIA-365	-	31,073	-	31,073	-	-
English Language Acquisition State Grants: July 1, 2020 - June 30, 2021	84.365	CESA 1	Unknown	-	7,946	-	7,946	-	-
Student Support and Academic Enrichment Program: July 1, 2020 - June 30, 2021	84.424	WI DPI	2020-674312-TIVA - DPI-381	-	9,951	-	9,951	-	-
Elementary and Secondary School Emergency Relief I COVID-19: March 13, 2020 - September 30, 2022	84.425	WI DPI	2021-674312-DPI-ESSERF-160	-	53,903	-	53,903	-	-
Elementary and Secondary School Emergency Relief II COVID-19: March 13, 2020 - September 30, 2023	84.425	WI DPI	2022-674312-DPI-ESSERFII-163	-	185,905	-	-	-	185,905
Total U.S. Department of Education				48,430	956,780	-	506,014	-	499,196

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

Pewaukee School District

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

Awarding Agency/Pass-Through Agency/Award Description	Federal Catalog Number	Pass Through Agency	Pass Through Agency ID	Accrued Receivable July 1, 2020	Expenditures		Receipts		Accrued Receivable June 30, 2021
					Grantor	Local	Grantor Reimbursements	Local Share	
U.S. Department of Health and Human Services									
Medicaid Cluster:									
Medical Assistance Program: July 1, 2020 - June 30, 2021	93.778	WI DHS	44225400	\$ -	\$ 132,820	\$ -	\$ 122,980	\$ -	\$ 9,840
Total Medicaid Cluster				-	132,820	-	122,980	-	9,840
Total U.S. Department of Health and Human Services				-	132,820	-	122,980	-	9,840
U.S. Department of Agriculture									
Child Nutrition Cluster:									
National School Lunch Program: July 1, 2019 - June 30, 2020	10.555	WI DPI	2021-674312-DPI-NSL-547	9,051	-	-	9,051	-	-
July 1, 2020 - June 30, 2021		WI DPI		-	770,947	-	728,177	-	42,770
				9,051	770,947	-	737,228	-	42,770
School Breakfast Program July 1, 2020 - June 30, 2021	10.553	WI DPI	2021-674312-DPI-SB-546	4,786	-	-	4,786	-	-
Total Child Nutrition Cluster				13,837	770,947	-	742,014	-	42,770
Total U.S. Department of Agriculture				13,837	770,947	-	742,014	-	42,770
Total Federal Awards				\$ 62,267	\$ 1,860,547	\$ -	\$ 1,371,008	\$ -	\$ 551,806

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

Pewaukee School DistrictSchedule of Expenditures of State Awards
Year Ended June 30, 2021

<u>Awarding Agency/Pass-Through Agency/Award Description</u>	<u>Passed Through Agency ID</u>	<u>State ID Number</u>	<u>Expenditures</u>
Wisconsin Department of Public Instruction			
<u>Entitlement Programs</u>			
Special Education & School Age Parents	674312-100	255.101	\$ 1,044,125
State School Lunch Aid	674312-107	255.102	9,995
Common School Fund Library Aid	674312-104	255.103	117,205
Pupil Transportation Aid	674312-102	255.107	80,372
Equalization Aid (receivable of \$50,975)	674312-116	255.201	6,623,909
High Cost Special Education Aid	674312-119	255.210	4,809
Aid for School Mental Health Programs	674312-176	255.227	6,675
Supplemental Per Pupil Aid	674312-181	255.245	8,381
Peer-to-Peer Suicide Prevention Grant	674312-183	225.246	1,000
School Based Mental Health Services	674312-177	255.297	60,925
State School Breakfast Aid	674312-108	255.344	868
Early College Credit Program	674312-178	255.445	1,543
Educator Effective Eval System	674312-154	255.940	20,160
Per Pupil Aid	674312-113	255.945	2,046,436
Career and Technical Education Incentive	674312-152	255.950	36,692
Assessments of Reading Readiness	674312-166	255.956	3,584
Robotics Lead Participation	674312-167	255.959	3,250
Special Education Transition Incentive	674312-168	255.960	7,000
<u>Village of Menomonee Falls</u>			
Special Education Transition Readiness Grant	674312-174	255.257	<u>2,857</u>
Total State Awards			<u>\$ 10,079,786</u>

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

Pewaukee School District

Notes to Schedules of Expenditures of Federal Awards and State Awards
Year Ended June 30, 2021

1. Reporting Entity

This Report on Federal and State Awards includes the federal and state awards of the Pewaukee School District (the District). The reporting entity for the District is based upon criteria established by the Governmental Accounting Standards Board.

The schedules include only those programs required to be included in accordance with the *State Single Audit Guidelines*.

2. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards (schedules) include the federal and state award activity of the District under programs of the federal and state government for the year ended June 30, 2021. The information in these schedules are 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 present 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.

3. 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 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.

4. Eligible Costs for Special Education

Eligible costs for special education under project 011 were \$3,545,021 for the year ended June 30, 2021.

5. Pass-Through Agencies

The District received federal awards from the following pass-through agencies:

WI DPI	Wisconsin Department of Public Instruction
WI DHS	Wisconsin Department of Health Services
CESA 1	Cooperative Educational Service Agency #1

6. Indirect Cost Rate

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

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
Pewaukee School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pewaukee School District, Wisconsin as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Pewaukee School District's basic financial statements and have issued our report thereon dated November 22, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pewaukee School 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*.

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
November 22, 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
Pewaukee School District

Report on Compliance for Each Major Federal and Major State Program

We have audited the Pewaukee School District's 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 Pewaukee School District's major federal and major state programs for the year ended June 30, 2021. Each of the Pewaukee School District's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Pewaukee School 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 a major state program occurred. An audit includes examining, on a test basis, evidence about the Pewaukee School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and Major State Program

In our opinion, the Pewaukee School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Pewaukee School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pewaukee School 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 Pewaukee School District's internal control over compliance.

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

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

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
November 22, 2021

Pewaukee School District

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 were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal and State Awards

	<u>Federal Programs</u>	<u>State Programs</u>
Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no none	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no none
Significant deficiency(ies) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> reported	<input type="checkbox"/> yes <input checked="" type="checkbox"/> reported
Type of auditor's report issued on compliance for major programs:	Unmodified	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance or the <i>State Single Audit Guidelines</i> ?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	\$250,000

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster

Identification of major state programs:

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

Federal program audited in accordance with the *State Single Audit Guidelines*:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medicaid Cluster

Pewaukee School District

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

Section II - Financial Statement Findings

None.

Section III - Federal and State Award Findings and Questioned Costs

None.

Section IV - Other Issues

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

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

Department of Public Instruction	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no	
Department of Health Services	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no	

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? yes no

Name and signature of partner



Paul J. Frantz, CPA, Partner

Date of report

November 22, 2021